

2 February 2016

Dear Sir/Madam,

AUDIT & ACCOUNTS COMMITTEE – WEDNESDAY 10 FEBRUARY 2016

Notice is hereby given that a meeting of the Audit & Accounts Committee of Newark and Sherwood District Council is to be held on Wednesday 10 February 2016 at **10.00 am** in Room G21, Kelham Hall, Newark.



A W Muter
Chief Executive

AGENDA
WEDNESDAY, 10 FEBRUARY 2016 at 10.00am

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Any questions relating to the agenda items should be submitted to David Dickinson- Director-Resources, at least 24 hours prior to the meeting in order that a full response can be provided.

Distribution

Councillors: B. Crowe
Mrs R. Crowe
Mrs M. Dobson
P. Handley
Mrs S.M. Michael (C)
D. Staples

Officers: D. Dickinson
N. Lovely
A. Hunt (Audit Lincs)
Lucy Pledge (Audit Lincs)
John Sketchley (Audit Lincs)
Jonathan Gorrie (KPMG)
Helen Brookes (KPMG)
Helen Bayne (x2)

NEWARK & SHERWOOD DISTRICT COUNCIL

Minutes of the meeting of the **AUDIT & ACCOUNTS COMMITTEE** held in Room G21, Kelham Hall on Wednesday, 4 November 2015 at 9:30am.

PRESENT: Councillor Mrs S.M. Michael (Chairman)

Councillors: Mrs R. Crowe, R.A. Crowe, and D. Staples.

ALSO IN ATTENDANCE: David Dickinson (Director – Resources NSDC)
Nicky Lovely (Business Manager Financial Services NSDC)
Tara Beesley (Accountant NSDC)
Amanda Hunt (Principal Auditor (Audit Lincolnshire))
John Sketchley (Audit Manager (Audit Lincolnshire))
John Cornett (KPMG)
Helen Brookes (KPMG)

27. APOLOGIES FOR ABSENCE

Apologies for absence were submitted by Councillors Mrs M. Dobson, G.P. Handley and Lucy Pledge (Audit Lincs).

28. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

NOTED: that no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

29. DECLARATION OF ANY INTENTION TO RECORD THE MEETING

None.

30. MINUTES OF MEETING HELD ON 9 SEPTEMBER 2015

AGREED that the Minutes of the meeting held on 9 September 2015 be approved as a correct record and signed by the Chairman.

31. TREASURY PERFORMANCE- HALF YEARLY REPORT

The Committee considered a report detailing treasury performance and prudential indicators for the first half of 2015/16. None of the prudential indicators had been breached, and a prudent approach had been undertaken in relation to investment activity. Details of the economic background were appended to the report for Members.

The Council's overall borrowing had reduced by £2million, to £92 million, and it was noted that although there was no expectation to borrow in 2015/16, this was regularly reviewed as a result of the major capital projects the Council was undertaking in development of a new leisure centre and office buildings. The Council still undertook internal borrowing, however, this position was not sustainable over the medium term

as the Council would need to use the reserves for the purposes they were set aside for, and therefore external borrowing could be required. It was clarified that the Council was able to borrow in anticipation of defined capital expenditure.

There had been an increase of £2million in investments, all of which were short term and with interest rates that fluctuated on a daily basis. The Council had also now recovered 96.6% of the investment made with Icelandic banks, amounting to a loss of £62,158.

AGREED That:

- (a) The Treasury Activity be noted
- (b) The prudential indicators detailed in section 7 of the report be noted.

32. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report detailing progress against the 2015/16 audit plan where, to date, 21 jobs had been completed set against the 33 jobs scheduled in the plan. 3 reports had been issued since the last meeting of the committee. The reports on Leisure Centres and ICT Applications (Uniform) had received assurances of some improvement needed/substantial. The third report was an advisory report in relation to the National Civil War Centre looking at processes in place and proposed for the key financial areas. An annual independent examination of the Gilstrap accounts had also been undertaken. Details of audits in progress were highlighted, as was performance information.

The Committee considered the information regarding outstanding recommendations from audits undertaken. Audits for Emerging Risks and Corporate Governance related to Procurement. The Director-Resources explained that these both related to development of the Procurement Policy. The procurement team within the Council was very small, with only one officer, and therefore the resources for development of the policy were limited against the substantial work that was currently required for the Councils large capital projects.

The Committee noted that a number of recommendations were overdue for implementation. There was a process whereby officers could extend implementation dates and the Committee requested that the report detailed all those revised dates. With regard to safeguarding, it was clarified that this was in relation to incorporating safeguarding principles within contract procedures. Initially, this could be raised with the Director-Safety, to be undertaken once the officer with responsibility for this area returned from long-term sick leave.

AGREED That the internal progress report be noted

33. ACCOUNTS AND AUDIT REGULATIONS 2015- CHANGES TO YEAR END TIMETABLE

The Business Manager- Financial Services presented a report detailing changes within the Audit and Accounts Regulations 2015 which came into force on 1 April 2015, the main impact of which was to bring forward the dates for the closure and publication of accounts. The new regulations revoked the Audit and Accounts Regulations 2011.

Under the 2011 regulations the deadline for the presentation of the annual accounts was 30 June following the financial year end, which was now changed to 31 May, and for the accounts to be open for public inspection from 1 June. The publication of the approved annual accounts with an audit opinion and certificate was now no later than 31 July following the financial year end, where previously it had been no later than 30 September.

The changes to the regulations reduced the time available for officers to complete the year end processes by one month. Transitional arrangements had been put in place for the accounts for 2015/2016 and 2016/17, however, officers were now working on reviewing and streamlining the year end process with the aim of meeting the new deadlines prior to the regulatory requirement. The new deadlines were likely to mean that more estimates would be used within the closedown process, leading to more changes required between production and approval of the accounts.

In response to a query from a member of the Committee, the Business Manager explained that the changes may have resulted from the Government needing to have more time to collate the Whole of Government Accounts returns from all public sector bodies, in order that they had figures on which to base departmental budgets for the next financial year.

AGREED That the Committee noted the requirements of the Audit and Accounts Act Regulations 2015 relating to the earlier close down of the accounts.

34. EXTERNAL AUDITORS ANNUAL AUDIT LETTER

John Cornett (KPMG) was in attendance to present the External Auditors Annual Letter to the Committee. An unqualified opinion of the authorities financial statements and Value for Money Conclusion had been issued on 24 September 2015, concluding the audit for 2014/15. The audit fee for 2014/15 was £64,438 excluding VAT.

Members' attention was drawn to appendix 3 of the report, detailing audit fees. Mr Cornett explained to the Committee that a matter had come to light on which he was duty bound to report to the Committee. He explained that In April 2011 the Council engaged KPMG to provide services to assist with the recovery of VAT in respect of non-business sports claims. The fee agreed for these services was a performance related fee, of 20% of any amounts recovered from HMRC if the claim was ultimately successful. Subsequently, in April 2012, KPMG LLP was appointed as auditor for the Council for the 2012/13 year of account and subsequent financial years. As the Council's External Auditor, the APB Ethical Standards prohibited KPMG from providing services to the Council on a wholly or partly contingent fee basis where the outcome of those services was dependent upon the proposed application of tax law which is uncertain or had not been established. At that time, no work had been undertaken on the case and it was therefore agreed that a revised fixed fee of £30,000 was to be charged to ensure compliance with ethical standards. The figure included in the Annual Audit Letter was incorrectly stated as £42,500, which Mr Cornett confirmed would be amended and the letter reissued.

The matter had been considered by officers of the Council alongside KPMG and noted

that the amount of tax potentially recoverable was £0.4million, which was not material to the Council, and no fee had been paid to KPMG, as the matter had not yet been heard in court. Furthermore, the potential fee to KPMG of £79,000 was not material to KPMG. It was therefore concluded that the objectivity of the firm and any work undertaken on the accounts had not been compromised, and the issue had been an oversight on the part of KPMG.

It was noted that this meeting was the last at which Mr Cornett would be representing KPMG and he expressed his thanks to the Committee and finance team. The Committee expressed their thanks for his work and attendance at the meetings, and the Director- Resources expressed his thanks to Mr Cornett for a constructive and helpful relationship.

AGREED That the Committee noted the report.

35. COUNTER FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented a report informing the Committee of counter-fraud activity undertaken since 8 April 2015. The Council had identified and dealt with fraudulent benefit claims amounting to £72,626.87p through court prosecutions, administration penalties and cautions. Six other overpayments had been identified, which were not fraudulent but were errors on the part of the claimant and were recoverable. Where possible, the Council undertook action to recover any debts.

A review of expenses and additional payments made to staff over the three years from 2012/13 to 2014/15 had been undertaken. No fraudulent trends were detected. A Nottinghamshire county-wide Council Tax Single Persons Discount review had been completed, which uncovered 489 accounts within Newark and Sherwood, where the discount was claimed but where more than two people were listed as living at the property, amounting to £166,272. The final report from the National Fraud Initiative was expected in Spring 2016.

AGREED That the report be noted.

36. INFORMATION FOR MEMBERS AS IDENTIFIED BY THE KNOWLEDGE AND SKILLS QUESTIONNAIRE

The Business Manager- Financial Services presented a report containing information for the Committee, which had been highlighted as required through the recently completed knowledge and skills questionnaire. Information included: the Council's arrangements to uphold ethical standards; the Council's Whistleblowing arrangements; and the role of the Chief Financial Officers as required by CIPFA, and how the Council met those requirements.

The attention of Members was drawn to the Council's Code of Corporate Governance which detailed the Council's arrangements to uphold ethical standards, and the Council's Whistleblowing Policy, which was available on the Council's website within the Constitution. Members also considered in detail the role of the Chief Financial Officer and how the Director- Resources, who was defined at the Chief Financial

Officer, met the requirements of the role as set by CIPFA. It was noted that when the Chief Financial Officer did not report directly to the Chief Executive of an authority, it was necessary to disclose this fact in the Council's accounts.

AGREED That the report be noted.

37. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

The Committee considered a report seeking to initiate the annual review of the effectiveness of the internal audit function, and the self-assessment of the Audit and Accounts Committee as required by the Audit and Accounts (England) Regulations 2011. This was usually undertaken by a working group of the Committee comprising the Chairman and one other Member, which then reported back to the Committee.

AGREED That:

- (a) The Chairman and Councillor Handley be appointed to a working group to undertake the review of effectiveness of internal audit. Should Councillor Handley be unable to take on this role, Councillor Staples would be appointed;
- (b) Task the group to undertake a review of the internal audit function against the PSIAS;
- (c) Task the group to carry out a self-assessment of the effectiveness of the Committee using the CIPFA checklist and considering the previous year's action plan; and
- (d) a date for the review to be carried out be considered by the appointed members.

38. RESPONSES TO QUESTIONS RAISED AT PREVIOUS MEETING

AGREED That the responses to questions raised at the previous meeting be noted.

39. AUDIT COMMITTEE WORK PROGRAMME

AGREED That Committee noted the work programme.

40. DATE OF NEXT MEETING

NOTED that the date of the next meeting was Wednesday 10 February 2016

The meeting closed at 10.37am

Chairman

DRAFT TREASURY STRATEGY REPORT 2016/17

1.0 Introduction

1.1 The attached draft report, to be considered by Council on 10th March, outlines the Council's Treasury Strategy for 2016/17 and subsequent years and sets out the expected treasury operations for this period. It is based on the latest capital programme submitted to Policy Committee adjusted for any known variations.

2.0 Purpose

2.1 This report fulfils four key legislative requirements:

a) Prudential Indicators.

The reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities) are shown in the body of the report.

b) Minimum Revenue Provision Policy,

This sets out how the Council will pay for past and future capital investment assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007) see paragraph 7.3 of the report;

c) The Treasury Management Strategy statement

This sets out how the Council's treasury service will support the capital decisions taken above, carry out the day to day treasury management, and the limitations on such activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the "Affordable Borrowing Limit" required by s3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code;

d) Investment Strategy

The strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is shown in paragraph 5 of the report.

Revised editions of the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were produced in November 2011 and the CLG introduced changes to Investment Guidance in April 2010. The revised guidance arising from these Codes has been incorporated within these reports.

3.0 RECOMMENDATIONS:

The Audit and Accounts Committee recommends for Council approval the following:

- (a) The Treasury Management Strategy 2016/17,**
- (b) The investment counterparty criteria listed in paragraph 5.4 of the report,**
- (c) The Prudential Indicators and Limits set out in the report, and**
- (d) The Minimum Revenue Provision statement contained in paragraph 7.3 of the report.**

Background Papers

Treasury Management in the Public Services – CIPFA 2011

The Prudential Code for Capital Finance in Local Authorities – CIPFA 2011

For further information please contact Tara Beesley, Accountant on ext: 5328.

D. Dickinson

Director - Resources

TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17

1.0 Introduction

- 1.1. In January 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2. In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.
- 1.3. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
- 1.4. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2.0 External Context

- 2.1. **Economic background:** Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.
- 2.2. China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however, suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but the statements accompanying the policy decisions make a rate hike in December 2015 a real possibility. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.
- 2.3. **Credit outlook:** The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

- 2.4. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.
- 2.5. **Interest rate forecast:** The Council's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.
- 2.6. A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

3.0 Local Context

- 3.1. The Council currently has £92.4m of borrowing and £27.3m of investments (as at 31st December 2015). This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.15 Actual £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m	31.3.19 Estimate £m
General Fund CFR	18.0	19.7	24.0	23.5	22.6
HRA CFR	104.2	104.2	104.2	104.2	104.2
Total CFR	122.2	123.9	128.2	127.7	126.8
Less: Other debt liabilities	0.2	0.2	0.2	0.2	0.2
Borrowing CFR	122.0	123.7	128.0	127.5	126.6
Less: External borrowing	94.0	91.8	95.7	95.7	95.7
Internal borrowing	28.0	31.9	32.3	31.8	30.9

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3 The Council has an increasing CFR due to the capital programme, but a relatively small level of investments and will assess the capital financing need to borrow, taking into account the ability for internal borrowing.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2016/17.

4.0 Borrowing Strategy

4.1. The Council currently holds £92.4 million of loans (as at 31st December 2015), an increase of £1.2 million on the previous year, as part of its strategy for funding previous years' capital programmes. The Council's current capital programme shows we may need to borrow up to £5m in 2016/17, and may also need to borrow additional sums in future years.

4.2. **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term instead.

4.4. By using internal resources, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5. In addition, the Council may use short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

4.6. **Sources:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.7. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- sale and leaseback

- 4.8 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.
- 4.9 **LGA Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.
- 4.10 **LOBOs:** The Council holds £16.5m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £9.5m of these LOBOS have options during 2016/17, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.
- 4.11 **Short-term and Variable Rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.
- 4.12 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5.0 Investment Strategy

- 5.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the first 9 months of 2015/16, the Council’s investment balance has ranged between £13.6 and £27.3 million. Levels available for investment are affected by capital expenditure and will continue to be monitored.
- 5.2. **Objectives:** Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.3. **Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council will consider diversifying into more secure asset classes during 2016/17. All of the Council’s surplus cash is currently invested in short-term unsecured bank deposits, and money market funds.
- 5.4. **Approved Counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 20 years	n/a	n/a
AAA	£5m 3 years	£10m 10 years	£10m 20 years	£5m 10 years	£5m 10 years

AA+	£5m 2 years	£10m 4 years	£10m 5 years	£5m 4 years	£5m 4 years
AA	£5m 1 year	£10m 2 years	£10m 3 years	£5m 2 years	£5m 4 years
AA-	£5m 1 year	£10m 2 years			£5m 4 years
A+	£5m 6 months	£10m 1 year			£5m 2 years
A	£5m 6 months	£10m 1 year			£5m 2 years
A-	£5m 3 months	£10m 6 months			£5m 2 years
BBB+	£0.25m next working day only	£5m 3 months			£0.25m 1 year
BBB	£0.25m next working day only	£0.25m next working day only			n/a
None		n/a			£5m 2 years
Pooled funds	£10m per fund				

This table must be read in conjunction with the notes below.

- 5.5. **Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.
- 5.6. **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB+ or BBB are restricted to overnight deposits at the Council's current account bank. The Council's current account bank (Natwest Bank plc) is rated at BBB+.
- 5.7. **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 5.8. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 20 years.

- 5.9. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- 5.10. **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.
- 5.11. **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 5.12. The Council may consider investing in Property Funds. Discussions with the Councils treasury advisers Arlingclose have identified the potential to invest in managed property funds, whereby a third party pools investments from local authorities to purchase commercial properties and earn lease income from them. The third party manages the property portfolio removing the need for local authorities to have the relevant expertise, and the return on investment is usually higher than for equivalent investments with financial institutions. These funds should only be used for longer term investments to achieve a reasonable return; therefore the decision to invest in them will be made in conjunction with consideration of the use of internal reserves to fund the capital programme.
- 5.13. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 5.14. **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.15. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 5.16. **Other Information on the Security of Investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will

therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

- 5.17. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 5.18. **Specified Investments:** The CLG Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

- 5.19. **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.
- 5.20. **Investment Limits:** A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.
- 5.21. **Liquidity Management:** The Council maintains a daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Any proposed long term investments are set by reference to the Council's medium term financial plan, capital programme and cash flow forecast.

6.0 **Treasury Management Indicators**

- 6.1 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2016/17 £m	2017/18 £m	2018/19 £m
<u>Fixed Rate</u>			
Borrowing	122.3	122.3	122.3
Investments	-5	-5	-5
Net Upper limit on fixed rate exposure	117.3	117.3	117.3
<u>Variable Rate</u>			
Borrowing	30.5	30.5	30.5
Investments	-27.8	-27.8	-27.8
Net Upper limit on variable rate exposure	2.7	2.7	2.7

- 6.2 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 6.3 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£5m	£5m	£5m

- 6.4. **Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	139.1	142.6	142.6	142.6
Other long-term liabilities	0.4	0.4	0.4	0.4

Total Debt	139.5	143	143	143
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- 6.5 **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
HRA Borrowing	112.5	112.5	112.5	112.5
General Fund Borrowing	39.6	40.3	40.3	40.3
Other long-term liabilities	0.6	0.6	0.6	0.6
Total Debt	152.7	153.4	153.4	153.4

7.0 **Other Items**

- 7.1. There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.
- 7.2. **Policy on Apportioning Interest to the HRA:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
- 7.3. **MRP Statement:** The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. Local Authorities are required to 'have regard' to guidance on Minimum Revenue Provision (MRP) issued by the Secretary of State. This guidance suggests a number of options for calculating MRP but does not preclude other prudent methods that the Council may wish to adopt. This Council will continue to use the Asset Life Method, whereby MRP will be based on the estimated life of the asset for all capital expenditure funded from borrowing, subject to a maximum life of 50 years.
- 7.4. **Investment Training:** The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 7.5. **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

7.6. **Investment of Money Borrowed in Advance of Need:** The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

8.0 **Recommendation: that the Council approves**

- **the Treasury Management Strategy**
- **the investment counterparty criteria listed in paragraph 5.4 of the report**
- **the Treasury Management Indicators and Limits set out in paragraph 6 of the report.**
- **the Minimum Revenue Provision statement set out in paragraph 7.3 of the report.**

For further information please contact Tara Beesley, Accountant on Extn. 5328.

David Dickinson
Director – Resources

Arlingclose Economic & Interest Rate Forecast November 2015**Underlying assumptions:**

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

Existing Investment & Debt Portfolio Position

Appendix B

<u>Treasury Management Report as at 31st December 2015</u>					
A. Short Term Position					
A1 Temporary Loans					
<u>Lender</u>	<u>Interest paid gross of fee</u>	<u>Type</u>	<u>Date Borrowed</u>	<u>To be Repaid</u>	<u>Period end Balance</u>
Newark & Sherwood Homes	0.36%	Call	n/a	n/a	2,239,830
Southwell LC Trust	0.36%	7 day notice	n/a	n/a	141,079
Active4Today	0.36%	Call	n/a	n/a	833,350
Total Temporary Loans				(a)	3,214,259
A2 Temporary Investments					
<u>Borrower</u>	<u>Interest Rate</u>	<u>Type</u>	<u>Date Invested</u>	<u>To be Repaid</u>	<u>Period end Balance</u>
NatWest SIBA Account	0.25%	Call	n/a	n/a	0
Santander	0.40%	Call	n/a	n/a	5,000,000
Handelsbanken	0.35%	Call	n/a	n/a	155,000
Goldman Sachs Treasury Money Market Fund	0.43%	Call	n/a	n/a	8,582,000
Deutsche Bank Sterling Money Market Fund	0.41%	Call	n/a	n/a	8,560,000
Lloyds TSB	0.57%	32 Day Notice	n/a	n/a	5,000,000
Glitnir ISK balance in escrow		Fixed	16-Mar-12	24-Sep-15	0
Total Temporary Investments				(b)	27,297,000
Bank Balance 31st December 2015				(c)	24,595
A3 Short Term Position - Net Invested/(Borrowed)				(d)=(b+c-a)	24,107,336
Average variable rate earned to date	0.47%				
Average fixed rate earned to date		no current fixed rate investments			
<i>Note - This excludes the Glitnir deposit</i>					
B. Long Term Position					
B1 Long Term Loans					
	<u>Average Interest Rate</u>	<u>Type</u>	<u>Date Borrowed</u>	<u>To be Repaid</u>	
Public Works Loans Board (36 loans)	4.41%	Maturity	Various	Various	72,078,000
Public Works Loans Board (21 loans)	9.06%	Annuity	Various	Various	572,767
Barclays Bank (4 loans)	4.09%	LOBO	Various	Various	13,000,000
BAe Systems Pension Funds (2 loans)	3.75%	LOBO	01-Dec-11	01-Dec-16	3,500,000
Total Long Term Loans				(e)	89,150,768
Please note the interest rate for long term loans is an average of the total loans for each category					
B2 Long Term Investments					
	<u>Interest Rate</u>	<u>Type</u>	<u>Date Borrowed</u>	<u>To be Repaid</u>	
None					
Total Long Term Investments				(f)	0
B3 Net Long Term Position				(g) (e-f)	89,150,768
C. Net Indebtedness				(g)-(d)	65,043,432

INTERNAL AUDIT PROGRESS REPORT

REPORT PRESENTED BY: HEAD OF AUDIT AND RISK MANAGEMENT – AUDIT LINCOLNSHIRE

1.0 Purpose of Report

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31 December 2015.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2015/16 against the agreed audit plan.

3.0 RECOMMENDATION

That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

David Dickinson
Director of Resources



Internal Audit - Progress Report 2015 / 16



Date: *December 2015*

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Contact Details:

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Introduction

- 1 The purpose of this report is to:
 - Advise of progress being made with the Audit Plan
 - Provide details of the audit work during the period
 - Raise any other matters that may be relevant to the Audit and Accounts Committee role

Key Messages

- 2 The Internal Audit plan for 2015/16 has been scheduled. There are currently 34 audits/jobs, including two non-planned pieces of additional work, and one audit transferred from 2014/15. Progress so far is:

■ 12 audits/jobs complete	35% of jobs
■ 4 audits at draft report stage	12% of jobs
■ 7 audits at fieldwork stage	21% of jobs
■ 2 audits at client brief/scoping stage	6% of jobs
- 3 We are pleased to report that we have issued 5 reports since the last Committee. Two of these provide High level of assurance and three provided Substantial level of assurance. We have also completed the 2014/15 Cattlemarket rent calculation and certification of the flood grant.
- 4 We have followed up the recommendations due to be implemented by the end of December which resulted in there being twenty one recommendations outstanding three of which are high risk (revised implementation dates have been agreed for twelve recommendations). Appendix 2 shows those audits which have recommendations remaining to be implemented. We are working with the Performance Team to manage the implementation of recommendations through the Council's Covalent system which can provide prompt reminders and reports for CMT.

Internal Audit work completed from September to December 2015

5 The following audit work has been completed and a final report issued:

High Assurance	Substantial	Limited	Low
<ul style="list-style-type: none"> ■ Homelessness ■ Operational Risk Management – Waste Management 	<ul style="list-style-type: none"> ■ Trade Waste and Household Bulky Items ■ Equality and Diversity ■ Key Financial Controls 	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ None

Note The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

6 For the audits in the above table, we confirmed that the Council has sound processes in place. Below is a summary of our findings:-

Homelessness

There are effective processes and systems in place for the management of Homelessness which ensure that there are adequate strategies and policies in place and that these are complied with. These areas of good practice include:-

- The council has 2013-2018 Homelessness Strategy and it covers the key legislations, the document is appropriately authorised and is accessible.
- There are monitoring processes in place together with reporting arrangements for the key outcomes identified in the Homelessness strategy.
- The use of the temporary accommodation is monitored to ensure optimum use.
- There are policies and processes in place to ensure that the council discharges its homelessness duties appropriately.

Operational Risk Management – Waste Management

Arrangements are in place to identify and monitor risks and ensure that the risks are mitigated to their target levels as far as possible in order to minimise their impact on the service delivery. We found the following areas of good practice:

- Risk assessments and ongoing reviews are completed by an experienced member of staff who understands the requirements of the service and such reviews were generally completed in accordance with the *Risk Management Strategy and Policy*.
- Target and current risk scores have been determined for each operational risk. Four of the risks are assessed to be low risks whilst one is medium risk. Where the

target risk cannot be achieved (fuel prices) contingency arrangements are in place.

Trade Waste and Household Bulky Items

The Council has effective processes in place to ensure bulky and trade waste are collected and disposed of appropriately in accordance with the requirements of a Waste Disposal Authority. There is an approved scale of charges for both bulky and trade waste collection and the customer satisfaction with service delivery continues to improve (over 92%) and exceed the target (85%).

There are some processes which could be strengthened to enhance the effectiveness of the activity:

- Ensuring the Trade Waste Collection Agreement and the Duty of Care: Controlled Waste Transfer Notes are returned by customers.
- Review of the processes in place for setting up and maintaining customer accounts on E-financials including payments, direct debits and debt recovery. This will ensure that the debts remain low.

Equality and Diversity

The Council have put significant resources into improving delivery of equality and diversity to meet legislative requirements, including the implementation of all of the recommendations made in the 2012 audit report. An action plan is used to identify tasks and across council officer group set up which meets regularly to monitor and update the plan.

The process will be strengthened through further embedding of the requirements, including:-

- additional training
- updating delivery plans and allocating responsibility for tasks, monitoring these tasks through the performance system
- strengthening data collection processes, providing focus and purpose on information being gathered

Key Financial Controls

The Council has good processes and key controls in place which ensure that the systems reviewed operate effectively and protect the business from fraud and error. We identified a number of areas where improvements are required to further strengthen these arrangements by ensuring that processes are followed, systems are accurately updated and improving separation of duties.

The areas of improvement include:-

Creditors

- Enforcing separation of duties within the creditor payment process;

- Ensuring Orders are raised prior to receipt of the goods and invoice.

Payroll

- Ensuring that overtime is only processed following receipt of the correct authorisation.

Treasury Management

- Where there is a necessity to exceed the Treasury Management Investment limits with the Council's bank this is approved in writing by the Business Manager or Director. Whilst we do not support exceeding limits the current financial status of the Council's bank and other Counterparties has caused some operational difficulties and has resulted in a necessity on rare occasions to exceed the limits for short periods of time.
- The manual is updated.

Revenues

- Maintaining evidence that write-offs for NNDR and Council Tax are authorised;
- Removing users from the Revenues system as soon as they have left or no longer require access.

Benefits

- Implementation of sample checking for changes made to the Benefits system.

Debtors

- Ensuring that where debtor accounts are set up by Revenues supporting evidence is maintained especially for recurring debtors where the instruction should remain until it ceases or is replaced.
- Issuing reminders in accordance with the policy.

There were no suggested improvements for budgetary control, Income and Bank which were all found to be working effectively.

Other Significant Work

7 Cattlemarket Rent Calculation

We have completed the calculation of the 2014/15 rent for the Cattlemarket based on the current lease and provided the completed statement.

8 Flood Grant

We have carried out an audit of the DEFRA flood grant to provide assurance to DEFRA that the invoices submitted by the Council for claims and authority costs fairly represent expenditure made under the scheme made in accordance with the terms under the MOU.

Audits in Progress

9 The following 2015/16 audits have commenced:-

Audits at Draft Report Stage

- Partnership Working
- HRA Business Plan
- Capital Programme
- Planning Applications

Audits in Progress

- Corporate Planning
- Creditors
- VAT
- Financial Regulations
- Moving Ahead – Gateway Review 1
- Combined Assurance
- ICT Adaptability

Performance Information

10 Our current performance against targets is shown below:-

Performance Indicator	Target	2015/16 Actual @ 31/12/15
Percentage of plan completed.	100% (Annual year end)	47%*
Percentage of key financial systems completed.	100% (Annual year end)	11%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100%	98%
Timescales		
a) Draft report issued within 10 working days of completing audit.	■ 100%	■ 100%
b) Final report issued within 5 working days of closure meeting / receipt of management responses.	■ 100%	■ 100%
c) Draft report issued within 2 months of fieldwork commencing	■ 80%	■ 93%
Client Feedback on Audit (average)	Good to excellent	Excellent

*Indicator based on the number of days spent against the total number of days within the revised annual plan (34% of jobs have been completed).

- 11 Progress has greatly improved this quarter with a further 24% of the plan being completed since September. There are a number of reasons for the plan being less complete than originally planned, these include:-
- Extra unplanned work was completed in Q1 for both the Council and Newark and Sherwood Homes and additional work on the Partnership audit
 - Staff sickness in Q1
 - Our additional resources were not available until August therefore we now have greater resources available in quarters 3 and 4.
 - The plan is not evenly profiled throughout the year. Traditionally mid-July through to the end of August is a quiet period due to leave of audit staff and auditees, this has led to some audits being postponed until September.
 - Newark and Sherwood Homes plan was scheduled for the majority of audits to be completed by December; therefore our resources have been used in completing these audits. This is not reflected in the figures.

The current resource level will enable audits to be completed to draft report stage so long as the commencement of audits is not delayed.

- 12 The table represents the results of 2015/16 but we are still progressing the audits and follow-up the implementation of recommendations for 2014/15.

Other Matters of Interest

13 CIPFA Audit Committee Update 18

In the recent Audit Committee update the CIPFA Better Governance Forum has provided some guidance on self-assessment and improving effectiveness for Audit Committees. The guidance includes a suggested approach for assessment through considering 4 broad areas:

- whether the committee is meeting recommended practice for committees in its sector
- whether the committee is addressing its areas of responsibility adequately
- whether the members have acquired the necessary knowledge and skills to be effective
- whether the committee is adding value to the organisation

The document also provides advice on how to undertake the assessment and acting on its results. A copy of the update is provided as Appendix 4.

14 Lincolnshire Audit Committee Forum

Members will be familiar with the Lincolnshire Audit Committee Forum – an Audit Committee networking group to enable sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support audit committees effectiveness.

We plan to host an all-day forum event in February 2016 (supported by KPMG). The indicative agenda is:

Morning (Chairman and Vice-Chairman)

- What makes an effective audit committee
- Information sharing
- Hot topics

Networking lunch

Afternoon (open to all members of the Audit Committee)

- Cyber risk
- Thinking about risk

Appendix 1

Assurance Definitions¹

2015/16

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 - Outstanding recommendations as at December 2015

Audit Area	Date	Assurance	No. of Agreed Recs	Implemented /Closed	Outstanding*		Revised Implementation Date	Not Due
					H	M		
Deputy Chief Executive								
Corporate Governance	Jun'14	Substantial	3	1	0	1		1
Customers								
Corporate Complaints	Jun'14	Substantial	2	0	0	2	31/12/15 revised again to 31/03/16	0
Palace Theatre	Jun'15	Some Imp. Needed	12	11	0	1	30/09/15 revised to 31/01/16 revised again to 31/05/16	0
Transparency Agenda	Apr'15	Effective	2	1	0	1	30/09/15 revised to 31/12/15 revised again to 31/01/16	0
Data Protection	Mar'15	Some Imp. Needed	7	6	0	1	31/12/15 revised to 31/03/16	0
Customer Responsiveness	Jul'15	High	1	0	1	0	31/12/15 revised to 31/03/16	0
National Civil War Centre	Sept'15	N/A	10	8	1	1	31/10/15 revised to 31/03/16	0
ICT								
ICT Partnerships/Projects	Sept'14	Some Imp. Needed	6	5	0	1	31/12/15 revised to 31/03/16	0
Resources								
Counter Fraud	May'13	Limited	7	6	0	1	31/08/15 revised to 31/12/15 revised again to 31/03/16	0
Treasury Management	Jul'14	Some Imp. Needed	4	3	0	1	31/12/15 revised to 31/03/16	0
General Ledger	Dec'15	Effective	2	1	0	0		1
Procurement Counter Fraud	Feb'15	Effective	2	1	0	0		1
Insurance	May'15	Effective	3	2	1	0	31/12/15 revised to 31/03/16	0
Contract Management	Jun'15	Some Imp. Needed	11	4	0	3	1 x 30/11/15 revised to 31/03/16 & 1 x 31/08/15 revised to 29/02/16	4
Safety								
Equality and Diversity	Nov'15	Substantial	7	2	0	0		5
Health and Safety	May'15	Some Imp. Needed	3	2	0	1	01/06/15 revised to 31/03/16	0
Safeguarding	Feb'15	Some Imp. Needed	10	5	0	5		
Strategic Housing Strategy	Jan'15	Some Imp. Needed	4	3	0	1	31/05/15 revised to 31/03/16	0
Strategic and Emerging Risks								
Emerging Risks	Feb'14	Substantial	4	3	0	1		0
Total			100	64	3	21		12

* Originally due before 31 December and not implemented.

Appendix 3 - Internal Audit Plan & Schedule 2015/16

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities	132					
<u>Deputy Chief Executive</u>						
Planning Policy	10	Local Development Framework and other policies in place, compliance with the requirements of the Localism Act - neighbourhood planning and assets of community value.	April	April	July	Effective
Planning Applications	10	Processing and income	Jan/Feb	November		Draft report
<u>Director Safety</u>						
HRA Business Plan	8	Reviewed, assumptions made, linkages.	Aug/Sept	05/10/15		Draft report
Partnership work - NSH	18	To review the partnership arrangements in place.	May/June	June		Draft report
Human Resources	10	Overview of service.	Oct/Nov			To be moved to 2016/17 plan due to HR staff availability.
<u>Director Customers</u>						
Housing Options/Homelessness	8	High level review of strategies, policies and process to meet the homelessness responsibilities.	Jun/Jul	August	October	High
National Civil War Centre	8	Review requested of key processes in place for income,	June	June	September	Assurance level not given – advisory report.

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		security and others following opening of centre.				
ICT Audit	10	Review of the service itself looking at future planning and meeting objectives.	Jun/Jul	December		Client postponed until December due to staffing. Fieldwork virtually complete.
Customer Services	10	Cash receipting, security, targets	Jan/Feb			Client requested Jan/Feb.
ICT Audit	15	PCIDSS	Jan			Initial meeting held to schedule in.
<u>Director Communities</u>						
Refuse and Recycling	10	Review of processes in place to:- <ul style="list-style-type: none"> ○ collect domestic, bulky and trade waste ○ collection of income ○ meet the targets 	Sept/Oct	August	November	Substantial
<u>Director of Resources</u>						
Capital Programme	5	Approved and monitored.	Sept/Oct	November		Draft report with CMT.
Performance Management	10	Review of systems in place including process, Covalent and reporting.	Mar			Initial discussion in January to scope.
Due Diligence	135					
<u>Deputy Chief Executive</u>						
Corporate Planning	5	High level review of planning in place for the Council:- corporate priorities, business plans,	Aug/Sept	November		Fieldwork nearly complete.

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		objectives.				
<u>Director of Resources</u>						
Budgetary Control	8	Cyclical system review.	July	August	October	High
Creditors	8	Cyclical system review.	Aug/Sept	December		Fieldwork in progress
Debtors	8	Cyclical system review.	Aug/Sept revised Jan/Feb	January		Postponed due to key control audit. Starting in January.
VAT/Tax	10	Cyclical system review.	Jul/Aug	December		Fieldwork in progress
Financial Regulations and Management	8	Regulations are in place, communicated and monitored for compliance	Sept/Oct	October		Fieldwork in progress.
Key Control Testing	30	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Feb/Mar			
Property, Plant and Equipment	8	Cyclical system review.	Nov/Dec revised Feb/Mar			
Council Tax	15	Cyclical system review.	Nov/Dec revised Jan/Feb			Postponed due to key control audit.
Benefits	15	Cyclical system review.	Jan/Feb			
Procurement	10	Cyclical system review.	Feb/Mar			Meeting scheduled for

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
						January
Director Safety						
Equality and Diversity	10	Review of progress and benchmarking against the Public Sector duty. Requested by management.	Jul/Aug	July	November	Substantial
Key Projects	16					
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – first gateway review.	Sept/Oct	15/10/15		Fieldwork in progress
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – second gateway review.	Feb/Mar			To be postponed to 2016/17 due to progress of project.
Strategic and Emerging Risks	13					
Strategic Risks	8	Review of monitoring arrangements and detailed review of one or more strategic risks.	Aug/Sept	Postponed		Clarifying management responsibilities in absence of Business Manager. January meeting rearranged by client to February.
Waste, Litter and Recycling - Risk management	5	Review of risks to ensure actions in place to monitor and mitigate the risks.	Jan/Feb	September	December	High
Other relevant Areas	96					
Mansfield Crematorium	5	We will undertake our annual review of accounts.	April	April	May 2015	Completed

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Gilstrap Accounts	1	We will undertake our annual review of accounts.	July	August	August	Completed
Cattle Market	2	Annual audit of rental fee - additional work requested on 2013/14 figures.	Unplanned	May	N/A	Completed
Cattle Market	4	Rent calculation 2014/15	Unplanned	December	December	Completed
Newark and Sherwood Homes	55	Internal Audit Plan 2015/16	Various			Client briefs agreed. Additional work requested currently 18 days. 72% of plan completed.
Flood Grant	3	Assurance on flood grant for DEFRA.	Unplanned	December	December	Completed
Combined Assurance	20	Updating assurances on the Council's assurance map with service managers and helping to co-ordinating the annual status report.	October	October		Map and report drafted with CMT for completion of narrative.
Follow-up of previous audit reports	6		Ongoing			
Non-Audit	33					
Advice & Liaison	10		Ongoing			
Annual Report	3		Ongoing	April	N/A	Completed
Audit Committee	10		Ongoing			
Review strategy and planning	2					
Contingency	1	15 days total in original plan.	N/A	N/A	N/A	N/A

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		Used:- 2 days Cattle Market additional work. 5 days ICT additional time for audit 4 days Cattle Market 2014/15 3 days flood grant 1 day remaining.				
Grand Total (Revised)	418					

ANNUAL EXTERNAL AUDIT PLAN 2015/16

REPORT PRESENTED BY: JONATHAN GORRIE - DIRECTOR KPMG

1.0 Purpose of Report

1.1 To present the External Audit Plan for 2015/16.

2.0 Introduction

2.1 The External Audit Plan (Appendix A) sets out the proposed work of the Council's external auditors for 2015/16, relating to the audit of the financial statements and the Value for Money conclusion.

2.2 The plan describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the planned audit fee.

3.0 RECOMMENDATION

The Audit Committee notes the External Audit plan.

Background Papers

Nil.

For further information please contact Jonathan Gorrie on 0121 2323645

David Dickinson
Director of Resources



External Audit Plan 2015/2016

Newark & Sherwood District Council

January 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and is set at £700k.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £35k.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Fraudulent revenue recognition; and
- Provision for business rate appeals.

Other areas of audit focus

Other areas of audit focus are those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding. We have not identified any such risks at this stage.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

See pages 6 to 8 for more details.

Logistics



Our team is:

- Jonathan Gorrie – Director
- Helen Brookes – Manager
- Rachel Elsegood – In-charge Auditor

More details are on **page 11**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 10**.

Our fee for the audit is £48,329 (£64,438 2014/2015) see **page 9**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

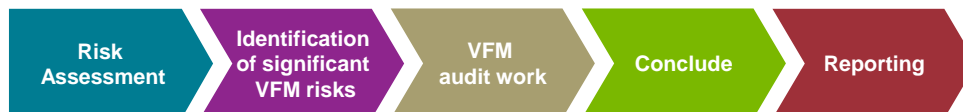
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2015/16.



Financial Statements Audit Planning

Our planning work takes place during January 2016. This involves the following key aspects:

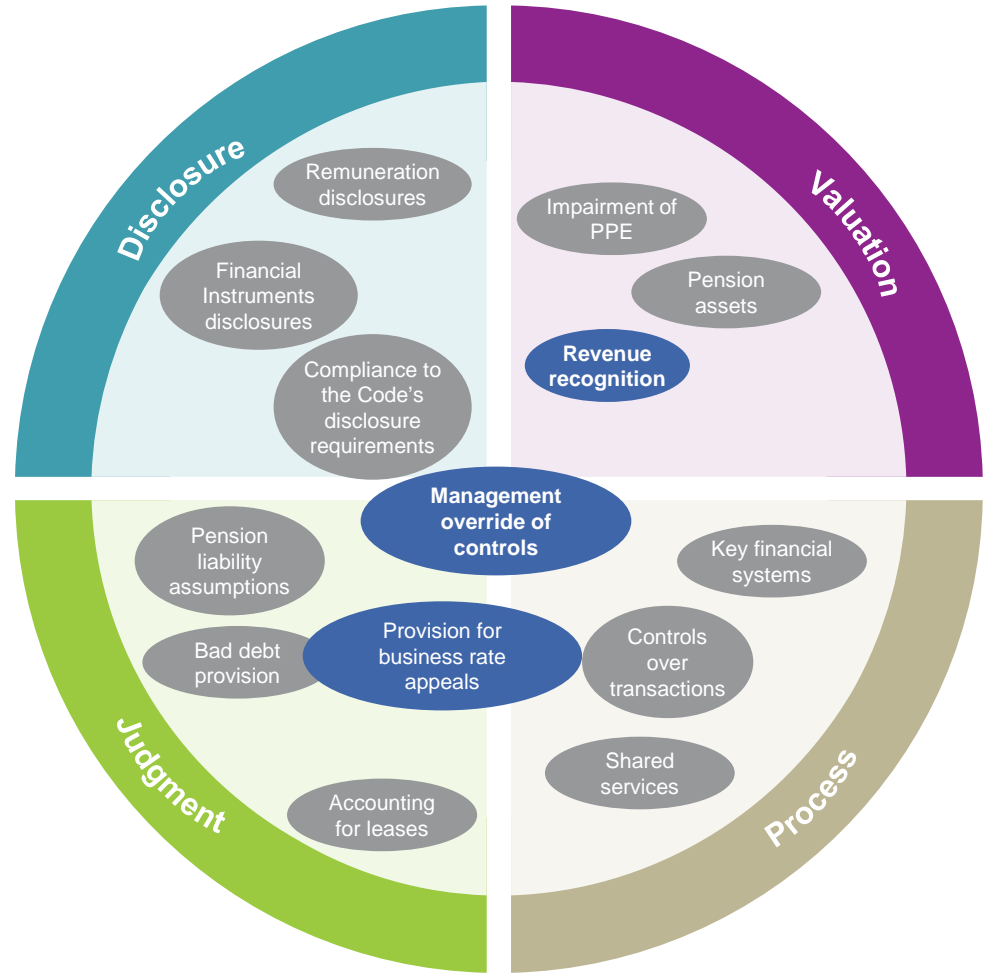
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk

● Other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Significant – Management override of controls

- Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.
- Our audit methodology incorporates the risk of management override as a default significant risk. We carry out controls testing and substantive procedures, including those over journal entries, accounting estimates and significant transactions that are outside the Authority's normal course of business, or are otherwise unusual.

Significant Risk - Revenue recognition

- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant audit risk.
- We recognise that the incentives in local government differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in local government include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns.
- Our audit approach will focus on the desire to avoid regulatory attention or to mask financial errors or irregularities which could be seen to apply in a public sector context.

Significant Risk 3

- Business rate appeals – the provision for business rate appeals is a risk area since local authorities have little control over the level of appeals and their outcome. It is difficult to anticipate the financial impact of successful appeals as the potential change in rateable value cannot be predicted. Also, there is usually no indication of timescales to settle an appeal, making it hard to measure when the financial impact will fall. The Authority has recently commissioned some work on the level of appeals and the potential effect on its provisions and indications are that the provision for this year will increase by c£2 million.
- We will review the Authority's approach to estimating its provision for business rate appeals against the requirements of IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets*.

Other areas of audit focus

Other areas of audit focus are those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding. We have not identified any such risks at this stage.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £700k which equates to 1% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

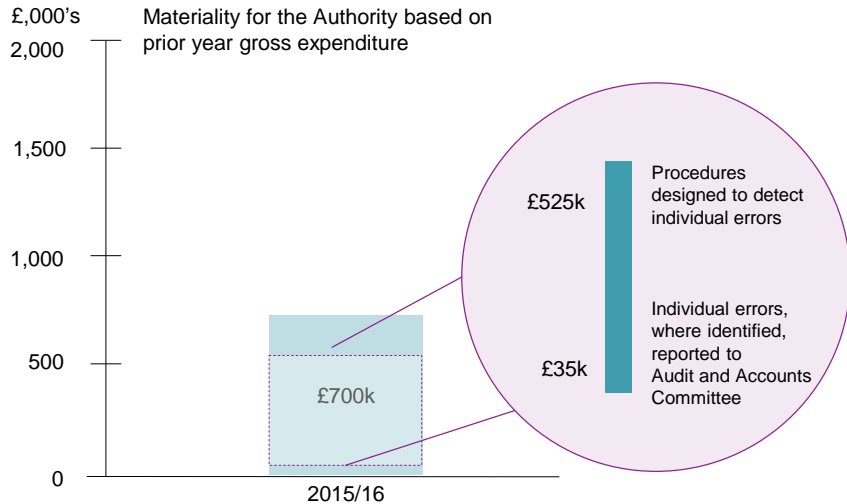
Reporting to the Audit and Accounts Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Accounts Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £35k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Accounts Committee to assist it in fulfilling its governance responsibilities.

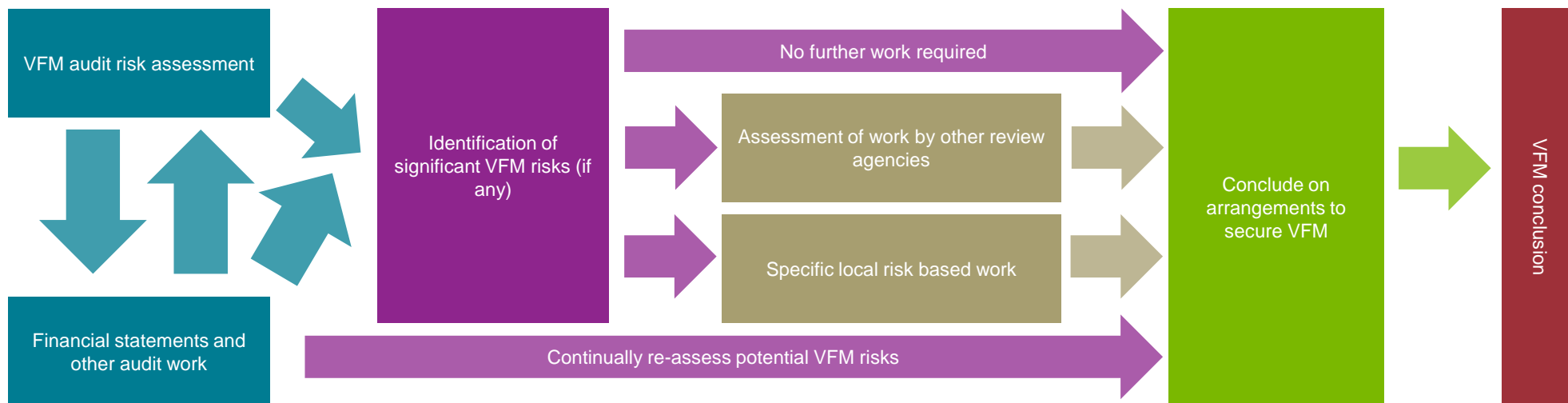
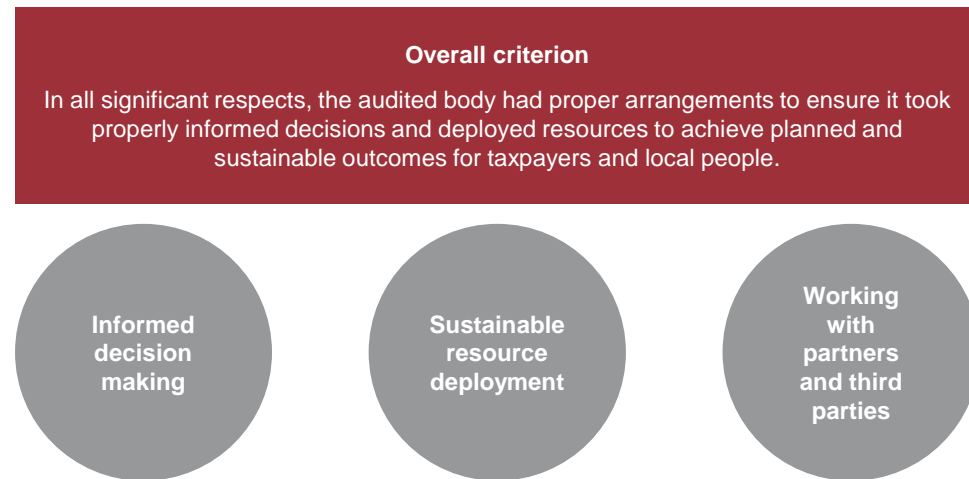


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>Our risk assessment is currently underway but is not yet complete. We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Jonathan Gorrie, who will bring a fresh perspective to the audit. Helen Brookes remains as audit manager to ensure continuity from previous audits. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Accounts Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

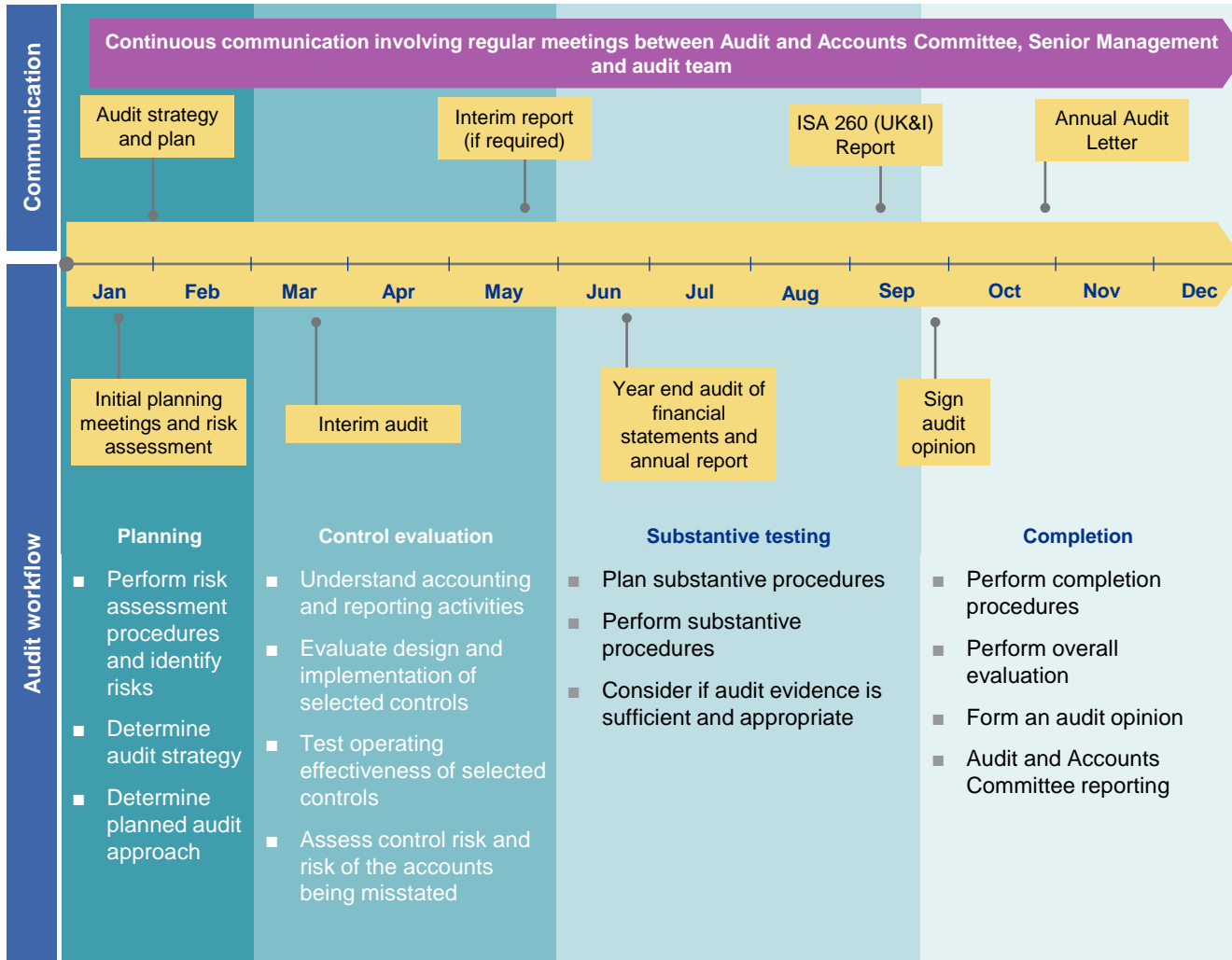
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions.

The planned audit fee for 2015/16 is £48,329. This is a reduction in audit fee, compared to 2014/2015, of £16,109 (25%).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels of assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Jonathan Gorrie brings a fresh perspective to the Newark & Sherwood District Council audit for 2015/16.



Name	Jonathan Gorrie
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit and Accounts Committee and Corporate Directors.'</p>

Jonathan Gorrie

Director

0121 232 3645

jonathan.gorrie@kpmg.co.uk



Name	Helen Brookes
Position	Manager
	<p>'I am responsible for the management, review and delivery of the whole audit and producing quality assurance for any technical accounting areas. I will work closely with the Director to ensure we add value.'</p>

Helen Brookes

Manager

0115 945 4476

helen.brookes@kpmg.co.uk



Name	Rachel Elsegood
Position	In-charge Auditor
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Rachel Elsegood

In-charge Auditor

07468 365 951

rachel.elsegood@kpmg.co.uk

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Accounts Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jonathan Gorrie, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

RISK MANAGEMENT

1.0 Purpose of Report

1.1 To update members of the Committee of the Council's Risk Management progress. This includes our corporate Risk Management policy and risk management across the Council.

2.0 Risk Management Policy and Group

2.1 The Council's Risk Management policy is currently being reviewed with the assistance of our insurers, in line with the review process. There have been some delays due to changing of staff within Zurich and within the Council, but it is anticipated that it will be completed by spring 2016 once the risk appetite has been confirmed. Other than inclusion of the risk appetite, there are unlikely to be any major changes to the policy.

2.2 The Risk Management Group continues to meet on a quarterly basis. Members of this group are provided with an overview of the current situation/performance of operational risks and emerging/ongoing risks are discussed. To encourage and assist with attendance at the Risk Management Group it has been decided to rotate the venue to include some of the outlying NSDC locations. Attendance has since increased which has been beneficial.

2.3 The Group has identified a number of risks and queries which have been discussed and addressed, including insurance and liabilities of officers working across our collaborative arrangements and security issues. There has been discussion regarding how contracts and agreements should be made in relation to partnership working and this has been taken forward. Our insurers also attend this meeting and provide advice on legal cases and changes in law that may affect our response or actions in relation to risk.

3.0 Strategic Risks

3.1 Strategic risks are those significant risks faced by the Council that have the potential to halt or interfere with its ability achieve its priorities and deliver its statutory duties.

3.2 Strategic risks are determined at CMT level with the assistance of our insurers and should support the objectives and direction of the Council. They are concerned with how the whole organisation is positioned in relation to achieving its aims and are affected by numerous internal and external factors, some of which will be out of the control of the Council for example economic downturn. The purpose of actions plans around Strategic Risks is to control or mitigate high-level risks and support the Council in achieving its aims.

3.3 Prior to a review in summer 2015, the Council had 9 strategic risks within its strategic risk register. Further details on each of these risks, including profile, trigger points, actions and mitigations was reported to the Committee in February 2015.

3.4 Following a review by CMT, the Council now has the following Strategic Risks:

Risk Code	Risk Title
STRAT_SR001	Financial sustainability.
STRAT_SR002	Major projects.
STRAT_S2003	Facilitating growth.
STRAT_SR004	Supply chain failures and contract management.
STRAT_SR005	Transformational change.
STRAT_SR006	Sustainable communities.
STRAT_SR007	Continuity of service (Civil Contingency & Emergency).
STRAT_SR008	Corporate governance.
STRAT_SR009	Data management and security.

3.5 As before, ownership of each risk is assigned to a relevant director(s) who have, with the assistance of business managers, developed action plans to manage, mitigate or reduce the risk accordingly. However, as the very nature of strategic risks are complex and influenced by many outside factors/controls, some actions can be very long term and the ability to reduce the risk level may be limited. Having risks that are either shown as high risk or above target risk level does not necessarily mean that the Council is not actively managing the risk.

3.6 Beneath the strategic risks, the Council has operational risks for all business units. These have been developed between business managers and the Risk and Safety Management Officer and have been recorded on Covalent for management purposes. Both managers and directors have responsibility to manage and monitor these.

3.7 Current risk levels

3.7.1 As required by the Council's Risk Management Policy, the strategic risks were formally reviewed during a workshop facilitated with our insurer Zurich Municipal, and agreed by CMT.

3.7.2 The table below illustrates current the strategic risk profile:

Strategic Risk Matrix - January 2016

Likelihood	High				
	Significant				
	Low		1,7,8,9	3,4,5	
	Very Low		6	2	
		Negligable	Marginal	Critical	Catastrophic

Impact

Key:

	Low risk
	Medium risk
	High risk

- 3.7.3 Previously STRAT_SR001 Financial Sustainability (formerly called “Reduced Public Sector Funding and Major Income Streams”) and STRAT_SR003 Facilitating Growth (formerly called “Growth Delivery”) were assessed as “High”. Over the last 12 months the sustainability of public finances has become clearer and the economic recovery has gained further traction. The nature of both of these risks means that external issues beyond our control will always affect the impact and likelihood of these issues. CMT are satisfied that we are doing all we can to manage and mitigate risks associated with these targets and that the strategic risks have been scaled down accordingly.
- 3.7.4 STRAT_SR007 Continuity of service (civil contingency/emergency), STRAT_SR008 Corporate governance and STRAT_SR009 Data management security, were scored as “Critical”. This has been reviewed and reclassified to “Low” risk. This is because although we cannot prevent the severe weather, contingencies, plans and information means that communities are more prepared for such events and it is anticipated that the impact may therefore be decreased and in terms of data management and security our approach has been strengthened through improvements to our ICT systems and with preparations for the office move.
- 3.7.5 The following strategic risks remain, as previously reported Audit and Accounts, as medium risk.
- STRAT_SR004 Supply chains and contract management
 - STRAT_SR005 Workforce planning, development and transformational change
- 3.7.6 STRAT_SR002 Major projects was previously scored as a “Medium risk” but this has been reduced to “Low” as a consequence of the setup of the Moving Ahead office, completion of the National Civil War Centre and near completion of the Newark leisure centre and integrated Palace Theatre/National Civil War Centre.

3.7.7 STRAT_SR006 Community cohesion has been renamed to Sustainable Communities and remains the lowest scoring strategic risk.

4.0 Operational Risks

4.1 Over the last 6 months, operational risk reviews have been undertaken with the following business units:

- National Civil War Centre
- Palace Theatre
- Car Parks and Markets
- Parks and Open Spaces
- Active4Today (client)
- Active4Today (delivery)
- Revenues and Benefits
- ICT
- Housing Options, Energy and Home Support
- Customer Services
- Technical support

4.2 The following areas will be reviewed over the coming year:

- Client side Building Control
- Section 106 monitoring

4.3 Meetings with individual directors were held in December 2015 to update and review business unit operational risks. Quarterly updates are provided for directors in a briefing for their areas of responsibility and via quarterly overview reports to Corporate Management Team.

4.4 As part of these reviews evaluation of moving ahead, devolution, income streams and collaboration/significant partnerships were considered.

5.0 RECOMMENDATION

That the Committee consider this report and advise what information regarding risk management they would like to see in the future.

Reason for Recommendations

To update the Committee on the Council's risk management approach and related assurance processes.

Background Papers

Nil.

For further information please contact Ged Greaves on ext: 5231

REVIEW OF SIGNIFICANT GOVERNANCE ISSUES HIGHLIGHTED IN THE ANNUAL GOVERNANCE STATEMENT

1.0 Purpose of Report

- 1.1 To update members of the Audit & Accounts Committee on the significant governance issues identified in the Annual Governance Statement.

2.0 Background Information

- 2.1 At the meeting of the Audit & Accounts Committee on 9 September 2015, Members approved the Annual Governance Statement for the Council. To ensure that Members are able to undertake their assurance role, this report updates the Committee on the status of the significant governance identified within it.
- 2.2 An extract from the Annual Governance Statement showing the issues identified is attached at Appendix A.

3.0 Results of the Review

- 3.1 The issues identified will be considered separately with details of any further work undertaken.
- 3.2 Relocation of Council Headquarters – Planning permission was granted on 3rd November 2015 and tenders for the construction work are due imminently. They will be evaluated during February and the contract will be awarded. Work on site is expected to start in March 2016. In the absence of a Business Manager for Asset Management, a consultant has been appointed to oversee this and other significant capital projects. This project is an integral part of Moving Ahead, which is considered under the update on Major projects below.
- 3.3 Organisational Change – This is an ongoing issue for the Council in response to continued reductions in government funding. Changes relating to the Moving Ahead project are discussed as part of the update on major projects below. Devolution of some services to Newark Town Council was implemented on 1st April 2015, and is already delivering savings. Further devolution to other town and parish councils has taken place or is under discussion. The Building Control service will be moving into a partnership arrangement with Rushcliffe BC and South Kesteven DC in the next couple of months, and discussions about a similar arrangement for Grounds Maintenance are at an early stage. Integration of the Palace Theatre with the National Civil War Centre and Tourist Information Service is well underway.
- 3.4 Management of Leisure Services – The Council's new Leisure Company, Active4Today Ltd, became operational on 1st June 2015. Progress is being continually monitored with reports brought to the Leisure and Environment Committee. An issue has arisen around the projection of VAT savings provided by consultants during the set-up of the company

and this is being addressed with them. Forecast savings are still expected to be in the region of £235,000 per year.

- 3.5 Collaboration Agreement – Regular meetings take place between the Chief Executives of the three Councils, and an annual management conference involving the managers from all three councils took place for the first time last year. The second such event took place on 2nd February 2016. Various Business Units within the Council have requested staff from Gedling or Rushcliffe, and this has resulted in savings as it is more cost effective than using agency staff. The Council has also provided staff to the other Councils where requested, most notable the Business Manager Sports and Arts Development who has been working with Gedling Borough Council for some time and currently manages their leisure services for four days per week. The partnership approach for grounds maintenance mentioned at 3.3 is also a collaboration project.
- 3.6 Major Projects – Work is almost complete on the new Leisure Centre, and it is expected to open on 1st April 2016. Currently it is within budget. The Moving Ahead project is now well established, and the project board consisting of CMT members meets fortnightly. A dedicated project team is in place supported as necessary by other officers when required, and teams consisting of the relevant officers are established to look at individual sub-projects, some of which are looking at: incoming mail, invoice processing and agile working. Work is also underway looking at storage needs, for both paper and electronic files and how these can be reduced before the move, and disposal of furniture that will not be needed. Arrangements are being finalised with the Department for Work and Pensions who will be locating staff in the new offices, and discussions are also ongoing with the local Citizens Advice Bureau and Newark & Sherwood Community Volunteer Service, who are also considering relocating with us. There is a dedicated page on the intranet providing updates to staff, and workshops around different themes are held regularly to involve staff in considering what needs to change and how things will work.

4.0 RECOMMENDATION

That the Committee notes the results of the review of significant governance issues as identified in the Annual Governance Statement.

Background Papers

Annual Governance Statement for 2014/15

For further information please contact Nicky Lovely, Business Manager – Financial Services on Ext: 5317

David Dickinson
Director - Resources

5 Significant governance issues

Issue	Action	Responsible Officer
<p>Relocation of Council Headquarters The Council has taken a decision to relocate its headquarters. Kelham Hall has been sold (subject to contract) and a new site identified. It is planned that the relocation will take place in 2017.</p>	<p>The Council has set aside dedicated resources to deliver this programme of change. Necessary sub-projects have been identified and include organisational change as well as physical relocation. External expertise has been identified and procured where necessary. A project Board is in place consisting of all CMT members. A separate risk log has been developed and will be maintained for this programme of work.</p>	<p>Corporate Management Team with M. Finch, Director - Customers assigned as lead officer</p>
<p>Organisational Change In common with all local authorities, the Council will need to continue to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has a change programme led by the Chief Executive and involving all senior officers and Members. This has delivered significant savings and improvements. A budget strategy is in place to deliver savings over the period of the Medium Term Financial Plan.</p>	<p>A. Muter Chief Executive</p>
<p>Management of leisure services</p>	<p>The management of leisure services has been passed to a Council owned company with effect from June 2015. The Council continues to be responsible for the specification of Leisure Services and this will be negotiated annually between the Council and the Company.</p>	<p>M. Finch Director - Customers</p>
<p>Collaboration Agreement The Council has entered a collaboration agreement with Gedling Borough Council and Rushcliffe Borough</p>	<p>The collaboration arrangement will consider projects that provide both financial savings and resilience across the three councils. There are regular meetings of the three senior management teams, and a member of</p>	<p>A, Muter Chief Executive</p>

Council	CMT leads on projects relating to specific service areas	
<p>Major Projects</p> <p>The Council has a number of major capital projects underway and planned. It is important to ensure the necessary skills and capacity is in place to deal with these projects. Specific Projects are:</p> <ul style="list-style-type: none"> • New Leisure Centre • New Office Headquarters 	Major projects have individual governance arrangements in place with specific project groups set up for each project.	<p>Corporate Management Team.</p> <p>A specific member of CMT is designated lead officer for each project:</p> <p>M. Finch M. Finch Director – Customers</p>

RESULTS OF THE ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

1.0 Purpose of Report

1.1 To inform the members of Audit & Accounts Committee of the results of the assessment of the effectiveness of the Internal Audit function including a self-assessment of the Committee.

2.0 Background Information

2.1 In April 2013, new Public Sector Internal Audit Standards (PSIAS) came into effect. One of the requirements of the PSIAS is that an annual review of the effectiveness of the Internal Audit function is carried out based on:

- i. an assessment of conformity to the Standards and the Local Government Advisory Note (LGAN);
- ii. an assessment of the performance of internal audit work and whether the aims and objectives set out in the Internal Audit Strategy have been achieved;
- iii. an assessment of progress with delivery of the annual audit plan.

2.2 A second requirement is that an annual self-assessment of the effectiveness of the Audit & Accounts Committee is also carried out.

2.3 At the meeting of the Audit & Accounts Committee held on 4th November 2015, the Committee agreed that a group should be established to undertake the review and the self-assessment. The group comprised the Chairman of the Committee - Cllr Mrs Sylvia Michael, Cllr Paul Handley, the Director – Resources and the Business Manager – Financial Services.

2.4 The group met to carry out the review and the self-assessment on 13th January 2016, and an action plan arising from that meeting is attached at Appendix A.

3.0 Results of the Review of the Effectiveness of the Internal Audit Function

3.1 The review considered updates to the self-assessment of the Internal Audit function against the PSIAS, and the LGAN which had been carried out by the Head of Internal Audit. The group considered the self-assessment and the updates and agreed that it provided a true and fair representation of the Internal Audit service. Some further queries were to be raised with the Head of Internal Audit. Details of these together with the responses are attached at Appendix B, B(i) and B(ii).

3.2 The group agreed that the Quality Assurance Improvement Programme provided by the Head of Internal Audit met the requirements of the Council, and that the aims and objectives of the Internal Audit Strategy had been achieved.

4.0 Results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee

- 4.1 The self-assessment was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. The questionnaire aims to determine whether the Audit Committee within a council meets with best practice as outlined in the guidance.
- 4.2 There were 30 questions requiring responses. For 27 of those, the group agreed that the Audit & Accounts Committee demonstrated best practice against the guidance (23 in 2014/15); for 3 questions that the Committee partially met best practice (6 in 2014/15). There were no questions where the group considered that the Committee did not meet best practice (0 in 2014/15), and one question was not applicable to the arrangements at Newark & Sherwood District Council. A table showing the results of the questionnaire is attached at Appendix C.
- 4.3 For the areas assessed as only partially meeting best practice, actions have been included in the action plan attached at Appendix A. The group recommend that the action plan is adopted by the Committee.

5.0 Future Arrangements for Assessment

- 5.1 It is no longer a statutory requirement that an annual review of effectiveness be carried out. It is for the Audit & Accounts Committee to decide whether it wishes to carry out reviews in future years.
- 5.2 One of the requirements of the PSIAS is that an external assessment of the Internal Audit function is carried out every five years. Audit Lincs is currently planning for this to take place in the spring/summer of 2016. A report detailing the arrangements for this, which was presented to the Audit Committee at Lincolnshire County Council for approval, is attached at Appendix B(i) and B(ii). The results of the external assessment will be shared with the Audit & Accounts Committee at NSDC during 2016.
- 5.3 The self-assessment of Audit Lincs by the Head of Internal Audit is usually undertaken in March-April of each year. The timing of this does not currently fit with the timing of the assessment of the internal audit function carried out at Newark & Sherwood District Council in January – the self-assessment is almost a year out of date. If the Committee agree that reviews should be carried out in future, it is proposed that the next self-assessment by Newark & Sherwood District Council is undertaken during June/July 2017 to tie in with an up to date Audit Lincs self- assessment.

6.0 RECOMMENDATIONS:

That the Committee:

- (a) notes the results of the review of the effectiveness of the Internal Audit Function;
- (b) notes the results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee;
- (c) adopts the action plan;
- (d) determines whether it wishes to continue to carry out an annual review of effectiveness of the Internal Audit function and a self-assessment of the

Committee, and if so, agrees that the next assessment should be undertaken in June/July 2017;

- (e) notes that the results of the external assessment of Audit Lincs will be presented to the Committee later in 2016.

Background Papers

Public Sector Internal Audit Standards
Local Government Advisory Note
Audit Lincs Self-Assessment against the PSIAS
Audit Lincs Quality Assurance Improvement Programme
Internal Audit Strategy
CIPFA Practical Guidance for Audit Committees

For further information please contact Nicky Lovely, Business Manager – Financial Services on Ext 5317

David Dickinson
Director - Resources

APPENDIX A
**ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL AUDIT -
 ACTION PLAN**

AREA OF REPORT	CONCERN	ACTION	RESULT
Is the role and purpose of the Audit & Accounts Committee understood and accepted across the authority?	Understood by officers but not all Members	The Monitoring Officer to be asked if the Committee Chairs still meet regularly and if it is appropriate for the Chair of the Audit & Accounts Committee to be included in those meetings	
Do the Committees terms of reference explicitly address good governance?	The terms of reference are not explicit	The Monitoring Officer to be asked if a change to the Terms of Reference is appropriate	

Do the Committees terms of reference explicitly address Value for Money arrangements?	The terms of reference are not explicit	Check with the Monitoring Officer whether Value For Money and also Performance Management are dealt with by operational committees	Performance Management is specifically mentioned under the remits of all operational committees. They also have responsibility for monitoring performance against budgets, but Value for Money is not specifically mentioned
Has the Committee obtained feedback on its performance from those interacting with it or relying on it's work?	Feedback has not been obtained	The Monitoring Officer, the Director - Resources, Internal and External Audit to be asked for feedback	

APPENDIX B

QUERIES TO BE RAISED WITH THE HEAD OF INTERNAL AUDIT

During last year's assessment it was found that the Head of Internal Audit was not attending NSH Audit Committee meetings. Is this happening now?

Yes – Audit Lincs have been invited to attend the February meeting.

No meetings have taken place between the Head of Internal Audit and the Chairman of the Committee. Please can a meeting be arranged each year soon after full Council?

Yes – it will be arranged.

The performance of the PI's percentage of audit plan completed and percentage of current year audits completed to final report have declined from that achieved at the same point last year. Please can the Head of Internal Audit explain the dip in performance and forecast where performance against the PI's will be at the end of the financial year.

This information is included in the Internal Audit progress report elsewhere on the agenda.

Has an external assessment of the Internal Audit arrangements taken place?

This will take place in the Spring/Summer of 2016 and a report will be brought to the Committee later in the year. The report detailing the arrangements and the options considered are attached at Appendix B(i) and B(ii)

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Audit Committee
Date:	23 November 2015
Subject:	Internal Audit - External Quality Assessment

Summary:

Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS) - which have been in place since April 2013. The Standards require a periodic self-assessment and an external assessment at least once every 5 years as part of Internal Audit's Quality Assurance and Improvement Programme.

This report provides the Committee with the proposed scope for undertaking the external assessment.

Recommendation(s):

The Committee is asked to:

1. Consider and endorse the proposal to undertake a full external assessment of the Council's Internal Audit function in 2016.
2. Approve the Chairman of the Audit Committee and the County Finance Officer to be project sponsors.

Background

1. The County Council's Internal Audit function is part of the Audit Lincolnshire Partnership – a collaboration with the City of Lincoln and East Lindsey District Council's Internal Audit Teams.
2. Each Council delivers its own internal audit service – however under the Audit Lincolnshire ("brand") work in partnership providing internal audit services to other local authority and public sector clients.
3. The aim of the Audit Lincolnshire partnership is to:
 - Share good practice
 - Adopt leading edge methodology

- Pool resources across the 3 Councils to make savings, improve efficiency and offer greater value for money to our clients through streamlining the audit plans in areas of common interest.
4. The Public Sector Internal Audit Standards (PSIAS) – which have been in place since April 2013 consist of the following elements:
 - Definition of Internal Auditing
 - Code of Ethics, and
 - Standards for the Professional Practice of Internal Auditing
 5. In local government the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015.
 6. The PSIAS aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Executive Director – Finance & Public Protection (the Section 151 officer) with the key assurances he needs in managing the council finances and in producing the annual governance statement.
 7. In April 2013, CIPFA produced a Local Government Application Note for the PSIAS (the Standards) – this has been used to undertake our annual self-assessment to demonstrate conformance with the Standards.
 8. The Standards require an external assessment at least once every 5 years as part of the Quality Assurance & Improvement Programme. A summary of Audit Lincolnshire's Quality Assurance Framework is attached in Appendix A.
 9. At its 20th July 2015 meeting the Committee endorsed the opinion that the County Council had an effective system of internal audit. One of the actions from this review was the completion of an External Quality assessment of the Internal Audit service during early 2016. This report provides the potential scope for such a review.

External Assessment – The Requirements

10. The standards require that:
 - external assessments must be conducted by a qualified, independent assessor or assessment team from outside the organisation.
 - the Audit & Risk Manager discuss with the Audit Committee the form of the External Assessment and the qualification of the external assessor or assessment team, including any potential conflicts of interest.
 - The scope of the external assessment must be agreed with the appropriate sponsor of the project / work. **We are recommending that the Chairman of the Audit Committee and the County Finance Officer are project sponsors.**

External Assessment – Approach

11. There are two options for the format of the assessment – a full assessment and an externally validated self-assessment.
12. The advantage of a full assessment is that it has potentially greater value and independence. Conformance is assessed by a qualified assessor who determines the approach of the assessment, the evidence and information they seek and the people to see. They take between 10 – 25 days. They provide suggestions for improvement against best practice and benchmark data.
13. On the other hand, a validated self-assessment is likely to be of a shorter duration, take less time (5 – 8 days), be less disruptive and cost less. They provide development opportunities for internal audit staff and strengthen awareness of quality assurance. Conformance is assessed based on the self-assessment with limited benchmarking data and interviews with stakeholders. They provide suggestions for improvement against the standards / best practice.

External Assessment – who should undertake the assessment

14. The Standards specify that a qualified assessor / team should undertake the assessment and be able to demonstrate the following:

Competencies – professional practice in internal auditing and the external assessment process.

Experience – gained in organisations of similar size, complexity and sector is considered more valuable than less relevant experience.

Independence – not having either a real or apparent conflict of interest and not being part of; or under the control of, the organisation(s) to which the internal audit activity belongs.

15. As this is the first time we have undertaken an External Quality Assessment we asked other Councils what they had done – it varied. What we found was:
 - Many were not undertaking the External Quality Assessment until the final year e.g. 2018
 - Those who had were through a mixture of peer reviews and external providers – this depended on affordability and availability of Head of Internal Audit
 - Peer reviews were generally a self-assessment with external validation. This included a site visit to talk through the self-assessment, key documents and speak to key stakeholders.
 - Costs varied – although peer reviews tended to be through networking groups and were at a nominal cost.

16. To help us determine the approach to take we requested 5 external organisations to provide a quote to:

- Assess how Audit Lincolnshire and the individual council's conform with the standards
- Evaluate our effectiveness in meeting and exceeding client expectations in light of the Audit Charter
- Identify opportunities / suggestions where we can improve
- Benchmark our activities and practice against best practice and our best performing peers – both in and outside our sector
- Provide a report and suggested action plan as a result of the quality assessment.

17. In providing the quote we requested information on:

- Approach
- Deliverables and Outcome
- Timescales - days and span
- Price (Audit Lincolnshire combined and a separate quote for each Council).

The evaluation model was 60% quality and 40% cost. Quality was assessed on approach to delivery – implementation – added value – output – innovation.

18. Attached in Appendix B is the outcome of the evaluation exercise. Supplier 5 provided the most economically advantageous offer.

19. **Taking into account the above information we are recommending that a full external quality assessment is undertaken.** This involves:

- Planning & co-ordinating delivery of the project – with the project sponsors and Audit and Risk Manager
- Conducting the review of the Internal Audit Arrangements for all 3 councils and the Audit Lincolnshire partnership
- Benchmarking to self-assessment and best practice
- Draft Report - discussions with Audit and Risk Manager and Project Sponsors
- Final Report – presented to Audit Committee and / or Corporate Management Board.

The timing of the External Assessment will be spring / summer 2016.

Conclusion

The external quality assessment of Internal Audit is a requirement under the Public Sector Internal Audit Standards. The deadline for completion is 31st March 2018. It is considered that undertaking an external assessment now would be better than waiting. It helps the Councils Internal Audit function to continually improve and demonstrate how it adds value to the organisation as a key assurance provider –

particularly important as the Council continues to go through major change and needing to deliver significant financial savings.

There are various alternatives on who can undertake an external quality assessment and how they should be provided. Appointing supplier 5 best meets our requirements. They have the competency, experience and independence to deliver a full assessment at a cost that the Audit Lincolnshire partnership can afford.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Quality Assurance Framework
Appendix B	External Assessment - Evaluation Results

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522553692 or lucy.pledge@lincolnshire.gov.uk.

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Appendix B - External Quality Assessment – Evaluation Results

Date: 26th October 2015

Our Requirements

- An assessment on how well Audit Lincolnshire and the individual council's conform with the Public Sector Internal audit Standards
- Evaluate our effectiveness in meeting and exceeding client expectations in light of the Internal Audit Charter
- Identify opportunities / suggestions where we can improve
- Benchmark our activities and practice against best practice and our best performing peers – both in and outside our sector
- Provide a report and suggested action plan as result of the quality assessment

	Supplier 1		Supplier 2	Supplier 3	Supplier 4	Supplier 5
LCC	15,000	11,250	6,450	?	12,610	3,600
CofL	9,000	6,750	3,450	?	7,760	2,250
ELDC	9,000	6,750	3,450	?	6,790	2,250
Audit Lincs	£24,750		£13,350	£19,500	£27,160	£9,000
Daily rate	£1,000					£900
Expenses	extra		included	Not mentioned	extra	Extra
Evaluation Results						
Quality (60%)	29.1		31.9	34.1	43.5	36.0
Price (40%)	0		20.7	0	0	40.0
Total	29.1		52.6	34.1	43.5	76.0
Ranking	5th		2nd	4th	3rd	1st

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Self-assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police and this publication. Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	✓		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓		
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓		
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	■ good governance		✓	
	■ assurance framework	✓		
	■ internal audit	✓		
	■ external audit	✓		
	■ financial reporting	✓		
	■ risk management	✓		

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> ■ value for money or best value ■ counter-fraud and corruption. 	✓	✓	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		

Membership and support

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ where independent members are used, that they have been appointed using an appropriate process. 	✓		
13	Does the chair of the committee have appropriate knowledge and skills?	✓		
14	Are arrangements in place to support the committee with briefings and training?	✓		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓		
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓		
17	Is adequate secretariat and administrative support to the committee provided?	✓		

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓		
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓		
20	Does the committee have an action plan to improve any areas of weakness?	✓		

KIT
Security
Safe
Processes
off site storage
Payroll/HR...

WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
4 th November 2015	Treasury management training session	Arlingclose	Ensure that the Committee has the appropriate skills to be able to review the Council's Treasury Management Strategy and performance reports
4 th November 2015	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Statement of Accounts Deadline Changes	David Dickinson/Nicky Lovely	Ensure members are aware of changes to legislation that will impact on the Committee meeting cycle
	Annual Audit Letter	John Cornett/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	The Council's arrangements for : Upholding ethical standards Whistleblowing Meeting the requirements of CIPFA's Statement on the Role of the Chief Financial Officer	Nicky Lovely	Ensure that the Committee has the appropriate skills to carry out its remit
	Initiating the Annual Review of the Effectiveness of the Internal Audit Function	David Dickinson/Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Responses to questions raised at previous meeting	Nicky Lovely	

	Audit Committee Work Programme	David Dickinson	
10th February 2016	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit VFM Approach	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns are managed appropriately
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nicky Lovely	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Audit Committee Work Programme	Nicky Lovely	
27th April 2016	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	External Audit Plan for 2015/16 Accounts and VFM Conclusion	Jonathan Gorrie/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts and arrangements to achieve Value for Money

	Combined Assurance Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for critical systems, due diligence activities, key risks and projects
	Draft Annual Internal Audit Plan 2016/17	Lucy Pledge/John Sketchley (Audit Lincs)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	External Audit Certification of Grant Claims and Returns	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
13th July 2016	Treasury Management Outturn Report	Tara Beesley	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Internal Audit Report	Lucy Pledge/John Sketchley (Audit Lincs)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Knowledge and skills assessment for Committee members	Nicky Lovely	Ensure that the Committee has the appropriate skills
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
TBA	Training session on Statement of Accounts	Nicola Pickavance	Ensure that the Committee has the appropriate skills to be able to review the

			Council's Statement of Accounts and consider the integrity of financial reporting
14th September 2016 To be confirmed – could be moved to 7th September	External Audit Annual Governance Report	Jonathan Gorrie/Helen Brookes (KPMG)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts & Annual Governance Statement	David Dickinson / Nicola Pickavance	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Results of the External Assessment of Audit Lincs	Lucy Pledge/John Sketchley (Audit Lincs)	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Fraud Risk Assessment	Nicky Lovely	Gain assurance that the Council understands its fraud risks and that actions are in place to address them.
	Proposals for Future Training for the Committee	Nicky Lovely	
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	

30th November 2016	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Initiating the Annual Review of the Effectiveness of the Internal Audit Function	David Dickinson/Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
8th February 2017	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit VFM Approach	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns are managed appropriately
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Strategic Risk Register	Richard Bates	Gain assurance that the Council considers its strategic risks and that these are being managed effectively
	Review of significant internal control issues highlighted in	Nicky Lovely	Gain assurance that the Council is making

	the Annual Governance Statement		progress on any governance issues that were raised in the AGS
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	