



Rutland County Council

Catmose, Oakham, Rutland, LE15 6HP.

Telephone 01572 722577 Facsimile 01572 758307 DX28340 Oakham

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Rutland County Council, Catmose, Oakham on **Tuesday, 25th April, 2017** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Helen Briggs
Chief Executive

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at www.rutland.gov.uk/haveyoursay

A G E N D A

APOLOGIES FOR ABSENCE

1) MINUTES

To confirm the minutes of the Audit and Risk Committee held on 31 January 2017.

2) MATTERS ARISING

3) DECLARATIONS OF INTEREST

In accordance with the Regulations, Members are invited to declare any disclosable interests under the Code of Conduct and the nature of those interests in respect of items on this Agenda and/or indicate if Section 106 of the Local Government Finance Act 1992 applies to them.

4) PETITIONS, DEPUTATIONS AND QUESTIONS

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rule 217.

The total time allowed for this item shall be 30 minutes. Petitions, declarations

and questions shall be dealt with in the order in which they are received. Questions may also be submitted at short notice by giving a written copy to the Committee Administrator 15 minutes before the start of the meeting.

The total time allowed for questions at short notice is 15 minutes out of the total time of 30 minutes. Any petitions, deputations and questions that have been submitted with prior formal notice will take precedence over questions submitted at short notice.

Any questions that are not considered within the time limit shall receive a written response after the meeting and be the subject of a report to the next meeting.

5) COMMITTEE TERMS OF REFERENCE

To receive Report No.96/2017 from the Director for Resources.
(Pages 5 - 8)

6) EXTERNAL AUDIT UPDATE

To receive Report No. 89/2017 from the Director for Resources.
(Pages 9 - 24)

7) ACCOUNTS CLOSURE PLANNING 2016/17

To receive Report No. 87/2017 from the Director for Resources.
(Pages 25 - 28)

8) ANNUAL GOVERNANCE STATEMENT

To receive Report No. 78/2017 from the Director for Resources.
(Pages 29 - 54)

9) INTERNAL AUDIT PLAN 2017/18

To receive Report No. 94/2017 from the Head of Internal Audit.

10) EXCLUSION OF PRESS AND PUBLIC

The Committee is recommended to determine whether the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, as amended, and in accordance with the Access to Information provisions of Procedure Rule 239, as the following item of business contains exempt information as defined in Paragraph 7 , Part 1 of Schedule 12A of the Act.

Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

11) INTERNAL AUDIT UPDATE

To receive Report No. 93/2017 from the Head of Internal Audit.
(Pages 55 - 84)

12) EXCLUSION OF PRESS AND PUBLIC

The Committee is recommended to determine whether the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, as amended, and in accordance with the Access to Information provisions of Procedure Rule 239, as the following item of business contains exempt information as defined in Paragraph 7, Part 1 of Schedule 12A of the Act.

Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

13) FRAUD RISK REGISTER

To receive Report No. 84/2017 from the Director for Resources.
(Pages 85 - 100)

14) EXCLUSION OF PRESS AND PUBLIC

The Committee is recommended to determine whether the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, as amended, and in accordance with the Access to Information provisions of Procedure Rule 239, as the following item of business contains exempt information as defined in Paragraph 7, Part 1 of Schedule 12A of the Act.

Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

15) POTENTIAL FRAUD IN SERVICE PROVIDER

To receive Report No. 95/2017 from the Director for People.
(Pages 101 - 104)

16) ANY OTHER URGENT BUSINESS

To receive items of urgent business which have previously been notified to the person presiding.

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DISTRIBUTION

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Mrs D MacDuff (Chairman)	
Mr J Lammie (Vice-Chair)	
Mr E Baines	Mr N Begy
Mr G Conde	Mr M Oxley
Miss G Waller	

OTHER MEMBERS FOR INFORMATION

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AUDIT AND RISK COMMITTEE

25 April 2017

COMMITTEE TERMS OF REFERENCE

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

1. That the Committee reviews the proposed Terms of Reference at Appendix A

1 PURPOSE OF THE REPORT

- 1.1 To present an updated Terms of Reference for the Committee, for comment prior to the Annual Council meeting in May 2017.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 During 2016/17 the Committee completed an effectiveness review based on CIPFA guidance. An action arising from this review was to review the terms of reference to ensure they are still fit for purpose.
- 2.2 This review has now been done and updated terms of reference are presented at Appendix A.
- 2.3 The amended terms of reference are based on the guidance within the 'Toolkit for Local Authority Audit Committees' published by CIPFA. In addition, they include the authority for approving the annual statement of accounts that has been delegated to the Committee by Full Council.

3 CONSULTATION

- 3.1 The Committee is being consulted in advance of the terms of reference being presented to Council.

4 ALTERNATIVE OPTIONS

- 4.1 The Council could choose not to update the terms of reference but this would mean that the terms were not up to date and do not accord with best practice.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Good practice from the wider public sector indicates that these functions are best delivered by an independent audit committee. In this context, "independence" means that an audit committee should be independent from any other executive function.
- 6.2 Full Council approves the terms of reference for each Committee at its Annual Meeting in May each year.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 BACKGROUND PAPERS

- 10.1 There are no background papers.

11 APPENDICES

- 11.1 Appendix A – proposed terms of reference.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Audit and Risk Committee – Proposed Terms of Reference

The purpose of the Committee is to undertake the County Council's responsibilities under the Accounts and Audit Regulations:

- a) to consider and approve the annual statement of accounts
- b) to ensure that the financial management of the Council is adequate and effective
- c) to ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk
- d) to review annually the Council's system of internal control and to agree an Annual Governance Statement for inclusion in the statement of accounts
- e) to ensure that the Council has an adequate and effective internal audit function

Audit Activity

- To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To approve the risk-based internal audit plan and resource requirements
- To consider summaries of specific Internal Audit reports as requested.
- To consider reports dealing with the management and performance of the providers of Internal Audit Services.
- To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- To approve the Internal Audit Charter
- To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance
- To consider specific reports as agreed with the External Auditor
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the Council's External auditor.
- To commission work from Internal and External Audit.

Regulatory Framework

- To maintain an overview of the Council's Constitution with the exception of those matters under the remit of the Executive or a regulatory committee.
- To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor council policies on 'Whistle Blowing' and the 'Anti-fraud and corruption strategy' and the Council's complaints process.
- To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

- To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider The Council's compliance with its own and other published standards and controls.

Accounts

- To approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Delegations

- The Assistant Director (Finance), in consultation with the Chair of the Committee, is authorised to make changes to the Internal Audit plan. Such changes must be reported to the Committee at the earliest opportunity.

AUDIT AND RISK COMMITTEE

25 April 2017

EXTERNAL AUDIT UPDATE

Report of the Director for Resources

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Tony Mathias – Leader and Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Debbie Mogg, Director for Resources		Tel: 01572 758358 dmogg@rutland.gov.uk
	Saverio Della Rocca, Assistant Director - Finance		Tel: 01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

That the Committee notes the update from the external auditors, KPMG LLP

1 PURPOSE OF THE REPORT

1.1 To update the Committee on external audit matters for 2016/17.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The report from the external auditors in Appendix 1 outlines progress on the audit for 16/17. The auditors will update the Committee at the meeting on the outcome of their interim audit.

2.2 The report highlights a range of national studies completed that the Committee may find interesting.

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

4.1 The Committee is asked to note the report. There are no alternatives.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report but the Committee should note that the audit fee remains the same as last year.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Audit and Risk Committee is responsible for receiving the reports of external audit, acting on any relevant matters and approving of the Statement of Accounts.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed as this report does not impact on Council policies and procedures.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 It is important that the Committee understand the approach and outcome of external audit work.

11 BACKGROUND PAPERS

- 11.1 There are no additional background papers to the report.

12 APPENDICES

Appendix 1 – External Audit Progress Report 2016/17

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.



External Audit: Progress Report and Technical Update

Rutland County Council

Audit and Risk Committee – April 2017

Contents

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This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights some of the recent communications and other publications on the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document 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 Tony Crawley, 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 (on 0207 694 8981, or 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 3H.

External audit progress report – April 2017

This document provides the Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.

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Commentary	
2016/17 Audit	<p>The Audit Plan 2016/17 was presented to the Committee in January 2017. There have been no changes to the identified significant audit risks and other matters or the proposed audit work set out in the Audit Plan since that date.</p> <p>The Council's interim audit is scheduled for the first week in April and we will update the Committee at its next meeting on any matters arising.</p> <p>The final accounts visit has been scheduled for July 2017. We expect to report the findings from the audit at the Committee's September 2017 meeting.</p>
Other audit related work	<p>We have confirmed with managers the arrangements for the 2016/17 Housing Benefits Subsidy Claim audit work. The indicative fee set by Public Sector Audit Appointments Ltd is £5,385.</p> <p>There is no other audit related work in progress.</p>
Technical Update	<p>At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<p>NAO Report – Health and Social Care Integration</p> <p>14</p>	<p>In this 8 February 2017 publication the NAO warns that progress with integration of health and social care has, to date, been slower and less successful than envisaged and has not delivered all of the expected benefits for patients, the NHS or local authorities. As a result, the government's plan for integrated health and social care services across England by 2020 is at significant risk.</p> <p>In the face of increased demand for care and constrained finances, while the Better Care Fund (BCF), the principal integration initiative, has improved joint working, it has not yet achieved its potential. The BCF has not achieved the expected value for money, in terms of savings, outcomes for patients or reduced hospital activity, from the £5.3 billion spent through the Fund in 2015-16.</p> <p>Nationally, the BCF did not achieve its principal financial and service targets over 2015-16, its first year. Planned reductions in rates of emergency admissions were not achieved, nor did the Fund achieve the planned savings of £511 million. Compared with 2014-15, emergency admissions increased by 87,000 against a planned reduction of 106,000, costing £311 million more than planned. Furthermore, days lost to delayed transfers of care increased by 185,000, against a planned reduction of 293,000, costing £146 million more than planned.</p> <p>The BCF has, however, been successful in incentivising local areas to work together; more than 90% of local areas agreed or strongly agreed that delivery of their plan had improved joint working. Local areas also achieved improvements at the national level in reducing permanent admissions of people aged 65 and over to residential and nursing care homes, and in increasing the proportion of older people still at home 91 days after discharge from hospital into reablement or rehabilitation services.</p> <p>The NAO reports that there is general agreement across the health and social care sectors that place-based planning is the right way to manage scarce resources at a system-wide level. However, local government was not involved in the design and development of the NHS-led sustainability and transformation planning programme. Local authorities' engagement in the planning and decision making phase has been variable, although four sustainability and transformation planning areas are led by local authority officials.</p> <p>The DoH and the DCLG have identified barriers to integration, such as misaligned financial incentives, workforce challenges and reticence over information sharing, but are not systematically addressing them. Research commissioned by the government in 2016 concluded that local areas are not on track to achieve the target of integrated health and social care by 2020.</p> <p>The report also found that NHS England's ambition to save £900m through introducing seven new care models may be optimistic. The new care models are as yet unproven and their impact is still being evaluated. According to the NAO, while the Departments and their partners have set up an array of initiatives examining different ways to transform care and create a financially sustainable care system, their governance and oversight of the initiatives is poor. The Integration Partnership Board only receives updates on progress of the BCF with no reporting from other integration programmes.</p> <p>In addition, the NAO found no compelling evidence to show that integration in England leads to sustainable financial savings or reduced acute hospital activity. While there are some good examples of integration at a local level, evaluations have been inhibited by a lack of comparable cost data across different care settings, and difficulty tracking patients through different care settings. The NAO reiterates its emphasis from its 2014 report on the Better Care Fund that there is a need for robust evidence on how best to improve care and save money through integration and for a co-ordinated approach.</p> <p>The report can be found at the following link: https://www.nao.org.uk/wp-content/uploads/2017/02/Health-and-social-care-integration.pdf</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<div>15</div> <div>NAO Report – Local Support for People with Learning Disabilities</div>	<p>On 3 March 2017, the NAO published a report on <i>Local Support for People with a Learning Disability</i>. The report examines how NHS in England and local authorities seek to improve the lives of the 129,000 people aged 18 to 64 who use local authority learning disability support services.</p> <p>The report highlights the good progress made by the Department of Health and NHS England in setting up a programme to close hospital beds for people with a learning disability, but concludes that the programme is not yet on track to achieve value for money. The programme partners have yet to resolve a number of complex challenges if they are to achieve the ambition of a substantial shift away from reliance on inpatient care.</p> <p>Between £135 million and £195 million annually will need to be made available to pay for health and social care support in the community for people with learning disabilities discharged from mental health hospitals. Unless more funding is made available for local services, this will be an unfunded pressure on the budgets of local authorities and clinical commissioning groups (CCGs). NHS England has recognised that it will take time for funding to move from hospitals to community support. To help in the short-term, it has provided £30 million revenue funding over three years, to be match-funded by partnerships, and £100 million of capital funding.</p> <p>The report can be found at the following link:</p> <p>https://www.nao.org.uk/report/local-support-for-people-with-a-learning-disability/</p>
<div>Roundup for Audit Committees</div>	<p>This interactive round-up (published in March 2017) is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. The Round-up includes a focus on risk, summarising some of the learning points in NAO reports that provide particularly useful lessons for key aspects of risk management.</p> <p>The round-up will normally be published each autumn and spring and look back over six months. As the inaugural edition, this publication highlights NAO reports published over the last year, including an introduction by Sir Amyas Morse, Comptroller and Auditor General.</p> <p>The NAO's full report can be found at:</p> <p>https://www.nao.org.uk/wp-content/uploads/2016/10/Round-up-for-Audit-Committees-Mar-2017.pdf</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<div>NAO Report – Capital Funding for Schools</div> <div>16</div>	<p>In this February 2017 report NAO point out that The Department for Education, working with local authorities and schools, has created a large number of new school places and is making progress in improving schools in the worst condition, but significant challenges remain.</p> <p>Between 2010 and 2015, the Department and local authorities created 599,000 new school places at a cost of £7.5 billion, mostly in good or outstanding schools, enabling them to meet the growing demand for places. The Department has also improved how it estimates the need for school places, collecting more localised forecasts of pupil numbers, and allocates money more closely according to need.</p> <p>Pupil numbers are continuing to grow and the demand for places is shifting to secondary schools where places are more complex and costly to provide as they require specialised facilities, such as science laboratories. NAO's report found indicators of pressure on school places in some local areas, with large amounts of spare capacity elsewhere. Nationally, in 2016, 10 per cent of primary places and 16 per cent of secondary places were unfilled. Some spare capacity is needed to allow parents to exercise choice. This spare capacity does not, however, mean that all areas have enough places, with particular pressure in London and the South East.</p> <p>According to the NAO, the expected deterioration in the condition of the school estate is a significant risk to long-term value for money. Responsibility for maintaining the condition of school buildings is devolved to schools, multi-academy trusts and local authorities. The Department's property data survey estimates it would cost £6.7 billion to return all school buildings to satisfactory or better condition, and a further £7.1 billion to bring parts of school buildings from satisfactory to good condition. The most common major defects are problems with electrics and external walls.</p> <p>While the Department cannot yet assess reliably how the condition of the school estate is changing over time, it estimates that the cost of dealing with major defects in the estate will double between 2015-16 and 2020-21, even with current levels of funding, as many buildings near the end of their useful lives. Much of the school estate is over 40 years old, with 60% built before 1976.</p> <p>Free schools were introduced to introduce innovation, offer parents more choice and help improve the quality of education through competition between schools. They are also playing an increasingly important role in addressing demographic need for new school places. In some areas, however, free schools are creating spare capacity which may have implications for schools' financial sustainability. The Department plans to open 500 new free schools between May 2015 and September 2020 but the biggest risk to delivering these schools is the availability of suitable sites. A lack of suitable land means that the Department sometimes enters into complex commercial agreements and pays large sums to secure sites in the right places. The NAO found that while the average cost of the 175 sites bought by the Department is £4.9 million, 24 sites have cost more than £10 million, including four that have cost more than £30 million. To help secure free school sites quickly and at the best price the Department is setting up a property company.</p> <p>The report can be found at the following link:</p> <p>https://www.nao.org.uk/report/capital-funding-for-schools/</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<p>NAO Report – Planning for 100% retention of business rates</p> <p>17</p>	<p>In this March 2017 report NAO concludes that the Department for Communities and Local Government has made progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives.</p> <p>The Department's core objectives for the scheme, due to start in 2019-20, are to drive local economic growth, and to promote financial self-sufficiency for English local government. NAO's report, however, raises questions as to whether the Department's current planning approach is best configured to deliver a scheme capable of meeting those objectives fully. Furthermore, the report also highlights the substantial design and delivery challenges still facing the Department in the context of an increasingly tight timetable and reduced staffing levels in its core delivery team.</p> <p>By allowing local authorities to retain 100% of business rates, the Department hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But the report states that tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. NAO reports that the Department needs to understand the link between business rates and economic growth to ensure that the scheme is configured to maximise economic growth rather than just growth in the tax base. NAO's report finds, however, that these issues have not been fully examined in the Department's work to date. NAO concludes that the Department has not looked in detail at whether the current scheme, in which authorities retain 50% of business rates, has promoted pro-growth behaviour in authorities.</p> <p>The Department is promoting financial self-sufficiency in the sector through the 100% local retention scheme in the context of a long-term reduction in local authority funding. Local authorities' spending power (government grant, locally retained business rates and council tax) fell in real terms by 25.2% from 2010-11 to 2015-16 and will fall by a further 5.4% by 2019-20. The Department is reviewing the relative distribution of funding in the sector through a Fair Funding Review, but there is not scheduled to be a Spending Review in which the absolute level of funding in the sector is reviewed, until after the 100% scheme is operational. In this context, the report highlights the risk of implementing a 100% local rates retention scheme that might be technically sound but lacks sufficient funding for the sector to deliver its statutory functions.</p> <p>The report recognises that the Department has managed a complex project, involving extensive sector engagement, and made good progress. NAO state that the Department has learnt from designing and implementing the 50% retention scheme. The NAO, however, found clear risks to the timely delivery of the 100% scheme. Many significant and challenging issues remain outstanding, such as delivering the Fair Funding Review. Some slippage on meeting milestones to date, constraints on the Department's resources, and the Department's intention to concentrate important decisions in a short space of time towards the end of the timetable create the potential for pressure in the late stages of the project. The NAO highlights the risk that the pressure to deliver by 2019-20 could result in a scheme that has not been fully tested. The experience of the 50% scheme, in which the operation of the appeals process has proved problematic, demonstrates the clear risk posed by unforeseen issues. The report also stresses the need for the Department to assure itself that the scheme will deliver its core policy objectives and that these are not overlooked among the technical challenges of designing the scheme to a tight timetable.</p> <p>The report can be found at the following link:</p> <p>https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<p>Housing in England: An Overview</p> <p>18</p>	<p>The National Audit Office published in January 2017 an overview of the housing market in England, the Department for Communities and Local Government's housing strategy and the overall housing policy landscape. The need for housing in England has in recent years grown faster than its supply.</p> <p>Total estimated government spending on housing in England was approximately £28 billion in 2015-16. The most significant element of this is housing benefit. In 2015-16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of the Department's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.</p> <p>According to the NAO, housebuilding has not kept pace with need, and this is particularly acute in London. Projections suggest there will be at least 227,000 new households formed each year between 2011 and 2021. This is substantially higher than the annual average of 166,000 extra homes in England over the last 10 years. Delivery of the government's million new homes ambition by 2020 will require 174,000 net additions each year. The Department measures new homes as net additions; this is not only newly-built homes, but also includes converted properties. The Department is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market. For example, despite early indications of a slowdown immediately after the referendum result, more recent evidence points to modest increases in numbers of sales being agreed in England. Housing has become more affordable for existing homeowners, with the proportion of owner-occupiers who spend at least a quarter of their disposable income on housing falling from 40% to 19% of people with a mortgage. By contrast, housing has become less affordable for first-time buyers, and social housing rents have been increasing faster than earnings since 2001-2.</p> <p>Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010-11.</p> <p>Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.</p> <p>The publication can be found on NAO's website via the following link:</p> <p>https://www.nao.org.uk/report/housing-in-england-overview/</p>

Appendix 1 - Technical update -Home Office

Area	Comments
<div>19</div> <div>Organised Crime Procurement Pilot Report</div>	<p>The Home Office has produced an <i>Organised Crime Procurement Pilot Report</i>, which has been circulated to all local authorities, police forces and police and crime commissioners in England and Wales. The report provides findings from pilot studies it has undertaken on the threat that serious and organised crime poses to publicly procured services in local authorities and how to respond to that threat. The report estimates that of the £2.1 billion of local government fraud in 2013, £876m related to procurement fraud. Local government spent around £60 billion on procurement (excluding central services) in 2014-15, so this area is considered to be attractive to serious and organised criminals.</p> <p>The pilots indicated the sectors most at risk were waste services, taxi/transport services and low value spending (generally payments in the hundreds of pounds and in schools for property maintenance services). These sectors can be more vulnerable because they are predominantly cash-based businesses; enable high-value cash transactions; can have market domination within geographical areas; have predictable returns or high levels of potential profit; and present opportunities to launder cash by, for example, acting as a 'front' company. Local authority taxi contracts were identified as being at particular risk. The main focus of those contracts is to provide transport for some of the most vulnerable members of society, and criminal groups can use taxis to gain access to the vulnerable.</p> <p>The Home Office is recommending that local authorities share the report and its findings with senior management teams to raise awareness among those responsible for procurement, finance, fraud investigation, internal audit and licensing. The Home Office recommends that authorities liaise with the police as well organised crime local multi-agency partnership groups in order to identify the greatest areas of risk.</p> <p>The report includes suggestions to strengthen arrangements, and in addition, the Home Office has also produced tools to both raise awareness and protect and reduce vulnerability:</p> <ul style="list-style-type: none"> • <u>A Serious and Organised Crime Checklist</u> - this enables local authorities to quickly assess their serious and organised crime risks within their organisation. • <u>A Serious and Organised Crime Audit</u> - a more developed methodology that allows local authority internal audit teams to scrutinise business operations to establish where there may be vulnerabilities.

Appendix 1 - Technical update - CIPFA publications

Area	Comments
<p>Other CIPFA publications</p>	<p>In recent months CIPFA has issued guidance covering the following topics which are relevant to the authority:</p> <ul style="list-style-type: none"> • 2016/17 Accounts – CIPFA has published Guidance Notes for Practitioners for the Code on LA Accounting, and example accounts and disclosure checklist for the LGPS Accounts • Local Authority Capital Accounting – a reference manual for practitioners • The Guide to Local Government Finance (2016 edition) • A Practical guide to Alternative Models - This guide gives clear explanations of the different types of alternative models and vehicles, their structures and frameworks • Investment Pooling Governance Principles for LGPS Administering Authorities - this guidance to supports authorities in demonstrating best practice governance during the implementation of and when participating in, LGPS asset pooling arrangements. • Property Asset Valuation: A Handbook for Property and Finance Professionals in Local Authorities (2016 Edition) - this examines complex issues surrounding local authority property assets including classification, valuation and component accounting. This new edition provides guidance around the requirements of IFRS 13 for property asset valuations. <p>In March 2017 CIPFA has issued <i>LAAP Bulletin 105: Closure of the 2016-17 accounts and related matters</i>.</p>

Appendix 1 - Technical update - CIPFA publications

Area	Comments
Statement by CIPFA/LASAAC on the Implementation of the Highways Network Asset Code into the Financial Reporting Requirements of Local Authorities	<p>At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board's press release states:</p> <p>"The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.</p> <p>The Board recognises the work undertaken by accounts preparers, auditors and highways engineers in preparing for the planned changes and would encourage continued improvement of the management of the highways network asset through better inventory and cost information".</p> <p>CIPFA's March 2017 LAAP Bulletin 105 includes an annex which provides a summary of the amendments required to the paragraphs and tables throughout the 2016-17 Code Guidance Notes to reflect the requirements of this decision taken by CIPFA/LASAAC in respect of the Highways Network Asset.</p>

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Appendix 1 - Technical update - CIPFA/IFG publications

Area	Comments
<div data-bbox="105 311 306 422">CIPFA/institute for Government Performance Tracker Report</div> <div data-bbox="99 658 130 704">22</div>	<p><i>Performance Tracker</i>, published 28 February 2017 by the Institute for Government (IfG) and CIPFA (the Chartered Institute of Public Finance and Accountancy), finds that until recently the government managed to maintain the quality of public services while controlling spending. The report states though that “government’s own data clearly shows its original approach had run out of steam by 2015”.</p> <p>The report uses government data to examine five key public services: hospitals, adult social care, police, prisons and schools. It says the government now risks bouncing from spending crisis to crisis, against the backdrop of contentious Brexit negotiations.</p> <p>The report states that:</p> <p><i>Adult social care and hospitals are being pushed to breaking point and, in the case of prisons, beyond it. The pressures are easy to identify: People routinely wait longer for critical hospital services such as A&E and cancer treatments.</i></p> <p><i>Delays in transferring people from hospitals into social care have risen by 40% since 2014.</i></p> <p><i>Violence in prisons has risen sharply since 2014, with assaults on staff rising by 61% in two years.</i></p> <p>The report makes several recommendations, including that assumptions behind spending decisions should be subject to independent scrutiny. “Governments of all shades have long promised to transform public services but these ambitions have never truly been realised”.</p> <p>To counter this, the report suggests government should consider creating an “Office for Budget Responsibility (OBR) for public spending”, to help embed efficiency within public sector decision making and prevent wishful thinking.</p> <p>The report and a recording of its launch can be seen at the following links:</p> <p>http://www.cipfa.org/~media/files/publications/reports/performance-tracker-final-web.pdf?la=en</p> <p>https://livestream.com/accounts/5208398/events/6986204</p>



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AUDIT AND RISK COMMITTEE

25 April 2017

ACCOUNTS CLOSURE PLANNING 2016/17

Report of the Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager - Technical	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

That the Committee:

1. Notes the contents of the report including the following key changes that impact the Statement of Accounts for 2016/17:
 - Changes to the Comprehensive Income and Expenditure Statement;
 - Early Closure 2017/18; and
 - Update on the Implementation of the Transport Infrastructure Code.

1 PURPOSE OF THE REPORT

- 1.1 To inform the Committee of the emerging changes that will have an impact on the production of the Statement of Accounts for 2016/17 and how the Council are planning on meeting the new requirements.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Changes to the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement

- 2.1.1 The Code of Practice on Local Authority Accounting includes changes resulting

from the 'Telling the Story Review' on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of an Expenditure and Funding Analysis (EFA) and an Income Analysed by Nature note.

- 2.1.2 The MIRS disclosure shows the changes in the reserves of the authority during the reporting period. It has been reduced to a minimum in comparison with previous years. Earmarked reserves will no longer be presented within the MIRS as distinct from the General Fund Balance. However, the detail of reserves identified for specific purposes will be set out elsewhere in the Statements.
- 2.1.3 The EFA will show how annual expenditure is used and funded from resources in comparison with the accounting basis for those items. It also shows how the expenditure is allocated for decision making purposes between directorates/services. The EFA will take the net expenditure that is chargeable to taxation/rents and reconcile it to the CIES Surplus or Deficit on the Provision of Services. This change will enable the previous segmental reporting requirements to be streamlined, which has resulted in the CIES being split over the directorates (People, Places and Resources) rather than follow the Service Reporting Code of Practice (SeRCOP).
- 2.1.4 Full retrospective restatement of the 2015/16 CIES and EFA related information will have to be made. There is no requirement for a restated balance sheet as there are no changes to that information as a result of the new accounting policies.

2.2 Early Closure 2017/18

- 2.2.1 The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively (currently 30 June and 30 September) effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements is underway and the Statement of Accounts 2016/17 will be a trial run to ensure the Council is equipped to meet this requirement. The first full draft of the financial statements is anticipated to be produced by mid May 2017.

2.3 Update on the Implementation of the Transport Infrastructure Code

- 2.3.1 The 2016/17 Code specifies the revised measurement requirements as Depreciated Replacement Cost for the Highways Network Asset as advised to the audit and risk committee in report 20/2016. The Code includes specific accounting policies for the initial recognition, measurement, derecognition and disclosure requirements for the Highways Network Asset.
- 2.3.2 On 14th November 2016, CIPFA/LASAAC announced the postponement of the implementation date to 1 April 2017. The decision to defer implementation was taken as a result of key information required from Central Government, regarding central rates to be used in the calculation, not being available in good time for the 2016/17 financial statements. The position will be reviewed in March with a view to implementation in 2017/18.
- 2.3.3 Whilst implementation was not deferred due to concerns regarding local authorities' readiness to meet the Highways Network Asset Code requirements, it

nevertheless provides the Council with the time to improve the integrity of the data inputs, and the opportunity to further consider the valuation procedures as part of the 2016/17 accounts 'close down'. It also provides time to address any matters arising over the forthcoming year.

3 CONSULTATION

- 3.1 Formal external consultation is not required for any decisions being sought in this report

4 ALTERNATIVE OPTIONS

- 4.1 The Council could choose not to apply relevant accounting practice, however, in doing so the Council would be in breach of the Code of Practice and could potentially have the accounts qualified by the external auditors.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council must adhere to the code of practice setting out the proper accounting practices required by section 21(2) of the Local Government Act 2003.
- 6.2 To ensure the Councils accounts are prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2011.
- 6.3 On 30 January 2014, the Local Audit and Accountability Act 2014 received Royal Assent. The implications of this act relate to early closure and publication of the SoA as discussed in 2.2.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure the Committee is aware of plans in place to ensure effective and timely closure of accounts.

11 BACKGROUND PAPERS

11.1 There are no background papers.

12 APPENDICES

12.1 No appendices.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

AUDIT AND RISK COMMITTEE

25 April 2017

ANNUAL GOVERNANCE STATEMENT

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Tony Mathias – Leader and Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
	Sav Della Rocca, Assistant Director - Finance	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	Not applicable	

DECISION RECOMMENDATIONS

1. That the Committee considers whether the Annual Governance Statement (AGS) fairly represents the governance framework in place at the Council and advises on whether there are any issues it would wish to see addressed or expanded upon in the Annual Governance Statement.

1 PURPOSE OF THE REPORT

- 1.1 To meet the statutory requirement for the Council to approve an AGS for inclusion in its published Statement of Accounts (SoA) for 2016/17. In advance of formal approval in September, the Committee is invited to consider an early draft.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 When publishing its SoA, the Council is required by regulation 4(3) of the Accounts and Audit Regulations 2011 to consider and approve an AGS. The function is delegated to this Committee. The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance suggests that the Committee considers a version of the Statement in advance.
- 2.2 The AGS, which is attached as Appendix A, sets out the Council's responsibilities, the purpose of the governance framework, a description of the governance framework itself, illustrated by examples, and its effectiveness.

- 2.3 The governance framework is designed to facilitate the achievement of the Council's aims and objectives and policies, identifying and managing any risks to a reasonable level. The framework is embedded in the Constitution and the policies, procedures, operations and systems in place.
- 2.4 The structure of the AGS remains largely unchanged from the prior year but the content has been updated. In 2016/17 CIPFA produced an updated version of 'Delivering Good Governance in Local Government', this guidance has been applied to the 2016/17 financial year AGS (see 2.2)
- 2.5 The core principles of good governance are:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 2.6 The AGS shows that we have arrangements in place to comply with these core principles.
- 2.7 Section 7.9 of 'Delivering Good Governance in Local Government', see Appendix B, says that key elements of the structures and processes that comprise an authority's governance arrangements do not need to be described in detail in the annual governance statement if they are already easily accessible by the public. The AGS has been reviewed to ensure it covers all the key elements shown in Appendix B.
- 2.8 There are some elements of the AGS which cannot be completed at this stage as information is awaited. These are marked up in the draft version and include:
- The financial outturn
 - Year end KPI performance
 - Results of managers assurance statements
- 2.9 The review of the effectiveness of the governance environment is informed by a number of methods, including internal and external audit reviews, consideration by Council, Cabinet and Scrutiny Panels of various matters including corporate

performance, and assurance statements given by service managers in respect of their areas of responsibility. As part of the review of effectiveness, the Council must disclose the actions of any significant governance issues in relation to the Council achieving its vision.

2.10 Whilst it is for individual authorities to judge whether a matter is significant, the following tests might indicate a significant issue:

- Might the issues seriously prejudice or prevent achievement of a corporate target?
- Could the issue have a material impact on the accounts?
- Could the issue divert resources from another important aspect of the business?
- Does the Audit and Risk Committee advise it is significant?
- Does Internal or External Audit regard it as significant?
- Could the issue, or its impact, attract significant public interest, or seriously damage the reputation of the organisation?

2.11 Whilst Internal Audit and other reviewers have indicated that there are areas where internal controls must be improved, there are no significant areas of weakness identified that fall into any of the above categories. This is reflected by the overall Internal Auditor's positive opinion on the internal control framework. The Committee should therefore consider, based on its knowledge, whether it agrees with this assessment.

2.12 The AGS will be published in draft and submitted to the External Auditors, along with the SoA, at the end of June and has been scheduled for further consideration by this Committee in September. The AGS and SoA must be approved before 30 September 2017. The Section 151 Officer is responsible for preparing the SoA for submission, but the AGS is signed by the Leader and the Chief Executive following the review of this Committee. The External Auditor will check the format of the AGS and whether its content is consistent with his understanding of the authority.

2.13 Should any issues come to light before the date of sign off, the AGS will be amended accordingly.

3 CONSULTATION

3.1 The AGS has been reviewed by the Strategic Management Team and the Governance Group. Other officers have also contributed to this Statement.

3.2 The AGS has also been reviewed by the Leader and Chief Executive.

4 ALTERNATIVE OPTIONS

4.1 The Committee is being asked to comment on a draft submission therefore at this stage. Other options are not appropriate. The Council has a statutory duty to

submit the AGS as part of the SoA.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Audit and Risk Committee is responsible for reviewing the AGS.

6.2 Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 requires the Council to conduct an annual review of its system of internal control and following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

7 EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EqIA) has been completed and there were no issues arising. A full impact assessment has not been carried out.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The Committee plays an important role in the oversight of the corporate governance framework. Its review of the Annual Governance Statement on behalf of the Council provides an independent assurance to the Chief Executive and Leader.

11 BACKGROUND PAPERS

11.1 None

12 APPENDICES

12.1 Appendix A – draft Annual Governance Statement

12.2 Appendix B – Extract from ‘Delivering Good Governance in Local Government’.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Appendix A – Annual Governance Statement

1. Scope of Responsibility

Rutland County Council (“the Council”) is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

The elements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (updated in 2016) are embedded throughout the Council’s Constitution and other strategies. This statement explains how the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically by identifying and implementing measures to reduce the likelihood of the risks being realised and to negate or mitigate their potential impact.

The governance framework has been in place at Rutland County Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The Council has a ‘Local Code of Governance’ which states our commitment to complying with the principles of good governance and references relevant documents where stakeholders can find out more. This section of the AGS describes some of our arrangements in more detail.

Vision, Aims and Objectives

The Corporate Plan serves as a roadmap for what the Council wants to achieve during its current four-year term. The Plan was developed following a review of the previous Plan, a multi-agency workshop, public consultation and Scrutiny Panel review and feedback.

Significant amendments were made to the Plan after the consultation. Cabinet recommended the Plan for approval by Cabinet in August 2016. The Plan was finalised and approved by Council in September 2016 and includes a revised set of strategic aims and objectives which can be found here:

<http://www.rutland.gov.uk/my-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan/>

Priorities for the Council over the next four years, as set out in the Corporate Plan, include:

- Delivering sustainable growth, supported by appropriate housing, employment, learning opportunities and infrastructure (including other Public Services)
- Safeguarding the most vulnerable and supporting the health and well-being needs of our community
- Planning and supporting future population and economic growth to allow businesses, individuals, families and communities to reach their full potential
- Ensuring the Council's medium term financial plan is balanced and based on delivering the best possible value for the Rutland pound

The aims and priorities are underpinned by targets which will be reported on quarterly through the corporate performance report. The targets include improving educational attainment, reducing emergency admissions to hospital, creating 160 new affordable homes, increasing the number of visitors to Oakham castle and reducing the funding gap in the Medium Term Financial Plan (MTFP).

These targets form the basis for planning for the Budget, Local Plan, the Councils input to the Sustainability and Transformation Plan as well as service and team plans.

The financial implications of implementing agreed priorities are incorporated into the Budget Process and the MTFP.

Political and Constitutional Arrangements

Political Profile of the Council

At the start of 16/17 the Council had 26 Members (17-Conservative, 5-Independent, 2-Non-aligned and 2-Liberal Democrat).

In November 2016, Councillor Alan Walters left the Independent Group and joined the Conservative Party; Councillor Marc Oxley became the new Leader of the Independent Group with the support of the Members of this group.

In January, following a period of ill health, the Council's then Leader Councillor Terry King resigned from both his role as Leader and ward member for Exton. On 26 January 2017, the Council elected Councillor Tony Mathias as Leader of the Council and Councillor Oliver Hemsley was appointed Deputy Leader by the new Leader. At the same meeting

Councillor Mathias appointed a new Cabinet Member, Councillor Alan Walters with portfolio responsibilities for Community Safety, Culture, Sport & Recreation and Environment. These changes resulted in a vacancy for the Chair of Resources Scrutiny Panel, Councillor Rachel Burkitt was appointed to this vacancy by Council.

In March 2017 the poll for Exton by-election took place. June Fox (Conservative) was elected as the Ward Member for Exton and will serve as a Rutland County Councillor until the next round of normal elections in 2019.

At the end of 2016/17 the Political make-up of the Council had changed to the following: 26 Members (18 - Conservative, 6 - Independent, 2 - Liberal Democrats).

Elections

In May 2016, an election was held to vote for a new Police and Crime Commissioner (PCC), who is accountable for how crime is tackled in the police force area across Leicestershire and Rutland. North West Leicestershire District Council was the lead authority for these elections. Lord Willy Bach was elected at the new PCC.

In June 2016 the European Union (EU) Referendum was held to decide whether the UK should leave or remain in the European Union. With the outcome in Rutland being to leave the EU.

Constitution

The Council's Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Panels and provides for extensive delegation to officers. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in June 2015 and again in May 2016. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

The Constitution includes a list of roles of officers including officers responsible for undertaking statutory roles. The Chief Executive is the Head of Paid Service. The Director for Resources is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989 and the Assistant Director (Finance) is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.

The Audit and Risk Committee undertakes the core functions of an audit committee, in accordance with CIPFA's Audit Committees – Practical Guidance for Local Authorities and this is set out in the Committee's terms of reference, which include the Council to act as those charged with governance on behalf of the Council.

The Constitution is kept under review by a working group of members appointed by the Council. The working group recommends amendments to the Constitution to the Council, its work included:

- Changes to the rules regarding substitutions on Development Control and Licensing Committee and the introduction of mandatory annual planning training;
- Approval of the Terms of Reference for Rutland Health and Wellbeing Board;

- Updates to the Scheme of Delegation in relation to new powers conferred by the Anti-Social Behaviour, Crime and Policing Act 2014;
- Approval of amendments to the Constitution (Financial Procedure Rules (FPRs), Contract Procedure Rules, Council Procedures and the scheme of delegation.); and approval of Revised Petitions Guidance and consequential changes to the Procedure Rules.

One of the Council's priorities for 2017/18 is a full review of the Council's Constitution.

Community Governance Review

In February 2015 Rutland County Council agreed that a Community Governance review be undertaken for the parish of Barleythorpe and the parish ward of Oakham North West to consider whether the parishes should be altered by adjusting their common boundary and to consider the most effective and convenient form of community governance for residents in the area.

In January 2017, the review was completed and a new Barleythorpe Parish Council is to be created. An interim Council is now in place and elections of Parish Councillors will take place in May 2018.

Boundary Commission Review

The Local Government Boundary Commission for England has identified Rutland as requiring an electoral review which will take place starting in March 2017 with consultations from July to October 2017 and the final recommendations published in April 2018 with any changes coming into force for the Elections in 2019.

The review will determine the:

- Total number of councillors
- Total number of wards
- Boundaries of each ward
- Number of councillors elected to each ward
- Names of each ward

Decision Making Arrangements

The officer structure of the Council operates with a Chief Executive and three Directorates, entitled People, Places and Resources.

Matters which require a decision to be made by members are considered by the relevant Directorate Management Team (DMT), who will make a recommendation to the Strategic Management Team (SMT), which comprises the Chief Executive, Directors and Deputy/Assistant Directors. If approved, the matter is reported, with a recommendation to the Cabinet or other appropriate body.

The Director for Resources is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision making body must be considered by the Assistant Director Legal and Governance (under a shared service arrangement with Peterborough City Council) before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, decisions made by officers following express delegation by the Cabinet are recorded in writing.

Governance Group

The Governance Group, which works under the broad direction of SMT and comprises officers from across the Council, to provide a forum to discuss and develop a coordinated approach to:

1. Risk management;
2. Corporate governance;
3. Statutory and constitutional compliance;
4. Decision-making and accountability;
5. Audit, inspection and control systems; and
6. Corporate policy and procedures

During 2016/17 the Group, which is now chaired by the Director for Resources, has focused on the following issues:

- Data Retention and Disposal and the Councils arrangements for archiving documentation in line with retention set out in legislation.
- Reviewing the Council's Fraud Risk register to ensure emerging trends are captured and reflected in the document.

Performance Management

The Council has a performance management framework through which quality of service and use of resources is measured. Financial and non-financial performance is monitored by DMT's and SMT on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis. Progress against the strategic aims is measured in milestones and this is included in quarterly monitoring reports. The performance management framework flows through the Council, down to an individual employee level. All officers have a Performance Development Review (PDR) with their manager during each year. This process includes reviewing progress against objectives and targets and setting new objectives and targets for the forthcoming year. Training and development needs are also identified during this process.

Cabinet takes the lead role in improving the performance management framework and maintaining comprehensive quarterly reporting, which includes financial performance, progress against non-financial targets and milestones and risk management.

The Council also has a Compliments, Comments and Complaints Policy. Compliance with the Policy is reported via the performance management framework and an annual report is taken to Resources Scrutiny Panel for Member consideration.

Financial Management

The Assistant Director (Finance) is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.

The CIPFA Statement on the Role of The Chief Financial Officer in Local Government sets out the five principles that need to be met to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:

- Is a key member of the leadership team;
- Must be actively involved in all material business decisions;
- Must lead the promotion and delivery of good financial management;
- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

The Assistant Director (Finance) is a member of the Council's SMT and is actively involved in the key business decisions of the Council. The post holder oversees the development and work of the financial management function at the Council and is the Council's proper officer for matters of financial administration. The post holder is professionally qualified as a CIPFA Accountant with suitable experience. It is therefore confirmed that the Council is fully compliant with the requirements set out in the CIPFA statement.

The Council's Medium Term Financial Plan (MTFP) covers a five year period. Such an approach to financial planning provides the platform on which the Council can look to deliver public services in accordance with local priorities. Moreover, through horizon-scanning and anticipating necessary change at the earliest opportunity, the Council can plan and react accordingly to not only secure its financial position but to protect services.

The MTFP was updated throughout 2016/17 and periodically reported to Cabinet. The updated MTFP, following the Local Government Settlement, was presented to each Scrutiny Panel by the Leader and to Council as part of the budget setting process for 2016/17. Members have up-to-date financial information about not only the current but also the medium term outlook for decision making purposes.

In their Annual Governance report issued in September 2016, the external auditors issued an unqualified audit opinion on the Authority's financial statements.

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted.

The Financial Procedure Rules were updated in year to provide additional clarity across a number of areas including:

- The Funding of the Capital Programme
- Delegated authority for the Chief Executive
- Spending across financial years

Risk Management

Risk Management is embedded in the Council through the Risk Management Strategy. Working with Zurich Municipal, a new Risk Management Strategy and Policy was approved. This strategy replaced the previous document which was produced in 2007. The principles set out within the strategy and policy remained the same but the document was updated to reflect current organisational arrangements and responsibilities. The key change was the development of risk assessment criteria to provide additional guidance to Officers when assessing risk scores.

The Leader is the lead member for risk management. Each risk is assigned a member of SMT as risk owner. SMT is responsible for maintaining the register and monitoring the actions taken to mitigate the strategic risks. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels if there is a need to look at them in more detail.

Following revision of the policy, the Council undertook a refresh of the strategic risk register facilitated by Zurich Municipal and the new format register was presented to Audit and Risk Committee in April and then again in July.

The Council also acquired new Risk Management software to help record and update risks on an ongoing basis.

Risk management is an integral part of the Council's decision-making processes. All Council papers include reference to risk to ensure that members and officers understand the impact of decision-making.

The development of a new fraud risk register (in 2014) has continued to help the Council set out a list of potential fraud risks and details of how the Council seeks to mitigate them. This has been reviewed and is now a standing agenda item for the Governance Group and is reported periodically to the Audit and Risk Committee. Following the upgrade of two of the Councils IT systems the register is being revised and will be presented to Audit and Risk in April 2017.

Standards of Conduct

During 2016/17 the Monitoring Officer received 57 complaints of alleged Councillor Misconduct within the County. A large percentage of the complaints continue to be related to Oakham Town Council. In December 2016 an Independent Investigator was commissioned to investigate 4 Oakham Town Council conduct complaints. This work is continuing. No other matters were reported to the Conduct Committee.

Employees are also subject to a Code of Conduct and a number of specific policies (such as Harassment, Discrimination and Bullying) set out in the Corporate Induction Portfolio. All new members of staff receive one to one induction training with their line manager, attend an induction training session and enrol in an e-learning induction programme.

Information Governance

The Council continues to introduce safeguards to ensure the appropriate use of information it holds. The Data Retention and Disposal Policy was approved by Cabinet in February 2016; work is now in progress under the umbrella of the Governance Group, to develop corporate solutions to retention and disposal. A matrix has also been developed to quality assure data sharing agreements.

An overarching Information Governance Framework document is currently being developed, outlining the scope of Information Governance within the Council. The 6 defined areas for review/improvement are:

- Information Governance Management
- Data Quality
- Information Compliance
- Information Security

- Information Sharing
- Records Management

It is anticipated this framework will be in place by Quarter 2 2017/18. The document will be retained by the Governance Group and will contain a work plan outlining the main Governance tasks to be completed in these 6 areas over a 2-3 year period.

Counter-fraud and Whistleblowing

The Council has arrangements in place for receiving allegations of fraud or misconduct through its whistle-blowing policy. The Policy was reviewed, and subsequently endorsed by Cabinet in February 2016, to incorporate changes in legislation and reporting procedures within the Council. An external reporting mechanism was also included in the new version. Members of staff are made aware of the changes through Policy briefings and internal communication updates. Members of the public are also advised of the changes. No whistle blowing allegations were registered during 2016/17. However, the Council's Director of Public Health (who is employed by Leicestershire County Council - LCC) did receive a whistle blowing allegation relating to a public health contract managed by LCC on behalf of Rutland that is currently being investigated.

The Council continues to make available a fraud reporting mechanism: the Rutland Reporting App was developed for mobile telephone users, who might wish to report concerns via this route. All concerns are directed to the fraud@rutland.gov.uk email account, which is monitored by the Performance and Project Co-ordinator. No reports were made during 2016/17.

The Council's Counter Fraud Strategy forms part of the Constitution. It was last fully reviewed in 2012 and is scheduled for a further full review in 2016. The departure of the Head of Corporate Governance meant that this review has been deferred to early 2017. The review will consider whether any changes are required in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Matches generated by the National Fraud Initiative exercise were progressed during 2016-17 with no issues or concerns.

Developing Effectiveness

The Council has a Performance Development Review (PDR) scheme, which provides an annual discussion between line manager and employee to ensure the employee is clear of their expectations and objectives and receives feedback on their contribution. Learning and development needs are also identified at these meetings. The process was reviewed in 2015 and resulted in the introduction of a streamlined template. No changes have been made in year.

In October 2015, the Council approved a Workforce Development Strategy to provide clear focus on organisation development and continuous improvement. Its aim is also to assist in ensuring we are equipped to provide the best, most cost effective services through a flexible and skilled workforce. Progress against achievement of the priority themes in the strategy are monitored by the Strategic Management Team with key priorities and actions evolving over the lifecycle of the strategy. The strategy includes some indicators of success which include: a higher level of favourable scores in the Staff Survey, reduced level of turnover, clear evidence of staff moving through a career pathway, reduced time to recruit, consistent level of high achievement of performance indicators, a more diverse and representative workforce.

Members are provided with development opportunities through in-house and external training and briefings. There is mandatory training on the Code of Conduct, development control, licensing and appeals. Members are encouraged to express an interest in receiving training on specific topics and are notified of such via regular updates from the Corporate Support Team.

In 2016-17 Members attended training on the following subjects:

- Induction to the Council (for new Councillors elected in 2016/17)
- Planning Training
- Licensing Act Training
- Fraud
- Welfare Reform, Planning, Health and Devolution Briefing
- Media
- Annual Governance Statement
- Audit Planning

Budget provision is made for training and development of members and officers.

Service Delivery

The Council is focused on delivering high quality outcomes at low cost and has always worked in partnership with an eclectic mix of Local Government and Public Sector partners. In 2016 it completed a survey conducted by the Local Government Association showing the different arrangements it has in place.

<u>Service Name</u>	<u>Lead Authority Name</u>
Welland Internal Audit	Rutland County Council
Welland Procurement	Melton Borough Council
Legal Services	Peterborough City Council
Out of Hours Emergencies	Harborough District Council
Fraud Support	Leicester City Council
Public Protection	Peterborough City Council
Emergency Planning	Leicestershire County Council
Local Safeguarding Children Board	Leicestershire County Council
Adoption Services	Leicestershire County Council
Public Health	Leicestershire County Council (with shared Director)

Two new examples in year include:

- Delegation of the provision of a financial management system to Herefordshire Council (HC) – the Council upgraded its existing financial management system in 2016/17. HC are now responsible for providing and maintaining the system under a delegation agreement. This arrangement gives the Council greater resilience at lower cost.
- Delegation of internal audit services to LGSS – the Council was the host for the Welland Internal Audit partnership but difficulties in staff recruitment and a lack of

resilience caused delivery difficulties. Cabinet approved the delegation of the service to LGSS from 1 April 2017.

The Council's governance approach to partnerships, working with others varies according to the legal basis of arrangements. All delegated services are covered by formal delegation agreements. Partnerships/shared services are covered by Service Level agreements. All arrangements have a Rutland Lead Officer and all documents cover scope of services, performance expected, reporting and termination clauses.

The Council is working towards a central list of partnerships arrangements. This will contain a register for all key documents for each individual agreement.

Community Engagement, Partnership working and reporting

Rutland Together

The Council engages with the local community in different ways. Rutland Together is the Local Strategic Partnership (LSP) for Rutland. The Partnership was established to bring together all of those people and bodies whose work impacts on the lives of local people.

The Partnership has gone through radical changes since its beginning; this is due to political changes over the years which have affected the partnerships direction of travel. Rutland Together is made up of over 50 partners from the public, private and voluntary sectors. Rutland Together allows different organisations in the community to support each other and work together on different initiatives and services to address local issues.

The following is a list of initiatives that have been created in 2016/17:

- Contribution to a review of the RCC Corporate Plan
- Input into support for changes within our Armed Forces Community
- Briefings on the LLR STP and Better care Together initiatives
- Updates on Public Health & Health and Social care
- Restructure of the Local Strategic Partnership
- Significant work undertaken within LSP Theme Groups

Working with Health

In December 2015, the NHS outlined a new approach to help ensure that health and care services are built around the needs of local populations. Every health and care system (of which LLR is one) was asked to produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years. As primary, secondary and social care are all under demand pressure this is an important plan.

The LLR STP has been submitted and has been discussed at the Health and Wellbeing Board. Consultation will take place in 2017.

The approach being taken is a 'place based budget' one (single system control total) that looks across organisations at the 'LLR pound' and which focuses on new ways of working and models of care that manage demand and are more efficient. There are 5 big issues being tackled including:

- Urgent & emergency care
- Integrated teams
- General practice resilience
- Service reconfiguration
- Operational efficiency

The Council is already working across LLR on joint commissioning opportunities and in some areas has joint teams. There is a strong likelihood that further integration is likely as “health and social care must have a plan” for integration by 2017, to be implemented by 2020.

<http://www.bettercareleicester.nhs.uk/EasysiteWeb/getresource.axd?AssetID=32078>

During 2016/17 the Rutland Better Care Fund continues to progress well, with the programme on track against most key metrics, including meeting its pay for performance target relating to reducing emergency admissions across the year.

Some of our recent successes working together with local NHS providers include:

- 91% of people receiving reablement care after a hospital stay still living at home three months after being discharged
- 19% reduction in injuries from falls among people aged 65 and over
- 13 people over the age of 65 admitted to a permanent residential or nursing home – down from 46 the previous year
- Average number of hospital beds taken up by Rutland patients due to delays discharging patients into social care down by 82%
- Emergency hospital admissions of Rutland patients down 6% from 2014/15

Going forward, the focus will be on unified prevention and using case management approaches to support long term condition management, intervening at an earlier stage to reduce demand on acute hospital services. The Budget also includes investment set aside to deliver a ‘home first’ model in which more services are delivered at home or in community settings, with a concomitant decrease in the reliance on hospital wards as the setting for care. For example, post-hospital reablement and rehabilitation would increasingly be undertaken at home or in a community setting, with the benefit that patients return sooner to their own routines, aiding recovery. In turn, people at the end of their lives would be cared for at home where this was their preference. This would enable the home first model to be fully trialled in Rutland and fine-tuned in a locality of 37,000 people in advance of wider implementation of the STP.

Other Engagement

The Council undertakes public engagement and consultation on a range of matters. In 2016/17 this included:

- Post-16 Transport
- Community Governance Review, Barleythorpe and Oakham North West
- 2016/17 Annual Budget Consultation
- Local Plan Review
- Homecare Services Consultation
- Langham Neighbourhood Plan
- Corporate Plan 2016-2020

- School Transport (mainstream and SEND)
- Market Overton Neighbourhood Plan
- Social Care Charging
- Prevention and Wellness Services
- Childcare Sufficiency

Reporting

All formal meetings are held in public, and the reports and minutes of those meetings are published in accordance with the principles of openness and transparency, unless there are legal reasons for confidentiality. There are opportunities for members of the public to make deputations to, or ask questions at, meetings of the Council, Committees and Scrutiny Panels.

The Council publishes information relating to all of its expenditure on its website and also complies fully with the Local Government Transparency Code 2015 which sets out the minimum data that local authorities should be publishing and the frequency it should be published and how it should be published. The information published can be found here.

<https://www.rutland.gov.uk/my-council/transparency/>

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of its effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

Internal and Management Assurance

Internal Audit

The responsibility for maintaining an effective Internal Audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. This responsibility is delegated to the Assistant Director (Finance). The Internal Audit service operates in accordance with best practice professional standards and guidelines. The service independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources.

The Internal Audit service continues to be provided by the Welland Internal Audit Consortium in partnership with LGSS.

TO BE COMPLETED WHEN THE ANNUAL INTERNAL AUDIT REPORT RECEIVED – AFTER 1ST APRIL

Scrutiny

During 2016/17 the Scrutiny Panels have considered a number of issues of particular concern to assess whether there are robust governance arrangements in place as far as the Council's own services are concerned.

Areas reviewed include:

- Performance and Financial Management
- Review of Legal Services
- Corporate Plan
- Childcare Sufficiency Assessment
- Compliments, Comments & Complaints: Annual Report
- Safeguarding In Schools
- Housing and Homelessness Strategy 2017/22
- Adoption Annual Report
- Highway Inspection Policy
- Social Value Policy
- Home to School Transport Policy
- Annual Report of the Fostering Service
- Annual Report for the Independent Reviewing Service
- Rutland Adult Learning and Skills Service (RALSS) Performance Report

The Scrutiny Commission continues to provide a platform for Chairs of each Panel to meet and share best practice.

In August 2016 the Scrutiny Commission agreed to undertake a review of Poverty in Rutland. The project objectives were to develop an agreed definition of Poverty in Rutland and develop a Council policy in the form of a White Paper to be approved by Full Council that would outline for Rutland how the Council will act to positively impact on poverty within the County. Work on this project began with an All Member Workshop (held in September 2016) followed by each Scrutiny Panel focusing on specific identified issues through examination of reports provided by RCC and External Organisations and expert witness evidence at Panel Meetings through November 2016 to February 2017. A Green Paper on the Poverty Review was drafted in March 2017 and went out to consultation in April 2017. Work on the project will continue into 2017/18 culminating in a White Paper scheduled to be presented to Council in June 2017.

Audit and Risk Committee

CIPFA best practice on Audit & Risk Committees recommends two key actions: a) Committees undertake an annual review of their effectiveness; and b) Committees produce an annual report on their activity.

The Committee completed a self-assessment review in July 2016 and found itself to be broadly compliant with the majority of best practice criteria. The Committee agreed some actions including:

- Asking Directors to present to the Committee on any area rated by internal audit as 'limited'
- Dedicating 30 minutes of every other meeting to training
- Asking the Constitutional Review Working Group to review its terms of reference

The Committee also produced an annual report which was presented to Council in September.

Complaints

We are achieving good results in our complaint response times. Some improvements are still necessary and we are working to address this by increasing our reminder prompts to officers tasked with dealing with the complaints. The results show that 89% of stage 1 complaints (76% last year) and 92% of stage 2 complaints (70% last year) are answered within the deadlines set within the complaints policies. An annual report on complaints will be taken to Resources Scrutiny Panel in due course.

Financial performance

Quarterly reports on Financial management are presented to Cabinet. In terms of the budget, the Council had an overspend/underspend of £X in 2016/17. **TO BE COMPLETED WHEN OUTTURN IS AVAILABLE**

In August 2016, the Council approved an Efficiency Plan. The Efficiency Plan set out the Council's approach to delivering better value for money. Analysis undertaken for the plan, refreshed as part of 17/18 budget setting, showed that the Council is in the lowest quartile for spending per head.

<http://rutlandcounty.moderngov.co.uk/documents/s6870/Report%20No.%20151-2016%20Efficiency%20Plan.pdf>

Alongside quarterly reporting, the Council undertakes an ongoing review of finances in the lead up to budget setting to assess where savings and efficiencies can be made. The Places Directorate undertook a review of all services in 16/17 mirroring an exercise undertaken by the People Directorate in 2015. In 16/17 the Council identified £807k of new savings to be included in the 17/18 budget.

Corporate performance

Quarterly reports on Performance Management are also presented to Cabinet. The Council's overall performance shows 90% of indicators were on or above target at the end of 2016/17. **TO BE COMPLETED WHEN OUTTURN IS AVAILABLE WITH DESCRIPTION OF GOOD PERFORMANCE/AREAS WHERE IMPROVEMENT IS NEEDED**

Information Governance

The Information Governance (IG) Toolkit is a NHS online system which allows organisations to assess themselves against Information Governance policies and standards. Requirements cover:

- Management structures and responsibilities (e.g. assigning responsibility for carrying out the IG assessment, providing staff training etc)
- Confidentiality and data protection
- Information security.

The Council has assessed how it compares to the IG toolkit standards and found it is compliant. We are currently reviewing and updating the information and evidence provided to maintain compliance with version 14.

Project Management

In 2016, the Council delivered two key IT projects – implementation of a new Adult Social Care system and an upgrade to its Resource Management Systems (Agresso). Both projects were successfully delivered on time and to budget.

Building on the lessons from the delivery of these two key projects, the new Corporate Projects Manager has developed a new project management framework which includes the role of the Project Management Office, a scalable Project Management methodology and Project Management training. All project progress is also being monitored through SMT to understand progress and to overcome any potential issues/risks before they become problematic.

Data Incidents

Between April 2016 and March 2017 11 reports of potential data breaches were made. This is 50% less than 2015/16. All were investigated to satisfactory conclusion with no outstanding risks identified. One incident was referred to the Information Commissioner's Office with no regulatory action required.

The Governance Team continue to raise awareness of data management and best practice and it is now mandatory for temporary staff to undertake data protection training before they are allowed access to the Council's IT system. In addition, a report, outlining all incidents registered under the data incident policy, will be considered by SMT.

Business Continuity

Specific recovery plans are in place for the five key threats listed below.

- loss of key staff (skills/knowledge);
- loss of telephone system;
- loss of buildings;
- loss of ICT; and
- loss of utilities.

Current controls include the following:

- A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required.
- A Major Incident Plan has been prepared which defines a structure to confirm the nature and extent of any incident, take control of the situation, contain the incident and communicate with stakeholders.
- Business Continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from any site in the event of an incident
- Contract Procedure Rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately

Exercises are carried out annually with senior managers to test business continuity arrangements. The recovery plans are reviewed and updated to take account of the issues identified during the exercises. The last exercise was carried out in April 2016 and the next is planned for June 2017.

Management Assurance – Email sent to managers 15 March deadline for return 15th April. Summary of results to be included here.

External Audit, Inspections and Reviews

External Audit

The Audit and Risk Committee has received and formally debated the Annual Audit Letter and External Audit Annual Plan. KPMG in their Annual Governance Report for 2015/16 gave the Council an unqualified conclusion on the Statement of Accounts and Value for Money opinion. No concerns were reported regarding the Council's arrangements for securing financial resilience.

National Development Team for Inclusion (NDTi) review of commissioning of services for children and young people with learning disabilities

The review concluded that the Council has much strength, including some excellent good practice, a clear values base and outcomes-focused commissioning. The strong focus on Preparing For Adulthood (PFA) was particularly noticeable. The early intervention and prevention services were also assessed as very good. It was noted that geography was a drawback in level of health input, which becomes more problematic as children get older

Care Quality Commission inspection of Reach and Community Support Services

In November 2016 the Councils Reach team and Community Support Services (Brightways) were inspected by the Care Quality Commission (CQC) both achieving a rating of 'Good'.

The standards that the CQC assess include:

- Person-centred Care
- Dignity and respect
- Consent
- Safeguarding from abuse
- Premises and equipment
- Complaints

A copy of the final report can now be read in full on the CQC website:

<http://www.cqc.org.uk/provider/1-101662540/services>

Peer Challenge Reviews – Adult Social Care Services

In March 2017 the Councils Adult Social Care Services were subject to an external Peer Review. The review concentrated on personalisation and quality. Feedback from this review was very positive and highlighted the following strengths:

- There is an excellent offer to the people of Rutland and outcomes are good
- The positive journey towards greater personalisation was evidenced in case examples, case audit and the values of the members of the workforce
- The whole council approach around support into employment was commended.

- The focus on non-eligible citizens (prevention) and the developing approach to working with those people who have been institutionalised historically was particularly noted

The key area for consideration related to the need to keep the Council's service offer under review in the context of anticipated demand and the pressure on resources.

Ofsted - Children's Social Care services

Rutland's children's services were inspected by Ofsted from 15th November to 8th December 2016. In a final report published on 13th February 2017, Ofsted has highlighted a huge amount of good work being done by our staff on behalf of children in Rutland and provided us with an indication of where improvements are required in order for children's services in Rutland to be rated as 'Good'.

A copy of the final report can now be read in full on the Ofsted website:

<https://reports.ofsted.gov.uk/local-authorities/rutland>

While the Council is making significant progress, there are a number of areas where improvement is needed before our children's services can be rated as 'Good'. In many cases we are already working hard to address the points that have been raised and are determined to achieve the best possible outcomes for children in Rutland.

Ofsted's inspection of Rutland's children's services identified the following strengths including:

- Services for children who leave care in Rutland are good
- Staff act quickly to keep children safe when people tell them that they are worried about a child
- When children and families have emerging problems, Rutland's early help services provide a wide range of responsive interventions, preventing some families from needing more formal, statutory involvement with children's social care
- The early help service uses positive ways of working with families to intervene and support children effectively
- Social workers know about children's lives and families get the right help and support when they are having difficulties
- Social workers, teachers, police officers, foster carers and others work well together to keep children safe if they are at risk of sexual exploitation
- The right decisions are made by social workers when children cannot live at home
- When children can no longer live at home, social workers work hard to find the right families
- Social workers and other professionals work well together to look at plans to help improve children's lives

- Staff keep in touch and support care leavers to live independently, stay in education or find a job. They also help them to keep healthy and find somewhere to live where they feel safe

Ofsted has also produced a series of recommendations which we are working to implement, including:

- Ensure senior leaders have access to comprehensive, high quality performance management information in order to understand frontline practice
- Ensure assessments and plans actively consider all risks to children, including emerging and new risks as circumstances for children change
- Improve the quality of assessments and plans across the service by ensuring that they are informed by children's wishes and feelings
- Increase the effectiveness of management oversight across the service, ensuring that the rationale for decisions and actions set is clear
- Improve the effectiveness of out of hour's services by recording all contacts received and by recording events on children's files

The Council has already taken some positive steps and this work continues.

The inspection of Rutland's Children's Services coincided with a review that looked at the effectiveness of the Leicestershire and Rutland Local Safeguarding Children Board (LRLSCB), which has subsequently been rated as 'Good'. We are extremely proud of the work we do in partnership with the LSCB to keep children safe and are pleased that the board has received this recognition from Ofsted: lrsb.org.uk

Public Services Network compliance

The Council must demonstrate compliance with the Public Services Network (PSN) on an annual basis. The PSN is an information assurance mechanism to support the connection of the Council's network to other PSN accredited networks, without increasing or substantially changing the risks to the already accredited network. The Council undertakes an IT Security Health-Check annually (carried out by an accredited third party) to identify any compliance issues. Once these have been addressed, the Council completes a PSN renewal submission. The Council is now fully compliant until April 2017 and we will seek renewal in March 2017.

Local Government Ombudsman (LGO)

The Ombudsman's report for the year ending 31 March 2016 showed that 10 complaints (compared to 14 in 2014/15) had been made during the year, with no complaints being upheld by the Local Government Ombudsman

Decisions Made:

Upheld	Not Upheld	Advice Given	Closed After Initial Enquiry	Incomplete Or Invalid	Referred Back For Local Resolution	Total
0	1	0	6	1	2	10

Summary

This statement has been considered by the Audit and Risk Committee, who were satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There has been one significant governance issue arising. Whilst action has been taken to address this issue, full disclosure of the issue, impact and Council's response is given below.

5. Significant Governance Issues

There are no significant issues to report.

6. Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Rutland County Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and in particular that changes made to planning procedures should minimise the risk of a similar problem reoccurring.

Signed: _____

Helen Briggs, Chief Executive

Date: _____

Signed: _____

Tony Mathias, Leader of the Council

Date: _____

Appendix B - Extract from CIPFA – ‘Delivering Good Governance in Local Government’:

GOVERNANCE ARRANGEMENTS

7.9 Key elements of the structures and processes that comprise an authority’s governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority’s code of governance.

- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Documenting a commitment to openness and acting in the public interest.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
- Translating the vision into courses of action for the authority, its partnerships and collaborations.
- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
- Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.
- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

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AUDIT AND RISK COMMITTEE

25 April 2017

INTERNAL AUDIT PLAN 2017/18

Report of the Head of Internal Audit

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley – Portfolio Holder for Growth, Trading Services and Resources (excluding Finance)	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk	
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

1. That Members review and approve the Internal Audit Plan for 2017/18.
2. That Members give authority to the Assistant Director – Finance to make changes to the Audit Plan 2017/18 in consultation with the Chair of the Audit & Risk Committee.

1 PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the Internal Audit Plan for 2017/18, in line with the Public Sector Internal Audit Standards.

2 BACKGROUND AND MAIN CONSIDERATIONS

Internal Audit Plan

- 2.1 The Internal Audit Plan sets out the assignments that will be delivered by the Internal Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and developed with input from senior management and the Audit Committee.
- 2.2 LGSS provides the Internal Audit service for Rutland County Council and is commissioned to provide 370 days to deliver the Audit Plan.

- 2.3 Appendix A provides details on the process followed to develop the Internal Audit Plan for 2017/18 and a copy of the draft Plan is provided in Table 1.
- 2.4 At the January 2017 meeting, Members of the Audit and Risk Committee were invited to highlight any areas where assurance from Internal Audit is sought during 2017/18 for inclusion and prioritisation in the development of the Audit Plan. The areas raised by the Committee have been considered and risk assessed in the development of the Plan. The Plan will remain subject to ongoing review during the year and amendments to reflect any changes in the risk environment can be made accordingly.
- 2.5 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Head of Internal Audit throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Risk Committee meetings. Any such amendments could be subject to formal approval by the Assistant Director - Finance and the Chair of the Audit and Risk Committee and would be reported at the subsequent Audit and Risk Committee meeting.

3 CONSULTATION

- 3.1 No external consultation is required but, as noted above, senior management and the Audit and Risk Committee have been involved in developing audit proposals for 2017/18.

4 ALTERNATIVE OPTIONS

- 4.1 Members are able to approve the plan as presented in Appendix A or approve it with amendments.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. The Audit Plan has been based upon the number of days commissioned by the Council on an annual basis.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual Audit Plan and satisfying itself that the conclusions reached in the annual audit report are reasonable in light of the work undertaken. It is also responsible for gaining assurance that the Internal Audit service is complying with Internal Audit Standards.
- 6.2 There are no legal implications arising from this report.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 There are no equality implications.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The draft Internal Audit Plan for 2017/18 has been developed following a risk based approach, with input from Senior Management and the Audit and Risk Committee. The Plan is presented to the Audit and Risk Committee for final refinement and formal approval.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report.

12 APPENDICES

12.1 Appendix A: Draft Internal Audit Plan 2017/18

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.



Internal Audit Plan
2017 / 18
RUTLAND COUNTY COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2017 / 18

1. Introduction

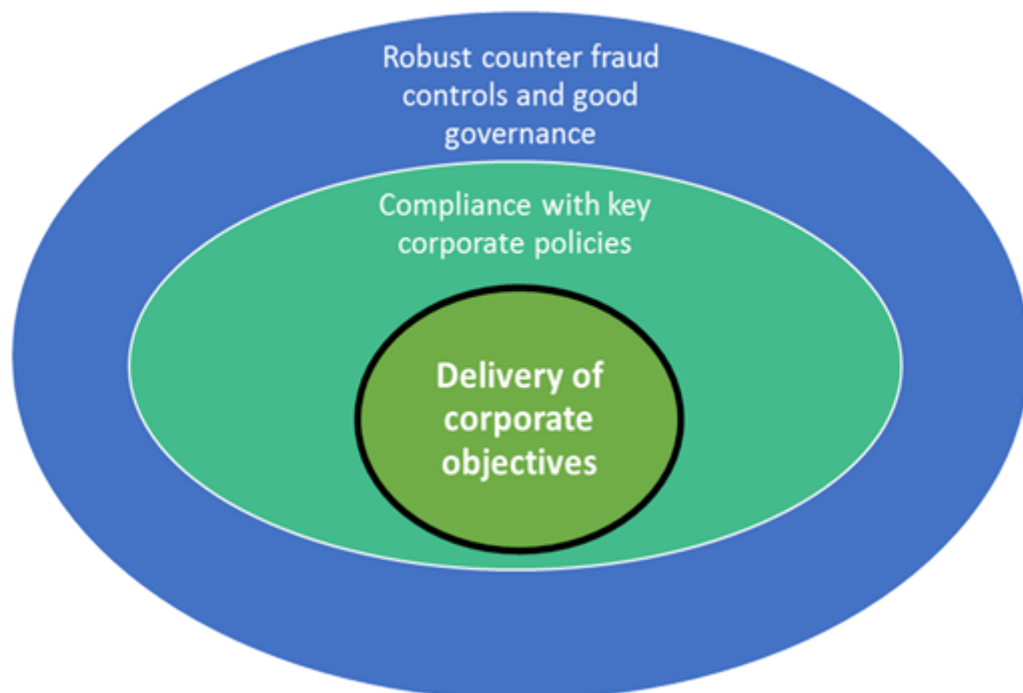
- 1.1 This report sets out the proposed work of Internal Audit at Rutland County Council for 2017/18 for review and approval by the Audit and Risk Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Rutland County Council commissions 370 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
 - The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2. The Audit Plan

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
 - The provision of an independent and objective opinion to the Section 151 Officer and the Audit and Risk Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

- 2.2 At the centre of the organisation, is the core delivery of the Council's corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council's standing.
- 2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.
- 2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services. See Exhibit 1.

Exhibit 1. Assurance areas



Value for money

2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.

2.7 The National Audit Office¹ refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2017/18, as applicable to the risk area:

- **Informed decision making**

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
- Reliable and timely financial reporting that supports the delivery of strategic priorities; and
- Managing risks effectively and maintaining a sound system of internal control.

- **Sustainable resource deployment**

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
- Managing and utilising assets effectively to support the delivery of strategic priorities; and
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

- **Working with partners and other third parties**

- Working with third parties effectively to deliver strategic priorities;
- Commissioning services effectively to support the delivery of strategic priorities; and
- Procuring supplies and services effectively to support the delivery of strategic priorities.

2.8 The proposed Audit Plan for 2017/18 will provide assurances over these key areas within the context of the assignments detailed. The audit of the waste contract, for example, will consider value for money achieved from the procurement exercise and ongoing contract management.

2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of compliance with procurement rules will provide

¹ Auditor Guidance Note 3 Auditors' Work on Value for Money Arrangements (November 2015)

assurance over the effective procurement of supplies and services, including when working with third parties.

3. Planning Process

2.10 In order to ensure that the Audit Plan for 2017/18 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Workshop session and paper to the Audit and Risk Committee in January 2017 to agree the audit planning process and consult Members on any areas where assurance is sought; and
- Meeting with members of Senior Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

2.11 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the councils across LGSS.

2.12 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2018/19. If the risk environment changes during 2017/18, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

2.13 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit and Risk Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and Chair of the Audit and Risk Committee.

3 Resources

3.1 Since August 2014, the Head of Internal Audit for the Welland Internal Audit Consortium has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This has provided the Consortium with additional

resilience and the benefit of shared practice and experience from the wider LGSS client base. This arrangement is formally agreed until 31st March 2017. From 1st April 2017, it has been approved that the Council's internal audit service be formally delegated to LGSS.

- 3.2 The audit assignments for all of the LGSS clients are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the resilience and stability of a shared service.
- 3.3 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews. The Cyber Security audit is on the audit plans of all five authorities within the former Welland group and will be conducted as a cross cutting review. The Internal Audit service has also built up a good working relationship with the East Midlands Police Cyber Crime Unit who will be providing input and support on these audits.
- 3.4 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.
- 3.5 During 2016/17, LGSS has been subject to an external assessment. At the time of reporting, the services to Cambridgeshire County Council (in the 'Eastern' LGSS region which will provide services to Rutland County Council from 1st April 2017) have recently been assessed as compliant with the Public Sector Internal Audit Standards.

Table 1: Draft Internal Audit Plan 2017/18

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
Corporate Governance and Counter Fraud	Cyber Security To provide assurance that the Council is taking pro-active steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning. Joint review with other councils in consortium.	12	Q2	11
	Risk Management To provide assurance over the Council's arrangements for effectively identifying, reporting, managing and monitoring risks. Public Sector Internal Audit Standards require Internal Audit to review the organisation's risk management on a regular basis, to inform the annual assurance opinion.	10	Q1	11
	Fraud Risk Register To provide assurance over the effective management of the Council's fraud risks, including the robustness of the Fraud Risk Register. The review will include selecting a sample of areas from the register and assessing whether controls noted are working as intended and appropriate actions are being taken.	15	Q3	11
	Council Tax Fraud and NDR Fraud To provide assurance over controls in place to prevent and detect Council Tax and NDR fraud, including pro-active measures and recovery. Area of ongoing fraud nationally, with Single Person Discount and NDR frauds being regularly reported at other authorities.	15	Q1	11
Key Corporate Controls and Policies	Key Financial Controls To provide assurance over the design and compliance with key controls across the Council's key financial systems. To cover: <ul style="list-style-type: none"> • Payroll • Debtors • Creditors • Main Accounting System • Benefits • Local Taxation 	85	Q3 & 4	11
	Contract Procedure Rule Compliance To provide annual assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance and strengthening of controls following previous audit recommendations.	10	Q4	11

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
	Business Continuity Management and Emergency Planning To provide assurance over the robustness and completeness of the Council's business continuity plans and the arrangements in place to fulfil the Council's duties as a Category 1 responder in the case of an incident in the local area. This is a key risk area for the Council and no independent sources of assurance have been provided for at least three years.	15	Q2	3
	Treasury Management To provide assurance that the Treasury Management function is conducted in line with statutory and regulatory requirements and best practice guidance so that investments are appropriately safeguarded and transactions and records are complete, accurate and timely. No Internal Audit review since 2012/13 – but resulted in 'Good Assurance'.	10	Q3	11
Corporate Objective: Sustainable growth	Waste Contract To review the management of the contract and provide assurance that this is being managed effectively to maximise value for money, monitor and challenge performance and ensure payments are in accordance with the contractual agreements. This is a high value, important contract and no independent assurance has been provided in recent years.	18	Q2	2
	Affordable Housing - Monitoring To provide assurance over the monitoring of compliance with affordable home requirements for developments in the county. No independent assurance provided and supports the Council's corporate objectives.	15	Q1	7
	Barleythorpe Business Centre (Consultancy) To provide consultancy support on the development of the Barleythorpe site and ensure that lessons learnt from the 2015/16 audit of Oakham Enterprise Park are suitably acted upon and robust controls are in place from the outset for the management of leases, income and governance.	5	TBC	7
Corporate Objective: Safeguarding	Safeguarding Children To provide assurance over the implementation of the action plan arising from the OFSTED inspection.	15	Q4	4
	Safer Recruitment To provide assurance over the checks conducted on those working with vulnerable people (including children) on behalf of the Council, including in schools and nurseries. No independent assurances over school recruitments in last five years and an area of high risk identified nationally.	15	Q2	4
	Deputyships and Court of Protection To provide assurance over the embedding of controls implemented following the audit and the effectiveness of these in practice. Internal Audit review in 2014/15 resulted in 'Limited Assurance'.	12	Q3	5

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
	Direct Payments To provide assurance over the controls exercised in the administration and monitoring of direct payments. To ensure that use of these monies is meeting the needs of the service user and is not subject to misuse or non-compliance with terms and conditions.	15	Q2	5
Corporate Objective: Sound financial and workforce planning	Castle Restoration To support a post implementation review of this project. To provide assurance over the effective management of the project and whether the outcomes are consistent with the business case.	12	Q1	-
Corporate Objective: Reaching our potential	SEN (Consultancy) To provide consultancy support in the review of SEN arrangements including assisting in identifying any areas for improvement to support the requirements of the Children and Families Act.	8	Q1	-
Other assurances	Grant Claim Verifications Changing Lives, Highways Maintenance Block, Integrated Transport Block, Pothole Action Fund and National Productivity Investment Fund allocations.	7	As req'd	
	Limited Assurance reports – follow ups Where audits in 2016/17 resulted in 'Limited Assurance' opinions, action plans were agreed to resolve all issues raised. This review will report on the updated status of those action plans.	10	Q4	
Support to Rutland County Council	Including support and reporting to Audit and Risk Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	33		
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	33		
Total days		370		

Table 2: Reserve list 2017/18

Audit Area	Basis for lower priority	Action if not reviewed in 2017/18
Schools Formula Funding	Area to be subject to significant change in 2018/19 limiting value of an Internal Audit review of processes in 2017/18.	On reserve list – if not covered, no further action planned at this time.
Blue Badges	Low financial risk compared with other risks on Audit Plan.	Could be selected as an area for review under Fraud Risk Register audit sample testing.
Agresso – Support/training	Compliance with controls and systems will be tested in financial system audits. This would provide assurance over effectiveness of user support.	To support the Council's management (under budget for Advice and Assistance) in seeking feedback directly from users on support/training – i.e. to advise on surveys or strategies, if useful.
Procurement Cards	The Council has also launched its own internal review focussing on how users can make the best use of Agresso. Low financial risk compared with other risks on Audit Plan.	Could be selected as an area for review under Fraud Risk Register audit sample testing.
Registration Services	Assessed as lower risk than other areas included on Audit Plan – in likelihood/impact.	To include the key fraud risks relating to Registration Services in the audit of the Fraud Risk Register . If any areas of concern identified, to schedule full service audit in 2018/19 or amend current year plan. On reserve list – if not covered, include in Audit Planning process 2018/19 .
Highways Winter Maintenance Programme	Assessed as lower risk in discussions with management.	On reserve list – if not covered, include in Audit Planning process 2018/19 .
Concessionary Fares	Assessed as lower risk in discussions with management.	On reserve list – if not covered, include in Audit Planning process 2018/19 .

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AUDIT AND RISK COMMITTEE

25 April 2017

INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	Yes, Appendix G of this report contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.	
Cabinet Member(s) Responsible:	Councillor Oliver Hemsley, Deputy Leader and Portfolio Holder for Growth, Trading Services and Resources (except Finance)	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

1. That Members note the Internal Audit update report (Appendix A).

1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2016/17 Annual Audit Plan and key findings arising from audit assignments completed since the last Committee meeting.

2 BACKGROUND AND MAIN CONSIDERATIONS

Update on Delivery of Internal Audit Plan

- 2.1 The progress made to date in delivering the 2016/17 audit plan is set out in Appendix A. At the time of reporting, all audit assignments have been completed, seven of the reports are in draft awaiting management comment and will be summarised at the next Audit and Risk Committee meeting.
- 2.2 The review of IT Policies and Procedures has been cancelled for 2016/17 to enable additional work on the Highways Maintenance Contract to be delivered, as agreed with the Chair of the Audit and Risk Committee and senior management. Assurances will be sought from the IT team on the external Public Sector Network

compliance review to provide independent assurance in this area and to inform the annual assurance opinion.

2.3 Implementation of Recommendations

2.4 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.

2.5 Since the last Committee meeting, nine recommendations have been implemented.

2.6 At the date of reporting, there are thirty open audit actions, nine of which are overdue for implementation. Two actions were due for implementation over three months ago.

2.7 The two actions relate to:

1) Agresso – management have indicated that most actions have been addressed and Internal Audit are awaiting an evidence file to confirm this. A review of cash handling arrangements is ongoing.

2) IT Disaster Recovery – the IT Disaster Recovery site has now been relocated to OEP. The plan is due to be signed off and tested by the end of June 2017.

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

4.1 The Committee is asked to note the report but could request further updates on any reports presented.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual report and satisfying itself that the conclusions reached are reasonable in light of the work undertaken. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.

6.2 There are no legal implications arising from this report.

7 EQUALITY IMPACT ASSESSMENT

7.1 There are no equality implications.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The latest update report, provided in Appendix A, details the findings of recent Internal Audit work and any weaknesses in the control environment highlighted by these reviews, and provides an overview of the performance of the Internal Audit team and the implementation of actions by management. The Committee plays an important role in the oversight of Internal Audit work.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report

12 APPENDICES

12.1 Appendix A: Internal Audit Update Report

12.2 Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

12.3 Appendix C: Implementation of Audit Recommendations

12.4 Appendix D: ‘High’ and ‘Medium’ Priority actions overdue for more than three months

12.5 Appendix E: Customer Satisfaction Statistics

12.6 Appendix F: Limitations and responsibilities

12.7 Appendix G: Exempt

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RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
APRIL 2017

Date: 25th April 2017

Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2016/17 annual audit plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Risk Committee to scrutinise the performance of the internal audit team and – of equal significance – to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with the information, on progress in delivering planned work and on performance of the consortium, which it requires to engage in effective scrutiny.

Performance

2.1 Will the Internal Audit Plan for 2016/17 be delivered?

The Welland Internal Audit Consortium is currently under the management of LGSS. The Welland Board has set LGSS the objective of delivering at least 90% of the Internal Audit plans for 2016/17 to draft report stage by the end of March 2017.

At the date of writing, all audit assignments have been completed, seven of the reports are in draft and awaiting management comment and sign off.

2.2 Are audits being delivered to budget?

Internal Audit has delivered the audit plan within the commissioned days.

2.3 Is the Internal Audit team achieving the expected level of productivity?

The most recent information available (week 52) shows that the Internal Audit team are spending 94% of time on chargeable activities against a target of 90%.

2.4 Are clients satisfied with the quality of the Internal Audit assignments?

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, seven questionnaires had been returned with an average score of 'Good'. See Appendix G for further details.

2.5 Based upon recent Internal Audit work, are there any emerging issues that impact on the Internal Audit opinion of the Council's Control Framework?

Since the last Committee meeting, six audit reports have been finalised.

Reviews of **Local Taxations, Benefits and Community Infrastructure Levy and S106 Agreements** have provided Substantial Assurance opinions and reviews of **Data Management, Contract Procedure Rule Compliance and Adult Safeguarding Policies, Procedures and Compliance** resulted in Sufficient Assurance opinions. A follow up of the 2015/16 Limited Assurance report on **IT System Administration** has

also been completed and reported. Copies of the Executive Summaries from all seven reports are provided in Appendix B.

A review of the **Highways Maintenance Contract** has been completed and highlighted a number of areas for improvement. Additional work has been commissioned to review this further. See Appendix G for further details.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Outstanding audit recommendations form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, nine actions arising from audit reports have been implemented.

At the date of reporting, there are thirty open audit actions, nine of which are overdue for implementation. Three actions were due for implementation over three months ago, one of which was categorised as high priority. See Appendices C and D for further details.

Table 1: Progressing the annual audit plan

KEY

Current status of assignments is shown by



Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks										
Creditors	14	12.9					●			
Debtors	14	14.6					●			
Local Taxation	15	15.4						●	Substantial	
Benefits	15	16.1						●	Substantial	
Payroll	15	11.5					●			
Main Accounting	12	12.8					●			
Financial System Upgrade (Consultancy support in design phase)	15	11.3							N/A	Consultancy support provided as required
Financial System Upgrade (System Administration)	12	9.1					●			
Service Delivery Risks										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Highways Maintenance Contract	20	31.9						●	Limited	Budget overspend due to additional work undertaken at management request
SEN Transport	12	10.6						●	Sufficient	
Fostering Service	15	22.1						●	Limited	Budget overspend due to additional sample testing required on 'connected persons'.
Contract Procedure Rules (CPR) compliance	10	11.3						●	Sufficient	
Taxi Licensing	15	12.3						●	Sufficient	
Section 106 Agreements	15	12.4						●	Substantial	
Safeguarding Policies, Procedures and Compliance	20	15.7						●	Sufficient	
Development Control	15	12.8						●	Substantial	
Data Management	15	10.1						●	Sufficient	
LiquidLogic	15	14.4						●	Sufficient	
Digital Broadband	5	4.5					●			

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Limited Assurance Reports	12	11.7					●			Oakham Enterprise Park and IT System Administration finalised. Review of External Placements complete.
IT										
Asset Management	12	11						●	Sufficient	
Policies and Procedures	10	0	Cancelled							
Schools Financial Value Standard Assessments	-	5						●		
Changing Lives claims	-	1.4								
Client Support (Committee support, training, client liaison)	33	30.3								
Consortium Management	34	18.1								
TOTAL	370	339.3								

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Substantial	There is a sound control framework designed to manage or mitigate risks to the achievement of defined objectives. Testing confirms that the controls are being applied consistently.
Sufficient	The control framework is basically sound but either <ul style="list-style-type: none">• there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or• testing provides evidence of non-compliance sufficient to weaken the effect of some controls.
Limited	There are significant weaknesses in key elements of the control framework which mean that significant risks are not managed or mitigated. Testing demonstrates significant levels of non-compliance with prescribed processes and procedures
No	The controls identified are not sufficient to manage/mitigate identified risks to the achievement of defined objectives. Testing demonstrates high levels of non-compliance with prescribed processes and procedures.

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Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

LOCAL TAXATION 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION


Local taxes comprise council tax and business rates. According to the 2015/16 financial statements, the Council collects over £24 million in council tax and £10 million in business rates (of which 49% is retained by the Council). Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error.

Based on audit testing the key controls operating in relation to calculation of tax liabilities, updating of property records, and billing procedures are robust and operating effectively in practice. Sample testing of bills, property record updates and reconciliations confirmed 100% accuracy and compliance with key controls for both council tax and business rates. Testing of the system parameters which are updated as part of annual billing confirmed that these had been updated accurately and there is a good system of controls in place.

Follow up of last year's audit recommendations in respect of council tax identified that there is currently no senior officer review of cases where recovery action has been suspended. It is recommended that a quarterly review by a senior officer / team leader is introduced to improve the control in respect of these cases and ensure recovery action is only suspended where appropriate.

System access controls are adequate but could be further strengthened by retention of documentation relating to new users, development of arrangements to ensure that the Revenues team is notified of all leavers, and procedures to ensure the record of users' access rights is up to date and accurate. These issues were identified in the audit in 2014/15 and similar recommendations were made in the audit report that year.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Substantial Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
01 – System access controls may be ineffective	Sufficient Assurance	Sufficient Assurance	0	0	3
02 & 03 - Key controls in respect of the Council Tax & Business Rates system may be ineffective	Substantial Assurance	Substantial Assurance	0	0	1
Total Number of Recommendations			0	0	4

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

BENEFITS 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION


Rutland County Council (RCC) spends approximately £8.4 million on Housing Benefits (HB). Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error. Internal Audit sought assurance that there is a key control framework in place to address the risks associated with the administration and payment of Housing Benefits.

Internal Audit found that there are well established procedures for processing of new claims and changes of circumstances and there is a defined structure for the Benefits Service that provides for effective, consistent and reliable segregation of duties between key elements of the benefits process. Testing provided assurance that claims were complete, supported by appropriate evidence and accurately input onto the benefits system, with only minor immaterial exceptions. Furthermore, quality checks are carried out on approximately 10% of claims and appropriate action is taken where errors are identified.

Internal Audit were also able to confirm that the 2016/17 parameter upload for the housing benefit system (Civica) was conducted accurately and in a timely manner with appropriate independent review.

However, the recovery of HB overpayments through the sundry debt process could be strengthened. The recovery procedures taken by the Council were not consistent with the HB Overpayment Recovery Policy. In 45% of the sample tested by Internal Audit and there were instances where recovery action had not been taken for six months. The current sundry debt for HB overpayments is £227,742.03 (£192,136.96 relates to overpayments processed between 2006 and 2015).

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Substantial Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Applications for support are not processed correctly, consistently or in line with policy and statutory requirements	Substantial Assurance	Substantial Assurance	0	0	0
02 - Failure to process change of circumstances accurately and promptly	Substantial Assurance	Substantial Assurance	0	0	0
03 - The arrangements for processing and pursuit of overpayments are inadequate and do not result in the effective recovery of the debt	Sufficient Assurance	Sufficient Assurance	0	1	0
Total Number of Recommendations			0	1	0

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

COMMUNITY INFRASTRUCTURE LEVY & S106 AGREEMENTS 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

The Council formally adopted a Community Infrastructure Levy (CIL) in 2016. The CIL is a standard charge on new developments to fund required infrastructure as a consequence of their impact. New procedures to administer CIL have been adopted and embedded whilst the monitoring of s106 obligations already in place continues.

Skilled and experienced officers are in place to administer and monitor CIL and S106 cases and officers can cover each other's duties as required, to ensure continuity. S106 obligations are monitored by a monitoring spreadsheet, whereas new specialised software has been introduced to monitor CIL cases. Detailed case notes for both CIL and s106 cases were confirmed to be in place. Internal processes exist to ensure all new cases are identified and entered onto the monitoring records. Appropriate monitoring regimes, including inspections, are in place to monitor developments and request contributions due and testing confirmed that monitoring systems were working as intended and contributions were being received in a timely manner.

Quarterly monitoring meetings have been introduced, to which service heads responsible for spend of contributions are invited to discuss balances held. This raises awareness of requirements for spend within the scope and timescales of agreements. Risk of claw back of contributions is reduced by raising officer awareness in this way.

Review of the new Exacom system confirmed that it is set up in line with the CIL Regulations to help ensure compliance. Functionality of the CIL Administration module is being fully utilised as new cases require. In the future the Project Administration module will be used to monitor CIL balances held, however as at the date of testing only one balance had been collected so such functionality could not be fully reviewed.

The Council's publication of information in regards to CIL was also reviewed and found to be compliant with regulations. Due to the recent adoption of the CIL, an annual report has not yet been published but officers are aware of the requirements and timescales for the first report which they will need to complete.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Substantial Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Failure to recover and utilise all contributions secured through insufficient monitoring of agreements in place	Substantial Assurance	Substantial Assurance	0	0	0
02 - Claw back of income by developers	Substantial Assurance	Substantial Assurance	0	0	0
03 - CIL – Insufficient recordkeeping and non-compliance with publishing requirements	Substantial Assurance	Substantial Assurance	0	0	0
Total Number of Recommendations			0	0	0

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

DATA MANAGEMENT 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Rutland County Council (RCC) has a Document Retention and Records Management Policy in place and has created a Data Retention and Disposal Working Group to review the Council's current arrangements for data disposal and retention. Internal Audit sought assurance over the Council's procedures and controls to ensure data is held and disposed of in a secure manner and in compliance with the Data Protection Act.

It is evident that RCC is taking action to ensure that there are appropriate records management processes in place and data is held in accordance with the Corporate Data Retention Schedule. Good progress has been made and the Governance Co-ordinator is actively encouraging and supporting service areas to review their records and is monitoring their progress. However despite this, further work is required by the Council to ensure that all data is being held in accordance with the data retention schedule and data protection legislation. A lack of resource and other priorities has meant that data reviews are not being considered a priority and Internal Audit recommends that action is to be taken to put the Council to a more sustainable position.

Roles and responsibilities have been assigned at a senior level however these are not specifically highlighted in the Document Retention and Records Managements Policy and accountability for records management could be improved through the introduction of Records Management Officers in each service area.

Paper records are held securely throughout the Council and it is apparent that service areas keep sensitive data locked away, however access to electronic records requires review. A routine process for reviewing access to network folders does not exist and Internal Audit identified officers with desktop administrator access that did not require it, allowing them access to data in all network folders. The Council has since performed a review and revoked access where appropriate.

Suitable processes to dispose of confidential data and also to transfer sensitive data off site are in operation.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	Not applicable				
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Lack of accountability and responsibility for records management.	Sufficient Assurance	Substantial Assurance	1	1	1
02 - Records are not created or maintained accurately, leading to non-compliance with the Data Protection Act.	Substantial Assurance	Limited Assurance	1	0	1
03 - Unauthorised access to the Council's records leading to possible data breaches, financial penalties and reputational damage.	Sufficient Assurance	Limited Assurance	1	2	1
Total Number of Recommendations			3	3	3

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

CONTRACT PROCEDURE RULES COMPLIANCE 2016/17 EXECUTIVE SUMMARY


INTRODUCTION & OVERALL OPINION

The Council's contract procedure rules are primarily designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. This audit was carried out to provide assurance over compliance with the Council's Contract Procedure Rules. A similar audit was conducted as part of the 2015/16 audit plan and made a number of recommendations for improvement.

In 2015/16 Internal Audit reported that departmental contract registers were published on a quarterly basis but were found to be incomplete. Based on this year's testing there remains uncertainty over the completeness and accuracy of the published registers. From eight contracts in the audit sample, five had not been recorded in the latest published contract registers (January 2017). In order to address this, it has been agreed that the contracts registers will be reviewed and brought up to date and one master register held for each Directorate.

Similarly, whilst systems and processes have been updated and new forms developed, there remains scope to improve documentation and evidencing of compliance with certain aspects of contract procedure rules. It should be noted that in all cases the correct procurement method had been chosen and where applicable at least three quotations or tenders were obtained. Consequently, there is no direct evidence of poor value for money or fraud/corruption, although the level of compliance and record keeping remains an area for improvement.

Based on these findings, the framework of controls currently in place provide **Sufficient Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2 below. The audit was carried out in line with the scope set out in the approved audit planning record (APR). The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Internal audit assurance opinion	Direction of travel				
Sufficient Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 - Failure to secure value for money and comply with Council policy and legislation.	N/A	Sufficient assurance	0	1	3
Total number of recommendations			0	1	3

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

ADULT SAFEGUARDING POLICIES, PROCEDURES & COMPLIANCE

2016/17

EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Adult Safeguarding means protecting an adult's right to live in safety, free from abuse and neglect. It is about people and organisations working together to prevent and stop both the risks and experience of abuse or neglect, while at the same time making sure that the adult's wellbeing is promoted. Internal Audit sought assurance that controls are being exercised consistently and in accordance with Council procedures, including case audits, escalation processes and awareness of safeguarding procedures.

Leadership and accountability arrangements for adult safeguarding have been clearly defined and safeguarding roles and responsibilities are explicitly called out in job descriptions and policy and procedural documents. The Council has taken steps to ensure safe recruitment of staff working with vulnerable adults. All officers reviewed by Internal Audit had undergone appropriate recruitment checks such as enhanced Disclosure and Barring Service (DBS) checks.

Staff and the public are made aware of their duty to report a safeguarding concern and staff are suitably advised and trained on the signs and symptoms of abuse and how to report them. Sample testing confirmed that alerts are being logged and suitably assigned and strategy meetings are held to agree the best course of action to address the concerns. Whilst there are clear procedures in place to record, investigate and close a safeguarding alert, the current configuration of LiquidLogic does not allow officers to easily evidence the processes that have been followed. Internal Audit reviewed a sample of 15 alerts and testing highlighted a lack of evidence around threshold decisions, strategy discussions and referrer feedback. Since the implementation of LiquidLogic, the Prevention and Safeguarding Team have become aware of the system limitations and have had to implement workaround solutions to be able to record key data.

Access to LiquidLogic has been appropriately restricted, however Internal Audit identified a significant number of individuals that had access to personally identifiable safeguarding data held within a council network folder.

The audit was carried out in accordance with the agreed Audit Planning Record (APR). It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	Not applicable				
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Poor leadership and accountability for safeguarding arrangements at the Council.	Substantial Assurance	Substantial Assurance	0	0	0
02 - Insufficient training and recruitment checks for staff working with children and/or vulnerable adults.	Substantial Assurance	Substantial Assurance	0	0	1
03 - Failure to identify or be informed of individuals potentially at risk of neglect and/or abuse.	Substantial Assurance	Substantial Assurance	0	0	0
04 - Failure to take action and provide necessary support for individuals at risk of neglect and/or abuse.	Sufficient Assurance	Sufficient Assurance	2	1	2
05 - Poor record keeping and sharing of information, leading to non-compliance with legislative requirements and possible reputational	Sufficient Assurance	Limited Assurance	1	0	1

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

damage.					
Total Number of Recommendations			3	1	4

LIMITED ASSURANCE REPORTS – FOLLOW UP 2016/17

IT SYSTEM ADMINISTRATION

IT System Administration	Issued December 2015	HIGH Priority Recommendations		MEDIUM Priority Recommendations		LOW Priority Recommendations	
		Made	Actioned	Made	Actioned	Made	Actioned
		0	0	4	2	1	1

Key Actions Taken:

In order to confirm whether controls are now operating effectively to promptly revoke network access for leavers, Internal Audit obtained a report of all network users with their last log on dates and tested it against the list of staff who had left the council since April 2016. This testing did not identify any leavers as having logged onto the Council's network after their official leave date.

The software now in use and the audit processes within the team are operating well. The audit follow up did highlight some cases where access to the network was not revoked in a timely manner but in response to this the IT team have now implemented further controls to strengthen this, including:

- A business rule within the service desk system to automatically send an email alert to everyone in the IT team asking to disable / set account expiry and remove from the global address list straight away on receiving notification from HR;
- Adding a further process to the internal Daily Checks which involves looking back at emails received into the service desk the previous day to check that accounts have been restricted as advised by HR; and
- Adding new mandatory fields on the helpdesk system.

A Change Control Policy was drafted but this has not yet been adopted and embedded in practice. It is noted, however, that since March 2016 a clear staffing structure has been in place and management have advised that this has allowed for clear decision making and the seeking of approvals for change (although these are not consistently documented).

The Head of IT has produced a checklist for all systems administrators which was circulated in December 2015 and requires details of key controls and procedures for each system. These have not yet been completed and returned for all systems but provide a useful basis for system administration.

Internal Audit selected two applications in use at the Council and tested their current access rights to ensure that all users with the system access were current members of staff. The lists of all current users for the licensing system 'Flare' and the elections system 'Elreg' were obtained and no leavers were identified as still retaining access.

Open Actions:

- The Change Control Policy and Procedures are yet to be adopted and embedded.
- Annual completion of checklists by all system administrators, for corporate applications, to be enforced and good practice guidance to be issued by the IT team to all administrators based

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

on responses and areas of concern. (*Partially implemented*)

Appendix C: Implementation of Audit Recommendations

	‘High’ priority recommendations		‘Medium’ priority recommendations		‘Low’ priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	0	0%	3	50%	6	75%	9	50%
Actions due within last 3 months, but <u>not implemented</u>	3	75%	2	33%	2	25%	7	39%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	25%	1	17%	0	0%	2	11%
Totals	4	100%	6	100%	8	100%	18	100%

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Appendix D: 'High' and 'Medium' Priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
High Priority						
R/AGGR2015 - R-Agresso	Resources	Agresso upgrade to address all actions arising from audit reports relating to this system.	System upgrade now complete. Officers are reporting that issues have been addressed. Internal Audit awaiting evidence file to close off actions.	Director for Resources	October 2016	Upgrade complete. Evidence to be provided to Internal Audit by end of May 2017.
Medium Priority						
Disaster Recovery & Business Continuity 2013-14	Resources	Head of Business Support to ensure, in conjunction with the Director of Places (Development & Economy), that the ICT Disaster Recovery Plan is finalised, approved, cascaded and tested.	Work in progress	Head of IT	March 2015	30 June 2017

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Appendix E: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The seven responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	1	1	4	1	0
Communication during Assignments	0	2	4	1	0
Quality of Reporting	0	2	4	0	0
Quality of Recommendations	0	2	3	2	0
Total	1	7	15	4	0

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Appendix F: Limitations and responsibilities

Limitations inherent to the internal auditor's work

The consortium is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit & Risk Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the consortium's attention. As a consequence, the Audit & Risk Committee should be aware that the audit opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the consortium's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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AUDIT AND RISK COMMITTEE

25 April 2017

FRAUD RISK REGISTER

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	Appendix A of this report contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader and Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Audit and Risk Committee notes the report and attached Exempt Fraud Risk Register at Appendix A, which provides an update on the Council's management of fraud risk.

1 PURPOSE OF THE REPORT

- 1.1 To present an update on the Council's Fraud Risk Register following recent updates.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 In order to deliver good governance the Council must ensure that effective counter fraud arrangements are in place and operating appropriately. The Council has developed a Counter Fraud strategy, which has been communicated to and is reviewed by the Audit and Risk Committee. The Strategy involves the Council assessing those areas most vulnerable to the risk of fraud and ensuring the appropriate measures are in place to protect the Council and its assets.
- 2.2 To this end, a Register (attached at Exempt Appendix A) was developed in 2015. The Register contains a list of areas where officers believe the Council is susceptible to fraud and, in turn, has enabled the Council to focus on suitable

controls to mitigate any risks associated with fraud.

3 NEW ADDITIONS AND UPDATES

3.1 The Register has been reviewed and updated to take account of new controls and procedures introduced with the implementation of Agresso Business World and LiquidLogic during 2016. One new risk has been added relating to Electoral Fraud.

3.2 The format of the report has changed slightly following the move to the new software. The new summary report headings are as follows:

ID	Risk Location Owner/Manager	Causes	Consequences	Inherent to Residual	Update and review dates	Control Title & Owner	Action Title Owner Due Date
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3.3 ID – The Reference number for the risk.

3.4 Risk Location Owner/Manager – The name of the risk and the business area that owns the risk.

3.5 Causes – What could cause this risk to happen

3.6 Consequences – What is the likely effect of this risk, should it happen

3.7 Inherent to Residual – Diagram showing the effect of established controls and actions on the risk. It shows the direction of travel from Inherent Risk (i.e. the likelihood/impact of the risk without taking any controls or actions into consideration) to Residual Risk (the likelihood/impact of the risk taking controls and actions in place into consideration).

3.8 Update and review dates – This shows the dates when the risk was last reviewed. The update date (if it is shown) will be when the risk was added to the system. This column also shows when the risk is next due to be reviewed.

3.9 Control title and owner – This shows all of the controls associated with the risk and also a colour code for the 'effectiveness' of the control:

- Green – Excellent
- Amber – Good
- Red – Unsatisfactory
- Grey – Unknown (not yet assessed)

3.10 Action Title – This column shows any outstanding actions for the risk, who owns the action and when it is currently estimated that it will be completed.

4 RISK ASSESSMENT

Each risk is assessed based on its impact and likelihood; these scores then reflect where the risk sits within the risk matrix:

IMPACT	Most Severe 4		30					
	Major 3	13,21	34,43	17				
	Moderate 2	25	16,18,20, 35,37,45, 46,47	14,15,19, 23,24,27, 28,33,36, 37,39,40, 42,44	26			
	Minor 1		22,29,41	31,32				
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6	
LIKELIHOOD								

5 CONSULTATION

- 5.1 The Governance Group comprises of representatives from service areas across the organisation; those representatives and other lead officers have been consulted as part of this review.

6 ALTERNATIVE OPTIONS

- 6.1 This report provides an opportunity for the Audit and Risk Committee to review the register therefore there are no alternative options.

7 FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising as a result of this report.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 The Council operates through a governance framework; this framework brings together an underlying set of legislative requirement, governance principles and management processes. The register is part of the Council's approach to good governance and demonstrates compliance with these principles. Fraud matters are within the remit of this Committee.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment has not been completed because there are no service, policy or organisational changes being proposed.

10 COMMUNITY SAFETY IMPLICATIONS

- 10.1 Not applicable for the reasons set out above.

11 HEALTH AND WELLBEING IMPLICATIONS

- 11.1 Not applicable for the reasons set out above.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 12.1 The fraud risk register is an integral tool in the Council's approach to countering fraudulent activities; the Audit and Risk Committee are asked to note the developments.

13 BACKGROUND PAPERS

- 13.1 There are no additional background papers to the Report.

14 APPENDICES

- 14.1 Appendix A – Fraud Risk Register – exempt for publication.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Exempt Appendix – Appendix A is marked as “Not For Publication” because it contains exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972, namely the information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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