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 Catmose on **Tuesday, 19th July, 2016** 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 26 April 2016.

2)   **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.

3)   **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.

4)   AUDIT COMMITTEE ANNUAL REPORT

To receive Report No.149/2016 from the Chair.
(Pages 5 - 16)

5)   ANNUAL GOVERNANCE STATEMENT

To receive Report No. 113/2016 from the Director for Resources.
(Pages 17 - 32)

6)   RISK MANAGEMENT UPDATE

To receive Report No. 148 /2016 from the Director for Resources.
(Pages 33 - 52)

7)   INTERNAL AUDIT UPDATE

To receive Report No. 145/2016 from the Head of Internal Audit.
(Pages 53 - 70)

8)   FUTURE OF INTERNAL AUDIT

To receive Report No. 143/2016 from the Director for Resources.
(Pages 71 - 76)

9)   REGULATION OF INVESTIGATORY POWERS ACT 2000 QUARTERLY UPDATE

To receive a verbal update from the Director for Resources.

10)   EXTERNAL AUDIT UPDATE

To receive Report No. 144/2016 from the Director for Resources.
(Pages 77 - 92)

11)   ANY OTHER URGENT BUSINESS

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

---oOo---

DISTRIBUTION

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Mrs D MacDuff (Chairman)	
Mr J Lammie (Vice-Chair)	
Mr N Begy	Mr E Baines
Miss G Waller	Mr A Walters

OTHER MEMBERS FOR INFORMATION

This page is intentionally left blank

AUDIT AND RISK COMMITTEE

19 July 2016

ANNUAL REPORT OF AUDIT AND RISK COMMITTEE

Report of the Chair of Audit and Risk Committee

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	N/A	
Contact Officer(s):	Cllr D MacDuff, Chair of Audit and Risk Committee	N/A
Ward Councillors	N/A	

DECISION RECOMMENDATIONS
That the Committee approves the annual report of the Audit and Risk Committee

1 PURPOSE OF THE REPORT

1.1 To set out the work of the Committee in an annual report in line with best practice.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 CIPFA best practice on Audit Committees recommends two key actions:

- Committees undertake an annual review of their effectiveness; and

- Committees produce an annual report on their activity.

2.2 Historically, the Committee has not routinely undertaken these tasks. However the new Chair of Audit and Risk agreed with the rest of the Committee that it would be useful to do both tasks as a means of assessing how the Committee was performing and raising the profile of the work of the Committee across the Council.

2.3 The effectiveness review was undertaken using a self-assessment checklist produced by CIPFA and the results are shown in Appendix A. The results show that the Committee considers itself to be broadly compliant with the majority of best practice criteria. There are some actions arising from this review which are included in the Annual Report in Appendix B.

2.4   The Annual Report in Appendix B summarises the work of the Committee in the year.

3   CONSULTATION

3.1   No formal consultation is required.

4   ALTERNATIVE OPTIONS

4.1   The Committee can support the annual report or ask for amendments.

5   FINANCIAL IMPLICATIONS

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

6   LEGAL AND GOVERNANCE CONSIDERATIONS

6.1   The Audit and Risk Committee is not formally required in the Constitution to produce an annual report.

6.2   In accordance with Procedure Rule 31, the Committee can report any matter to Council so could take the annual report to Council or inform other members that it is available to review in the agenda to this meeting.

7   EQUALITY IMPACT ASSESSMENT

7.1   An Equality Impact Assessment (EqIA) has not been completed.

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 summarise the work of the Committee in an annual report in line with best practice.

11   BACKGROUND PAPERS

11.1   There are no additional background papers to the report.

12   APPENDICES

Appendix A – Results of self-assessment questionnaire

Appendix B – Annual Report

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

This page is intentionally left blank

APPENDIX A

Rutland County Council

Audit Committee Effectiveness

Self–Assessment Results

This assessment has been based upon the CIPFA 2013 Position Statement: Audit Committees in Local Authorities.

The questionnaire was issued to all five members of the Audit and Risk Committee in February 2016. Completed questionnaires have been returned by all five current members of the Committee and the responses given are summarised in the following table.

	Self-Assessment Questions	Yes	Partly	No	No response
	Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	5			
2	Does the audit committee report directly to Full Council?	3	1		1
3	Do the Terms of Reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	3	1		1
4	Is the role and purpose of the audit committee understood and accepted across the authority?	1	3	1	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	5			
6	Are arrangements to hold the committee to account for its performance operating satisfactorily?		3	1	1
	Functions of the committee				
7	Do the committee's terms of reference explicitly address the following:				
	• Good governance	2	2		1
	• Assurance Framework	4			1
	• Internal Audit	4			1
	• External Audit	4			1
	• Financial reporting	3		1	1
	• Risk management	3	1		1
	• Value for money and best value	2	1	1	1
	• Counter fraud and corruption	3		1	1
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	1	2	1	1
9	Where coverage of core areas has been found to be limited, are plans in place to address this?	1	2	1	1

APPENDIX A

	Self-Assessment Questions	Yes	Partly	No	No response
10	Has the audit committee considered the 'wider areas' identified in the CIPFA Position Statement (as outlined below) and whether it would be appropriate for the committee to undertake them? Wider areas identified: • Considering governance, risk or control matters at the request of other committees or statutory officers. • Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values. • Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice. • Providing oversight of other public reports, such as the annual report.	1	2	2	
11	Has the committee maintained its non-advisory role by not taking any decision making powers that are not in line with its core purpose?	5			
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:				
	• Separation from the executive	5			
	• An appropriate mix of knowledge and skills among the membership	4	1		
	• Where independent members are used, that they have been appointed using an appropriate process				
13	Does the Chair of the committee have appropriate knowledge and skills?	4			1
14	Are arrangements in place to support the committee with briefings and training?	4	1		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		1	3	1
16	Does the committee have good working relations with key people and organisations, including internal audit, external audit and the chief financial officer?	5			
17	Is adequate secretariat and administrative	5			

	Self-Assessment Questions	Yes	Partly	No	No response
	support to the committee provided?				
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee and relying on its work?		1	4	
19	Has the committee evaluated whether and how it is adding value to the organisation?		1	4	
20	Does the committee have an action plan to address any weaknesses?		2	3	

This page is intentionally left blank

Appendix B - ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE

1. Background

The purpose of the Audit and Risk Committee is to provide assurance of the adequacy of the risk management framework and control environment, scrutiny of the authority's financial and non-financial performance in that context, and oversee the financial reporting process, including:

- To review summary internal audit reports and actions arising from them.
- To consider reports of external audit and inspection agencies and monitor action arising from them.
- To monitor the effective development and operation of risk management and corporate governance.
- To monitor the effectiveness of the whistleblowing and anti-fraud and anti-corruption policies.
- To approve the annual governance statement.
- To approve the annual statement of accounts for publication

The Terms of Reference can be found in the Constitution.

This report, in line with best practice, sets out the committee's work and performance during the year, including how it has met its terms of reference.

2. Membership of the Committee and meetings

The Committee has met on the following dates with the following attendees:

	June 30th	Sept 22nd	Jan 26th	April 26th
Cllr MacDuff	X	X	X	X
Cllr Walters	X	-	X	X
Cllr Baines	-	X	X	-
Cllr Lammie	X	X	X	X
Cllr Waller	-	-	X	X

Senior Officers from the Council are also present, including the Director for Resources, Section 151 Officer, the Lead Internal Audit Manager and where appropriate the External Auditor (KPMG) will also attend. The Chair of the Committee also meets in private with Audit Services & the Section 151 Officer on a regular basis.

3. Audit Committee business

During the year the Committee conducted the following business:

- Received the annual internal audit report for 2014/15
- Received the external audit plan for 2014/15
- Received the annual fraud report for 2014/15
- Received limited assurance reports across a number of areas and requested follow up work to assess the implementation of agreed actions
- Reviewed and contributed to a draft of the Annual Governance Statement
- Approved the Internal Audit plan for 2015/16

- Received Internal Audit updates of progress against the Audit Plan
- Considered its training requirements
- Received and scrutinised the risk register
- Approved the Statement of Accounts for 2014/15
- Received the external auditors Annual Governance Report
- Reviewed and recommended a revised Whistle Blowing Policy
- Approved the Internal Audit plan for 2016/17
- Completed an assessment of its own effectiveness

4.   The Committee's main achievements

The Committee believes its key achievements during the year were:

- Effective challenge and questioning of officers in respect of audit reports rated as "limited"
- Development of a process for follow up of "limited" audit reports which gives assurance that control weaknesses are being addressed
- Improving its knowledge base through attendance at a fraud training session
- Review of Risk Register in order to seek assurance that key risks are being appropriately mitigated. Thereby, providing additional assurance through a process of independent review.
- Satisfying itself that appropriate investigation was undertaken and action taken in relation to the Section 106 funding loss
- Scrutinising the Statement of Accounts prior to approval

5.   Result of Audit Committee effectiveness review

The Committee completed an effectiveness review based on CIPFA guidance. The conclusion of the review is that the Committee is effective in its role but the following action points were noted:

- In order to continue to raise the profile of internal control matters, Directors will be asked to present to the Committee on any area rated by internal audit as 'limited'
- Whilst the Committee has not formally completed a skills assessment, the Chair is satisfied that the individual experience and knowledge of Committee members allows the Committee to adequately discharge its duties
- The Committee has agreed (at its last meeting) to dedicate 30 minutes prior to every other meeting to training.
- The Committee will suggest to the Constitutional Review Working Group that its terms of reference are reviewed to ensure they are still fit for purpose.

6.   Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the

Committee's attention, that had not been adequately resolved or were in the process of being resolved.

The Committee's conclusion is based on assurance gained from its own work and the work of Internal Audit and External Audit.

This page is intentionally left blank

AUDIT AND RISK COMMITTEE

19 July 2016

ANNUAL GOVERNANCE STATEMENT

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T C King, Leader and Portfolio Holder for Finance and Development	
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
	Diane Baker, Head of Corporate Governance	01572 720941 dbaker@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 2015/16. 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.

1

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 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.

2.5   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?

2.6   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.

2.7   The AGS was 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 on 20 September. The AGS and SoA must be approved before 30 September 2016. 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.

2.8   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

2

Governance Group. Other officers have also contributed to this Statement.

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.

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

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

3

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 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 2016 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Vision, Aims and Objectives

A clear statement of the Council's purpose and vision is set out in its Sustainable Community Strategy, the most recent revision of which was approved in July 2010. The Strategy was developed with Rutland Together, the local strategic partnership, and involved consultation with key stakeholders and the wider community. The Council's strategic aims, which are reviewed and refreshed by Cabinet and Council generally on an annual basis, provide a clear set of priorities against which the Council can allocate resources and are supported by clear accountability for

4

delivery. A new Corporate Plan is currently being developed which will include a revised set of strategic aims and objectives. The financial implications of implementing agreed priorities were incorporated in the Medium Term Financial Plan (MTFP) approved in February 2013 and then kept under review. The MTFP was updated as part of the budget setting process for 2016/17. Appropriate provision for continuing to implement the Council's priorities has been included in the budget for 2016/17.

The key priorities for 2015/16 included:

- Medium Term Financial Plan and the Real Gap
  - Deliver 15/16 Savings
  - Develop savings beyond 15/16
  - Directorate reviews – Places

- Developing the Corporate vision
  - Peer review
  - 20 year vision
  - Corporate Plan

- Leadership transition

- Growth

- Managing Performance

These priorities have been addressed against a backdrop of other significant changes affecting the Council and the county.

Political and Constitutional Arrangements

On 6th May 2015 the Council held local elections to fill County and Town/Parish seats in accordance with its four year election cycle. Although the administration of the Council remained with the Conservative Group, ten new Councillors commenced a first term of office. Two new political groups were also formed; six independent members joined to form the Independent Group and two Liberal Democratic members joined to form the Liberal Democrat Group. This move enabled the creation of the Group Leaders forum, under the Chairmanship of the Chief Executive. In order to assist Members in achieving their community roles, a programme of training and development was provided; this complimented the Member Induction programme, which was held at the start of the municipal year and attended by every new Member.

As the year progressed, the Council was notified of the resignation of the Liberal Democrat Councillor for Whissendine as a result of poor health; as a consequence the Liberal Democrat group was unable to continue. A by-election was held in Whissendine resulting in a Liberal Democrat Councillor being elected and subsequently joining forces with the other Liberal Democrat member to resurrect the Liberal Democrat group.

In February 2016, the Council's Leader, Councillor Roger Begy, passed away following a short illness. Councillor Begy's Greetham seat remained vacant for some time pending a by-election and was eventually filled by Councillor Nick Begy as a result of an uncontested election. Councillor Terry King, the former Deputy Leader of the Council, was elected as the new Leader of the Council and Councillor Tony Mathias was appointed to the role of Deputy Leader.

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

5

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 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 as and when it considers it appropriate.

During 2015/16 the work included:

- Scoping the review of the Scheme of Delegation;
- Agreeing that licensing policies should go to relevant Scrutiny Panels as well as Licensing Act Committees;
- Approval of new Financial Procedure Rules;
- Approving the Terms of Reference, timetable and consultation strategy for Council approval for the Community Governance Review of Barleythorpe and Oakham North West; and
- Revising Procedure Rule 346 of the Constitution, which refers to disciplinary action in respect of post holders of statutory roles such as the Head of Paid Service, Monitoring Officer and Chief Finance Officer.

The Community Governance Review of the parishes of Barleythorpe and Oakham is 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 parish of Barleythorpe whilst maintaining the identities and interests of the community. This matter went out to consultation in January 2016 and is expected to conclude in January 2017, with an order coming into effect in April 2017.

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.

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

In 2014/15, the Council established Governance Group, which works under the broad direction of SMT and comprises officers from across the Council, to provide a forum for 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 2015/16 the Group made good progress in addressing some of the Council's key governance issues with the formation of sub-groups who worked on a 'task and finish' basis:

- A corporate data protection privacy notice was developed for all forms used to collect customer data; the Council now has a consistent approach in this area;
- Business continuity arrangements have been scrutinised and tested; this work is still in progress;
- Solutions to the Council's data retention and disposal arrangements are currently under consideration; results are due to be reported to Cabinet in the autumn.

The Group has also taken the lead on 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 develop 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.

In 2015, the Council also launched a new Compliments, Comments and Complaints Policy; this change, which is now firmly embedded, has improved the way the Council manages feedback about its services. 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 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 2015/16 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 on 22 February 2016 as part of the budget setting process for 2015/16. 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 2015, the external auditors concluded that the Council had improved the quality of the accounts and working papers and had good processes in place and on this basis; an unqualified audit opinion on the Authority's financial statements was issued.

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 Contract Procedure Rules have been reviewed and the Financial Procedure Rules were reviewed, updated and implemented from 1 April 2015. To support the new rules and financial governance in general, the Council arranged training sessions and developed an e-learning module for those involved in financial management.

Risk Management

Risk Management is embedded in the Council through the Risk Management Strategy. During 2015/16, working with a consultant from the Council's Insurers Zurich Municipal, the Risk Strategy and Policy was reviewed and endorsed by the Audit and Risk Committee. A revised version was presented to Cabinet for approval in the first quarter of 2016/17. Following this, training will be provided to the Council's Senior Managers.

The Council maintains a Strategic Risk Register, and each risk is assigned a member of SMT as risk owner. As part of the review of the strategy and policy a complete refresh of the risk register took place during the year. The register has been redesigned and a workshop was held with SMT to discuss strategic risks the council is facing. This has led to a smaller, more focussed strategic risk register.

The Leader is the lead member for risk management. 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.

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. Following the implementation of a new report template, which requires more

explicit reference and commentary in relation to how specific risk issues relate to decisions, it can be seen that this area is now being addressed as part of the standard reporting writing process.

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.

Standards of Conduct

The behaviour of elected members is regulated through a Code of Conduct. The Code changed in July 2012 as a result of provisions in the Localism Act 2011. The previous ethical standards regime was set up by the Local Government Act 2000 and required all members to sign up to a model code of conduct upon election to the Council. This was a national code, approved by Parliament. The Localism Act required councils to adopt their own code of conduct and establish local arrangements for dealing with complaints of a member breaching the code.

The Council adopted a Code of Conduct and local arrangements which came into effect on 1 July 2012 and a Conduct Committee has been in place ever since. The Code of Conduct was reviewed by the Conduct Committee in late 2014 and the amended version approved by Full Council in March 2015. Two Independent Persons have been appointed by the Council to provide independent support to members and the Monitoring Officer. Training is provided to members periodically to ensure that they are fully aware of their responsibilities, particularly when changes are made to the membership of the Committee.

During 2015/16 the Monitoring Officer received 41 complaints of alleged Councillor Misconduct within the County. A large percentage of the complaints related to Oakham Town Council; these were forwarded to an external company to carry out an independent investigation into the three main themes. Otherwise, no other matter required investigation or referral to the Conduct Committee.

A register of Members' interests is maintained and published on the Council's website. The requirements in this regard also changed in July 2012. Members continue to register and amend their declarable interests as appropriate. Following the local elections in May 2015, a concerted effort was made to record registrations from new Parish Council members, in addition to County Councillors; all registrations are now properly recorded and a separate log of Parish Councillors has also been maintained.

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. A 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. In addition, work is in progress to self-assess against the Information Governance toolkit; compliance with this framework allows the Council to share and access health data.

Counter-fraud, Whistleblowing and Complaints

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 2015-16.

The Council launched a new fraud reporting mechanism this year; 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 Head of Corporate Governance. No reports were made during 2015-16.

Matches generated by the National Fraud Initiative exercise were progressed during 2015-16 with no issues or concerns.

The Council recognises the importance of customer feedback and welcomes complaints as a valuable form of feedback about its services. There is a formal compliment, comments and complaints procedure which enables the Council to respond to feedback but also to use the information it receives effectively, to help drive forward improvements. To this end, a new process came into effect on 1st January 2015 and is now embedded within the Council. The process incorporates a protocol for dealing with vexatious complainants. Two customers were formally registered as vexatious during 2015-16. This status was lifted in February 2016 following a review of their conduct during a six-month monitoring period.

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.

In October 2015, the Council approved a Workforce Development Strategy to provide clear focus on organisation development and continuous improvement.

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 2015-16 Member training was provided on:

- Induction to the Council (which included conduct and data governance)
- New role of a Councillor
- Development Control
- Finance
- Key Policy Issues for Local Government
- Windfarm Planning Issues and general Planning
- Scrutiny and Effective Challenge
- Major Incidents
- Fraud Awareness
- Chairing and Facilitation Skills

Budget provision is made for training and development of members and officers; this was increased during 2015-16 to accommodate new Councillors and their training requirements.

Service Delivery

The Council uses a variety of service delivery models. It has a number of key services such as refuse collection and highways which are outsourced. It is also part of many successful partnerships with, for example, Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering Rutland and Leicestershire for Adult Social Care service and the Children's Trust. Along with other authorities in the Welland Partnership, the Council has a shared Internal Audit Service (for which it is the lead Council) and joint Procurement Unit. Further shared services arrangements are still in place, covering public protection services and legal services. The Council works in partnership with other local authorities and public agencies through the Leicester, Leicestershire and Rutland Local Resilience Forum to prepare for, and respond to, civil emergencies.

The cost of the Council's services continues to be relatively low as evidenced by cost profiles produced by the Audit Commission. Nevertheless, the Council continues to review how services should be delivered; the Local Government Association is also surveying the type of shared service models operated by Councils; this data will provide an opportunity to benchmark and assess future delivery options.

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.

During 2015/16, Partners from the LSP have supported the process of developing the Corporate Plan, which is due to be approved in September 2016.

Better Care Together and the Better Care Fund

Better Care Together (BCT) is a significant programme of work which will transform the health and social care system in Leicester, Leicestershire and Rutland (LLR) by 2019. BCT brings together partners in Health and Local Government, including the Council, to ensure that services change to meet the needs of local people. The programme is also working closely with public and patient involvement (PPI) representatives to develop plans for change.

Two of the key issues being addressed relate to the ever increasing demand on social and health care services and the fact that too many people find themselves in hospital and residential care. This is often because we have not done enough to keep them well and supported in the community before hospital and/or residential care becomes the only option.

The BCT vision is for a local health and social care system that supports our community through every stage of life. More information can be found at:

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

During 2015-16, implementation of the Rutland Better Care Fund progressed 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. The programme was subject to in-house evaluation in November 2015 as part of developing the 2016-17 plan. This concluded that the programme had created strong foundations for health and social care integration locally,

including valuable preventative activities and improved responses to urgent care needs, reablement and discharge management. 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.

Other engagement

The Council undertakes public engagement and consultation on a range of matters. In 2015/16 this included:

- Draft Supplementary Planning Document
- Cottesmore Neighbourhood Plan and the Langham Neighbourhood plan
- Identifying possible areas for new development - Local Plan Review: Call for sites
- Housing Allocations Policy
- Issues and Options document as part of Local Plan Review
- The Community Governance Review: Barley Thorpe and Oakham North West
- Consultation on the Annual Budget
- Annual Business Summit with Local Enterprise Partnership
- Adult Social Care Charging
- Barleythorpe Neighbourhood Forum and Neighbourhood Area
- Oakham Neighbourhood Area
- Rutland Travel Survey

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.

http://www.rutland.gov.uk/council_and_democracy/transparency_code_2014-15.aspx

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 the 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.

During 2015/16, sufficient assurance was given by the Head of Internal Audit that there is generally a sound system of internal control, designed to meet the organisations objectives and that controls are generally being applied consistently. During this period, the Council had three limited assurance outcomes as a result of Internal Audit reviews; actions have already been addressed and are in the process of being finalised. The Audit and Risk Committee is rigorous in following up issues and will be monitoring that all actions have been completed.

Notwithstanding this, the level of assurance, therefore, remains at a consistent level. Controls relating to key financial systems for payroll, debtors, creditors and local taxation were reviewed during the year and found to be at a level of Substantial Assurance. The overall proportion of audit reports giving Limited Assurance remained consistent with 2014/15; however, the proportion of Substantial Assurance reports is higher than in 2014/15. The implementation of audit recommendations during the year has been strong, with 92% of those actions from 2015/16 audit reports, which were agreed and due for implementation, being completed during the year.

Members receive an annual report of Internal Audit activity and approve the Audit Plan for the forthcoming year.

Scrutiny

During 2015/16 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
- Strategic Aims and Objectives
- Rutland Local Plan Local Development Scheme
- Sport and Recreation Facilities Strategy
- Draft Housing Allocation Policy
- Street Lighting Policy
- Parking Review
- Local Transport Plan
- Review of Child Health
- Review of Learning and Skills Strategy
- Fostering Annual Report
- Early Help Strategy
- Provision of School Places
- Senior Officer Pay Review
- Compliments, Comments and Complaints Report
- Overview of IT services and Resources Directorate
- Treasury Management Strategy

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

Performance

Quarterly reports on Performance Management are presented to Cabinet. The Council's overall performance shows 90% of indicators were on or above target at the end of 2015/16.

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

An exercise was carried out with SMT to test business continuity arrangements. The recovery plans are being reviewed and updated to take account of the issues identified during the exercise.

Management Assurance

Senior managers make annual individual written assurance statements relating to any internal control weaknesses they have identified. During 2015/16 the Council received notification of two applications to Judicially Review decisions within the People (Children's) Directorate; these cases are progressing with a conclusion expected within 2016/17. Otherwise, there are no issues of significance.

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 2014/15 gave the Council a qualified conclusion on the authority's arrangements to secure value for money for 2014/5. This was in respect of the Oakham North Development planning application. No concerns were reported regarding the Council's arrangements for securing financial resilience.

Peer Challenge Review – Children's

Peer reviews are part of an approach called "sector led improvement" established in 2011 by the coalition government. Rutland's Children's Services received a recent peer review on 27 and 28 January 2016 and was led by the Director of Children's Services in Lincolnshire. They were supported by a team comprised of senior staff from Lincolnshire and Nottinghamshire County Councils and from the School Development Support Agency (SDSA).

The key notable findings were evidence of:

- a discernible journey of improvement
- a sustainable leadership and focus on workforce development was commended
- an embedded quality assurance framework

14

- active member involvement, resulting in improved collaboration and better joint working with partners
- an ambitious authority for looked after children with a well-integrated care planning process.

The review team also found a wide range of early help services with excellent staff and political commitment to these services in the face of financial challenges. They praised Rutland's involvement in the child sexual exploitation hub, which was also praised by OFSTED and they commended our staff, some of whom were highly motivated and child focussed. Also noted were the outstanding relationships with housing, leading to outstanding outcomes for care leavers.

The team made recommendations to support the Council's readiness for inspection and to support further improvements and 12 week action plan was developed in response to the review's findings.

Data Incidents

Between April 2015 and March 2016 22 reports of potential data breaches were made. All were investigated to satisfactory conclusion with no outstanding risks identified. Incidents were minor and no referrals were made to the Information Commissioner's Office. 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.

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.

Neighbourhood Plans

Following the residents' acceptance of the Uppingham Neighbourhood Plan, Larkfleet Homes Ltd applied to the High Court of Justice during 2014. Their appeal, which was based on the Council's failure to comply with statutory processes, was dismissed the same year. The developer subsequently appealed this decision to the Court of Appeal; this was also dismissed in June 2015. A further application was made to the Supreme Court and in November 2015, the Supreme Court ordered that permission to appeal be refused. As all avenues of appeal were exhausted, the Council was able to proceed and the Uppingham Neighbourhood Plan was 'made' in January 2016.

Local Government Ombudsman (LGO)

The Ombudsman's report for the year ending 31 March 2015 showed that 14 complaints (compared to 18 in 2013/14) had been made during the year, with one complaints being upheld by the Local Government Ombudsman and one still in progress (therefore the outcome will be carried forward to the next reporting year).

Decisions Made:

Upheld	Not Upheld	Advice Given	Closed after Initial Enquiry	Incomplete or Invalid	Referred back for local resolution	Total
1	1	1	2	1	7	13

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. In 2014/15, the Council reported one significant governance issue in relation to the administration of s.106 agreements for planning applications. All actions identified have been completed in relation to this matter.

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: _____   Signed: _____

Helen Briggs, Chief Executive   Terry King, Leader of the Council

Date: _____   Date:: _____

AUDIT AND RISK COMMITTEE

19 July 2016

RISK MANAGEMENT UPDATE

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information		No
Cabinet Member(s) Responsible:		Councillor Mr O Hemsley, Portfolio Holder for Resources (excluding Finance), Culture, Sport & Recreation, Tourism and Housing
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS
1. That the Committee notes the contents of the risk register and the actions underway to address the risks.

1 PURPOSE OF THE REPORT

1.1 To present the Strategic Risk Register to the Committee and provide assurance that strategic risks are being adequately managed.

2 STRATEGIC RISK REGISTER

2.1 Attached at **Appendix B** is the Council's Strategic Risk Register as at July 2016.

2.2 Additional information is provided below from the Director for People in response to questions raised at the previous meeting:

- Risks 4 - A number of actions are in place to mitigate risk 4, which are listed in the corporate risk plan. In relation to 'cases not being know', please see the action relating to the duty front door within children's services, where the focus has been to ensure that the referral process is simple and easily accessible – this is in line with sub-regional safeguarding procedures agreed through the Local Safeguarding Children's Board. Whilst actions are in place, it is unlikely that this risk will be entirely eradicated due to the nature of the risks concerned.

- Risk 5 – A range of actions have been taken to ensure that, wherever possible, the authority is sighted at the earliest opportunity to safeguarding risk to vulnerable adults in the community. Performance in reporting in this

area has improved and good performance is being maintained.   Actions included the creation of a prevention and safeguarding team, changes to the access, delivering care act requirements around 'making safeguarding personal', the introductions of community agents and raising the profile through posters, leaflets and social media (see attached **Appendix B**)

2.3   Clearly the national political environment in which the Council operates has changed as a result of the UK's decision to exit the European Union (commonly referred to as Brexit). Some of the risks within the register have been amended in light of this but the intention is to add an additional risk once more is understood about the potential implications for Local Government.

2.4   The summary of the risks plotted on the risk matrix has been revised and is shown at **Appendix C**. This highlights how the risks are spread across the matrix. No risk scores have been amended since the previous update.

3   CONSULTATION

3.1   No consultation is necessary; the purpose of this report is to present the risk register to the Committee.

4   FINANCIAL IMPLICATIONS

4.1   There are no direct financial implications arising from this report but the Committee should note that failure to manage risks effectively can have a financial impact on the Council.

5   LEGAL AND GOVERNANCE CONSIDERATIONS

5.1   As set out in its terms of reference within the constitution, this committee has responsibility to provide assurance of the adequacy of the risk management framework and control environment.

5.2   There are no legal implications arising from this report.

6   EQUALITY IMPACT ASSESSMENT

6.1   An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

7   COMMUNITY SAFETY IMPLICATIONS

7.1   There are no community safety implications

8   HEALTH AND WELLBEING IMPLICATIONS

8.1   There are no health and wellbeing implications

9   CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

9.1   The Committee's role is to monitor the effective development and operation of risk management and corporate governance. The risk register sets out the strategic risks facing the Council and demonstrates how they are being managed.

10   BACKGROUND PAPERS

10.1   There are no additional background papers

11   APPENDICES

Appendix A: Strategic Risk Register
Appendix B: Safeguarding Poster
Appendix C: Risk Matrix

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

This page is intentionally left blank

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
1	Failure to recruit and retain sufficient skilled staff to ensure safe and effective service delivery Causes: • Ineffective recruitment procedures • Less favourable pay terms and conditions compared to the market • Ineffective management • Lack of opportunities for development and progression Consequences: • Increased cost of recruiting interims to cover vacancies • Failure to deliver services • Poor staff morale	D Mogg	• Specific recruitment plans in place for teams experiencing difficulties with recruitment. Innovative approaches being taken. • Maximum alignment to national terms and conditions • Health and Wellbeing programme in place for staff which continues to expand • Corporate training programme in place along with a Leadership Development programme. • Workforce Development Strategy approved in January 2016. • Part of regional and national pay networks • Regular market comparison of pay levels through epay check. • Exit interview analysis and monitoring of turnover	2	4	8	• Working groups in place to address the issues identified from the 2015 staff survey in respect of communication, wellbeing, environmental factors and mental health. • Staff survey to be undertaken again early 2017 • Action plans required, to deliver the workforce development strategy which include specific actions around recruitment • Development of improved marketing and recruitment strategies	2	3	6	Further action required and this is built into the relevant work plans.

37

Risk Scores: I = Impact L = Likelihood

July 2016

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
2	There is a risk that the Council cannot meet its statutory requirement to produce a robust and balanced budget now or in the medium term Causes: • further losses of government funding • failure to identify or deliver savings programmes • unanticipated demand • unforeseen event • unwillingness to use our revenue generating powers (fees, council tax, precept etc) • failure to deliver growth • changes in government policy or funding regime Consequences: • Breach of statutory requirement • Erosion of reserves below recommended levels • Drastic action needed to rectify the positions e.g. cuts	S Della Rocca	• Lobbying of Government (done individually and with LGA/SPARSE) • Key savings programmes monitored by Directorate team, SMT and through quarterly monitoring • New saving programme to be developed in 16-17 for Places directorate (see opposite) • Maintenance of a 5-year MTFP with funding and other risks detailed in Budget and Quarterly reports • Risks quantified as far as possible and build into MTFP e.g. Living Wage, Contracts • Overall financial context discussed and shared with SMT/Cabinet formally and informally including sensitivity analysis over key variables • Economic development plan in place and key growth project (OEP)	4	2	8	• Agree by June 2016 a savings programme process for Places Directorate (HB) • Budget for 17/18 to include a corporate savings target covering all Directorates supported by indicative plans. Some information to be provided in Efficiency Plan to go to Cabinet in August. • Impact of Brexit to be considered in due course. Advice being sought from Treasury and Pension Fund advisors.	4	2	8	List of savings projects for Places being developed and will be consolidated into budget for 17/18. All Directorates working up savings idea. Treasury advisors have issued some initial information re interest rate forecasts but there is little change at this point.
3	Failure to deliver key services should a significant	D Brown	• A Business Impact Assessment (BIA) has	4	3	12	• An SMT exercise is planned to test the	3	3	9	Further action required.

38

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	

39	business interruption occur, including supplier failure.
	
	Causes:
	• Natural disasters
	• Fire
	• ITC system failure
	• Restricted access to premises
	• Loss of utilities
	• Outbreak of disease or infection
	• Terrorist attack
	• Theft or vandalism
	• Failure of key suppliers or contractors
	• Ransomware attack
	
	Consequences:
	• Failure to deliver key services
	• Breach of statutory duty
	• Reputational damage
			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:
			  o Confirm the nature and extent of any incident;
			  o Take control of the situation;
			  o Contain the incident; and
			  o Communicate with stakeholders.
			• Specific recovery plans are in place for the 5 key threats:
			  o loss of key staff (skills/knowledge);
			  o loss of telephone system;
			  o loss of buildings;
			  o loss of ICT; and
			  o loss of utilities.
			• Business continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from
							Major Incident Plan was undertaken in April 2016.
							• Recovery plans will be reviewed following the exercise.
							• Checks required to ensure contracts are being risk assessed and appropriate mitigation are in place.
							• An additional recovery plan is required for the supported living service.
							• Continued focus on raising awareness with staff about the risk of ransomware.
							• Further revision of IT controls and response plan in the event of a ransomware attack based on the learning from Lincolnshire.				

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
			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.								
4	Failure to Safeguard (Children) and a child is significantly abused, badly hurt or dies. Causes: • Case not being known • Failing to identify risk after referral • Failing to effectively assess risk at the correct level • Failure to put relevant safeguards in place • Poor information sharing Consequences: • Intensive scrutiny by Public and Press • Reputation damage • Potential loss of frontline staff • Potential external	Tim O'Neill	• Processes and procedures in place to protect the most vulnerable. • Scrutiny and overview from the Safeguarding Boards. • Monthly performance and financial monitoring by senior officers and update reports to Cabinet. • High quality, timely information contained within case files. • High quality, timely management oversight. • Revised supervision process to ensure early information. • Ensuring we have sufficient competent staff to safeguard children and there is no unallocated work. • Case auditing to identify any shortfalls in practice	3	3	9	• Service Improvement Plan delivered phase 1 – March 16; phase 2 – March 17. • Phase 1 includes: • Introduction of new quality assurance process • Introduction of new performance management framework • Implement new recruitment approach including retention payments for social workers • Review of children's duty front door services to ensure appropriate partnership/community referrals – completed.	2	3	6	• Significant issues of interim staff have been addressed in part by the Recruitment/ retention strategy. Residual risk remains on certain significant posts.

40

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
	intervention • Requirement to undertake and publish a serious case review • Potentially high legal costs		and to identify where further action is required to keep children safe. • Development of clear practice standards so staff know what is expected of them. • Case tracker to ensure visits are being undertaken. • Management oversight recorded on file. • Effective Staff training • Strict application of the panel process.								
5	Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies. Causes: • Case not being known • Failing to identify risk after referral • Failing to effectively assess risk at the correct level • Failure to put relevant safeguards in place • Poor information sharing Consequences: • Intensive scrutiny by Public and Press • Reputation damage • Potential loss of	TON	• Processes and procedures in place to protect the most vulnerable. • Scrutiny and overview from the Safeguarding Boards. • Monthly performance and financial monitoring by senior officers and update reports to Cabinet. • High quality, timely information contained within case files. • High quality, timely management oversight by DASM. • Ensuring we have sufficient expert and	3	3	9	• Implement new recruitment approach including retention payments for social workers – Jan 16 • Development and embedding of Prevention & Safeguarding team – March 16 • Implementation and embedding MSP now incorporated in the Care Act – March 16	2	3	6	• Adult scrutiny have scrutinised procedures related to care home and measures in place to safeguard. • Adult scrutiny will next be scrutinising home care. • Significant issues of interim staff have been addressed in part by the Recruitment/retention strategy. Residual risk remains on certain significant posts.

Risk Scores: I = Impact L = Likelihood

July 2016

41

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
	frontline staff • Potential external intervention • Requirement to undertake and publish a serious case review • Potentially high legal costs		competent staff • Case auditing to identify any shortfalls in practice and to identify where further action is required • Development of clear practice standards so staff know what is expected of them. • Management oversight recorded on file alongside regular supervision. • Effective Training of Staff								
6 42	Long term failure to achieve educational attainment. Causes: • Poor quality teaching, learning and governance in schools. • Poorer family engagement in the home. Consequences: • Reputation damage • Reputation damage • Potential external intervention		• Monitoring by officers • Education Performance Board to review schools. • Increased scrutiny and intervention in schools causing concern. • Regular liaison with DfE and Ofsted • Effective early help support	4	3	12	• Implementation of year 1 of the learning and skill strategy, particularly in relation to categorisation and monitoring of school outcomes – August 16 • Implementation of year 1 of the early help strategy – March 16	4	2	8	• Positive one academic year improvement across all Key Stages not yet sustained over longer period • Developing strong partnership schools and academies again this needs to be sustained

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
7	Failure to put in place the infrastructure to support growth Causes: • Development occurs at a faster pace than anticipated • Infrastructure needs are not identified and provided for Consequences: • Complaints from community and potential risk of legal challenge	H Briggs	• Infrastructure requirements fully identified linked to CIL and the 123 list • Regularly reviewed • Key infrastructure requirements are monitored on a regular basis e.g. School Places • Specific projects in place to meet specific need including:- Digital Rutland – Broadband OEP – employment and business growth Schools Programme – School and Learning places • Medium Term financial plan and level of balances would facilitate urgent action to be taken if required	2	2	4	• Continue to review the 123 list and prioritise the most significant requirements • Ensure CIL implemented and receipts are collected and targeted at need • Review key areas as at present	2	2	4	• Actions are in place to deliver against current demand and need

43

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
8	Failure to secure delivery of change required within Health & Social Care Causes: • Insufficient funding • Demand exceeds expectations • Challenge to changes slows the process down Consequences: • Ineffective service delivery and on-going cost pressure and impact on MTFP	H Briggs	• Risk highlighted and an allowance made within our MTFP • Playing a key role in the LLR BCT Project • Working directly with ELRCCG to achieve improved care pathways and focus on 'Left Shift' and its impact • Focussing on early intervention and prevention – evidence from BCF outcomes is strong in most areas • ASC strategy is now at the consultation stage • New commissioning framework being developed • Better Care Fund evolving and initial outcomes are positive	3	5	15	• Need to remain engaged in BCT project • Quantify and risk assess the impact on Social Care of BCT changes • Continue with Care Pathway reviews and changes • Expand BCF to accommodate the impact of Left Shift – the second BCF is currently going through the assurance process prior to agreement at H & W Board • Continue to make adequate and appropriate provision within our MTFP • Ensure our commissioning framework is sufficiently flexible to accommodate pressure from spikes in demand	2	2	4	• Although significant work is on-going this is still at an early stage and requires a sustained focus • The Social Care precept has assisted in this area but has not entirely mitigated the pressure within the MTFP • Work has begun on looking at activity trends and projecting these forward to test the adequacy of social care contingencies in the MTFP

Risk Scores: I = Impact L = Likelihood

July 2016

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
9	Failure to manage the public's perception of the Council Causes: • A significant failing in service provision Consequences: • Loss of confidence and significant resource required to improve thus distracting from service delivery	H Briggs	• The Council works hard and pro-actively to present a positive image through a number of channels including:- Web Site Local press through PR's Social Media Rutland Radio • The Council's Strategic Communication Advisor provides advice and training where required for Officers and Members • If additional support is required this is available and has been used during 2015 to good effect • SMT monitor current issues and assess the likely impact positive and negative. Where required, communication strategies are developed customised to the event etc.	2	2	4	• Continue current actions as outlined • Media training being refreshed in 2016 • Expanding Social Media presence • Web site being redeveloped • Customer Services being reviewed • Plan in place for responses to events as they occur e.g. Resilience Issues	2	2	4	• Recent experience has tested current plans and they have met the test. Active learning will feed into on-going review of plans.

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
10	Failure to protect the health and safety of employees and members of the public Causes: • Non-compliance with health and safety legislation Consequences: • Employee or customer injury • Regulatory fine • Reputational damage	P Phillipson	• Full time health and safety advisor employed who reviews health and safety implications of all policies and contracts. • Joint safety committee in place that reviews all internal risk reports such as RIDOR forms. • Contract procedure rules require contract managers to take due regard of health and safety when procuring contracts. • Managers complete risk assessments for service activities and review annually. • Mandatory health and safety training for all staff as part of induction process.	2	3	6	• Corporate health and safety risk assessment template required. • Central register of risk assessments.	2	3	6	Live

46

Risk Scores: I = Impact L = Likelihood

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
11	Failure of corporate governance (incl data governance) with service, financial or reputational consequences Causes: • Serious data breach • Breakdown in internal control • Decision taken without the proper authority • Fraud Consequences: • Non-achievement of objectives • Reputational damage • Financial loss or fine	D Mogg	• Constitution, including scheme of delegation • Annual Governance Statement • Corporate compliments, comments and complaints scheme • Member and Officer Codes of Conduct • Member Training Programme • Policies in place re Bribery, Whistleblowing, Anti-fraud and corruption • Clear management structure • Data Protection Policy and Procedures supported by training • IT security policy • Track ICO guidance • Proactive internal audit service • Fraud risk register in place and has been reviewed for April Audit and Risk Committee – no major issues highlighted	3	2	6	• Complete review of scheme of delegation to take place by March 2016 • Further development of the Members training programme • IT security policies to be reviewed • Review of constitution, finance procedure rules and contract procedure rules	3	2	6	Ongoing Review of constitution, finance procedure rules and contract procedure rules has been undertaken and various changes proposed for Council to consider at its July meeting.

**Risk Scores: I = Impact L = Likelihood**

July 2016

Risk No.	Description of the risk	SMT Owner	Current Controls	Current Risk Score			Actions to Achieve Target	Target Risk Score			Current status
				I	L	Score		I	L	Score	
12	Failure to successfully manage the transition to new Leadership of the Council Causes: • Unexpected death of former Leader prevented a planned, comprehensive handover to the current Leader. • Current Leader recuperating from an operation • Changes to portfolios means that Cabinet members have taken on new and additional responsibilities Consequences: • Non-achievement of objectives	H Briggs	• Comprehensive induction process for portfolio holders • Training fund available for specific/technical training for Cabinet • Dedicated strategic planning time set aside for Cabinet and SMT. • Deputy Leader shadowing Leader • LGA Support for Cabinet Development	2	3	6	• No additional actions required	2	3	6	

48

Risk Scores: I = Impact L = Likelihood

July 2016

If you see something, say something.

Safeguarding is **everyone's** business.

THEFT

NEGLECT

PHYSICAL VIOLENCE

FAMILY ABUSE
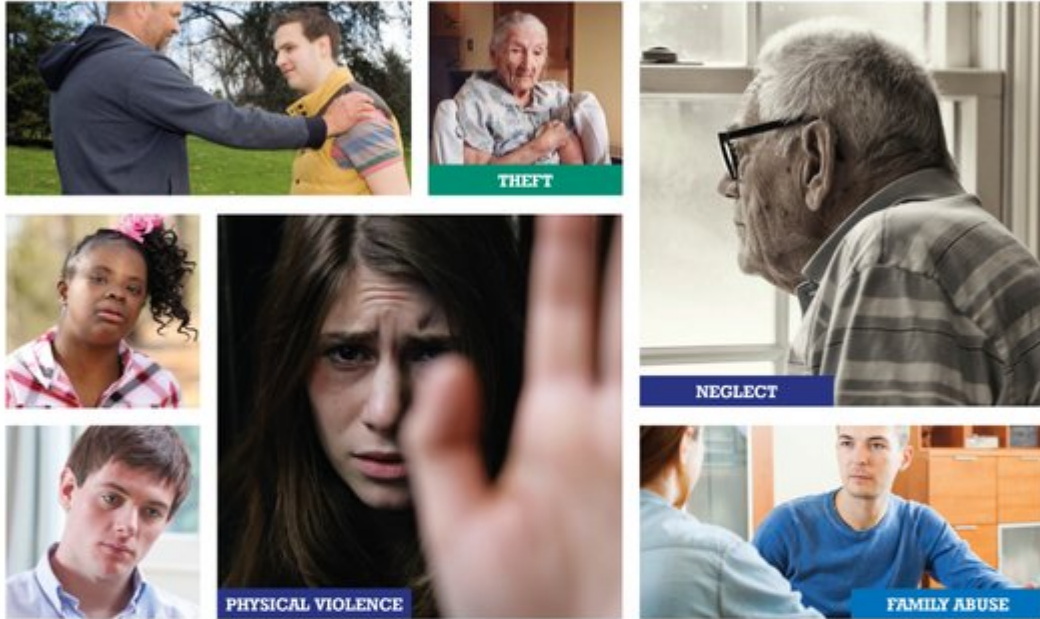
Help us to stop adult abuse

If you see something that concerns you and makes you feel uncomfortable please contact Rutland County Council:

01572 758341

adultduty@rutland.gov.uk

Rutland County Council

www.rutland.gov.uk

care and support & you

This page is intentionally left blank

Summary of Risks plotted on the risk matrix

1. Current Scores

IMPACT	Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
Most Severe 4		2	3,6			
Major 3		11	4,5		8	
Moderate 2		7,9	10,12	1		
Minor 1						

LIKELIHOOD

2. Target Scores

IMPACT	Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
Most Severe 4		2,6				
Major 3		11	3			
Moderate 2		7,8,9	1,4,5, 10,12			
Minor 1						

LIKELIHOOD

51

This page is intentionally left blank

AUDIT AND RISK COMMITTEE

19 July 2016

INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Terry King – Leader and Portfolio Holder for Finance and Development	
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).
2. That Members advise on the scope of the SEN Transport review which was requested at the April 2016 Committee meeting (Appendix A, para 2.1).

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

2.1 **Update on Delivery of Internal Audit Plan**

The progress made to date in delivering the 2016/17 audit plan is set out in Appendix A. At the time of reporting, one report is at draft report stage, and fieldwork and planning is underway on a further six assignments.

2.2 At the Audit and Risk Committee meeting in April 2016, Members requested an amendment to the Audit Plan to incorporate a review of SEN Transport. Members' input into the scope of the review and areas where they require assurance from this audit is sought at this meeting. This will inform the number of days required to

deliver the assignment and the focus of the fieldwork.

2.3   Implementation of Recommendations

Internal Audit request that officers provide updates on all open audit actions on a monthly basis.   Since the last Committee meeting, 14 recommendations have been implemented.   At the date of reporting, there are 10 actions which are overdue for implementation. Five of the overdue recommendations (as outlined in Appendix C) are classified as medium priority and were due over 3 months ago. There are no overdue high priority audit actions as of 30th June 2016.

3   CONSULTATION

3.1   No formal consultation is required.

4   ALTERNATIVE OPTIONS

4.1   The Committee is asked to note the report but may wish to receive an earlier update on any limited assurance reports.

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: Implementation of Audit Recommendations

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

12.4   Appendix D: Limitations and responsibilities

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

This page is intentionally left blank

the Welland

Internal Audit Consortium

RUTLAND COUNTY COUNCIL

INTERNAL AUDIT UPDATE

JULY 2016

Date: 19th July 2016

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, one report is at draft report stage and work is in progress on a further six assignments. Progress on individual assignments is shown in Table 1.

At the April 2016 Audit and Risk Committee meeting, Members requested that an amendment be made to the Audit Plan to incorporate an additional review of SEN Transport. In order to enable this review to be planned and resourced, guidance is requested from the Committee on the scope of the review and areas for which assurance is sought. This can then be scheduled accordingly.

2.2 **Are audits being delivered to budget?**

Internal Audit is on target to deliver the audit plan within the commissioned days. Any overruns on individual assignments are managed within the overall budget. All assignments within the Audit Plan are currently within budget and no overspends are expected on current audits.

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

The most recent information available (week 11) shows that the Internal Audit team are spending 88% of time on chargeable activities against a target of 90%. The productivity during the year so far has been lower than 2015/16 following the induction of a new trainee Auditor but it should be noted that this member of the team is already operating at 80% productivity.

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, no questionnaires had been issued or returned for 2016/17.

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?**

During quarter one, the Internal Audit team has been involved in a number of assignments at Rutland County Council and is currently contributing to some high priority projects.

The Council is currently working on the upgrade of its financial system, Agresso, which is due to go live in late 2016. In order to add value and assist the Council in managing risks upfront, the Internal Audit team are involved in the intensive design and planning stages and have been assisting in the production of process maps of key procedures and advising on the review of key controls within these. Over the last few years, Internal Audit have made a number of recommendations regarding the control framework within the Agresso system which required improvement and the team's involvement in this project provides assurance that these are being suitably addressed within the new system. This work is provided as consultancy support which does not result in an assurance opinion or report. However, following implementation of the systems, all will be subject to a full Internal Audit review and assurance report later in 2016/17. The subsequent audit work will be conducted by a member of the team who has not been involved in the design phase, so as to ensure independence.

During quarter one, the Internal Audit team has also been working on an open book review of the Highways Maintenance contract. This is a substantial assignment which involves on-site visits with the contractor. This is the first time an Internal Audit open book review of this contract has been conducted and is designed to provide assurance that the £3 million contract is being managed effectively, contract terms and conditions are being met and charges are fair, accurate and in accordance with the contractual agreement.

A draft report has been issued upon completion of fieldwork for the Taxi Licensing audit. This audit has not highlighted any significant weaknesses in the control framework and has identified a number of improvements in controls which have been achieved since the 2012/13 audit. This report is currently with management for agreement and will be summarised at the next Audit and Risk Committee meeting.

At the last Audit and Risk committee meeting, Members highlighted safeguarding risks as a key area where assurance was required from this audit. The fieldwork has included testing on compliance with the requirement to receive and assess outcomes of disclosure and barring service (DBS) checks before any licence is granted or renewed and has also reviewed the recently introduced Child Sexual Exploitation section of the driver training.

At the last committee meeting, Members also raised queries regarding communication and co-ordination with neighbouring licensing authorities and how assurance is sought from other authorities over drivers operating in Rutland who have been granted licences elsewhere. This has been discussed with management and procedures adopted to address this risk at comparable authorities are being considered and any actions agreed will be incorporated within the action plan.

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, 14 actions arising from audit reports have been implemented.

At the date of reporting, there are ten actions which are overdue for implementation. Five of these actions were due for implementation over three months ago, none of which are categorised as high priority. See Appendices B and C 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	0	●							Q4
Debtors	14	0	●							Q4
Local Taxation	15	0	●							Q3
Benefits	15	0	●							Q3
Payroll	15	0	●							Q4
Main Accounting	12	0	●							Q4
Financial System Upgrade (Consultancy support in design phase)	15	5.9			●					
Financial System Upgrade (System Administration)	12	0	●							Q3
Fraud Risks										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Council Tax/NDR Fraud	12	0	●							Q2
Service Delivery Risks										
Highways Maintenance Contract	20	9			●					
Fostering Service	15	2			●					
Contract Procedure Rules (CPR) compliance	10	0	●							Q3
Taxi Licensing	15	10.7					●			
Section 106 Agreements	15	1		●						Q4
Safeguarding Policies and Procedures and Compliance	20	0	●							Q2
Development Control	15	0	●							Q2
Data Management	15	0	●							Q3
LiquidLogic	15	0.1		●						Q2
Digital Broadband	5	0.2			●					
Limited Assurance Reports	12	0	●							Q4

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
IT										
Asset Management	12	1			●					
Policies and Procedures	10	0	●							Q4
Client Support (Committee support, training, client liaison)	33	6.4								
Consortium Management	34	4.3								
TOTAL	370	40.6								

63

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 • 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.

Appendix B: 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%	8	53%	6	67%	14	**58%**
Actions due within last 3 months, but **not implemented**	0	0%	2	13%	1	11%	3	**13%**
Actions due **over 3 months** ago, but **not implemented**	0	0%	5	33%	2	22%	7	**29%**
Totals	0	0%	15	100%	9	100%	24	100%

This page is intentionally left blank

Appendix C: '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)
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	September 2016
Capital Allocations Programme Board 2015-16	Places	Re-establish a more formal basis for assessment and prioritisation of maintenance and improvement projects based on the approach previously approved by Cabinet or similar objective methodology linked to statutory obligations, up to date property condition information and school improvement plans. This should be used to inform development of a medium to long term schedule of works as part of the development of an Asset Management Plan.	A report called Constitutional changes will go to Council on 11th July 2016 and from that will follow a Governance report to Cabinet. This will disband the Capital Allocations Board formally and replace with a new structure.	Places Director (D & E)	December 2015	July 2016
Capital Allocations Programme Board 2015-16	Places	If the board is to remain operational, declaration of interests should be a standard agenda item for all meetings and members should be provided with guidance and training on when to declare an interest.		Places Director (D & E)	December 2015	July 2016
Capital Allocations Programme Board 2015-16	Places	As part of the review of arrangements for the assessment and prioritisations of projects, establish a formal policy for considering allocations in respect of schools in the year of transition to Academy status.		Places Director (D & E)	December 2015	July 2016
Capital Allocations Programme Board 2015-16	Places	If the board is to remain operational, all decisions to approve projects and allocate funds should clearly specify in the minutes the specific cabinet approval that is being relied upon to authorise the allocation.		Places Director (D & E)	December 2015	July 2016

This page is intentionally left blank

Appendix D: 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.

AUDIT AND RISK COMMITTEE

19 July 2016

FUTURE OF INTERNAL AUDIT

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Terry King, Leader and Portfolio Holder for Corporate Finance	
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 comments on the proposal to delegate the Internal Audit function to LGSS

1 PURPOSE OF THE REPORT

1.1 To obtain the Committee's views on the proposal for the future delivery of the Internal Audit service.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The Internal Audit Service

2.1.1 The primary role of the Internal Audit Service is to objectively examine, evaluate and report on the adequacy of the Council's internal control environment as a contribution to the proper, economic, efficient and effective use of resources and the management of risk. Internal Audit also advises on, carries out and directly supports investigations into suspicions of fraud or financial irregularity.

2.1.2 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive are responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council. The Internal Audit Section is required

to comply with the current CIPFA Code of Practice for Internal Audit in Local Government, in undertaking its functions.

2.1.3   This requirement is achieved presently through the Council directly employing the Welland Internal Audit team. The internal audit team provide internal audit services not only to Rutland but to other Welland authorities (Melton and East Northants) and other partners, Corby and Harborough. The work of the team is underpinned by a legal agreement between the partners and there is a Welland Internal Board (comprising the Section 151 Officers of each Council) which oversees its work and reports through to the Welland Joint Committee.

2.1.4   The internal audit team of 4.76 FTE is supported by interim external support including Head of Internal Audit provision from the Local Government Shared Service. The total cost of the service is c£320k of which the Rutland share is c£85k.

2.1.5   In terms of performance, the Council acknowledges that the existing service managed by LGSS is very good and that the performance level is high (measured in terms of the % completion of the audit plan by the end of March and feedback from staff which has been very positive). The Audit and Risk Committee itself has also commented on the positive performance of the audit team and the quality of some of the work produced. Confidence in the team is high compared to a few years ago when the audit team was fully staffed in house. In that period, the audit plan was not delivered in fully in a timely fashion and an external review of the service concluded that significant improvements were needed (142/2013).

2.1.6   From a cost perspective, the main way in which cost is measured is on a per day basis. CIPFA produces various benchmarking reports on costs which indicate that costs per day is the range of £260 - £375 with the average around £310 - £320. The Council's day rate cost is c£265 so at the lower end[1].

2.2   Rationale for consideration of alternative delivery options

2.2.1   The current arrangement with LGSS is in place until 31 March 2016. The Welland Board acknowledges that whilst performance is good and costs are low, the existing model is not sustainable in the long term and has concluded that alternative arrangements need to be made to secure provision. The reasons for this are as follows:

- *Recruitment difficulties* – the Council has found it difficult to recruit when vacancies have arisen. The existing arrangement with LGSS was put in place following two unsuccessful recruitment exercises after the retirement of the Head of Audit. The total number of candidates applying for the post was less than 5 even with an additional £5k market supplement.

- *Resilience* – during periods of sickness or when there are vacancies, there have been difficulties for the team in delivering the internal audit plan. The limited size of the team gives a lack of resilience. This has changed during the last year as the arrangement with LGSS has allowed the Council to draw down additional resource as required albeit at an additional cost.

---

[1] The Council is not a member of the CIPFA benchmarking club for internal audit but has sourced publicly available information (published over the last few years) to arrive at an estimate for the average cost per day of internal audit.

- *Quality* – whilst the quality of service is good, the Council recognises that a small team does not have access to the specialist expertise that larger teams enjoy. For example, the team has no specialist IT auditor.

- *Uncertainty and development of service* – the existing arrangement is short term and is not secure with LGSS able to give 3 months' notice. Furthermore, the insecurity of tenure has restricted investment in the service. A longer term arrangement needs to be put in place which will allow management to invest in both staff and service.

- *Limited capacity for growth* – the team has limited capacity to grow and bring in new partners with the lack of a Head of Audit a key barrier. An inability to grow reduces the potential for resilience.

- *Management involvement* – the Section 151 Officers and Welland Board have invested significant time into resolving management issues and this level of investment cannot continue.

2.3   Other options

2.3.1   The Welland Board has considered different delivery models, including:

- Full outsource – the procurement of an internal audit service from an external provider;

- Co-source – combination of an in-house team and one or more external providers;

- Fully staffed model (the original Welland model as designed) – internal audit delivered by an internal team, employed by one of the member organisations, and who work across member organisations; and

- Collaboration/delegation (current model in place)– internal audit delivered by another local authority under delegation/collaboration agreement.

2.3.2   Indicative costs and advantages/disadvantages for each model were discussed by the Board. The results are shown below with notes:

Option	Costs	Advantages/Disadvantages
Full outsource (1)	£534k - £668k	Advantages • Greater resilience • Access to wider/specialist resources • No recruitment costs • Potentially better quality but experience of Welland partners has been mixed in the past Disadvantages • Contract management required • Continuity of staffing not guaranteed • Increased cost even if external providers argue 10-20% productivity gains • Takes time and cost as OJEU process is

Option	Costs	Advantages/Disadvantages
		required (or use of framework if possible) • Change of scope may require changes in contract
Co-source (2)	£480k - £520k	Combination of models 1 and 3
Fully staffed model (3)	£300-£320k	Advantages • Continuity of staffing • Greater familiarity with clients • Scope of service easily modified Disadvantages • Lack of resilience • Access to specialist advice is limited • Some difficulties in recruitment as pay rates not always competitive in this market
Collaboration/ Delegated model (4) e.g. Another Council take over Audit service	£320k	Advantages • Greater resilience • Access to wider/specialist resources • No recruitment costs or sickness problems • Continuity of staff with TUPE transfer • Avoids any redundancy costs as staff TUPE • No OJEU required but negotiation needed over TUPE etc Disadvantages • Management of agreement required • Continuity of staffing not guaranteed • Lack of resilience if not collaborating with a partner of sufficient size • Potential for cost increases
Costs based on days required (1335) multiplied by an estimated day rate range of £400-£500 per day following informal discussions with suppliers and knowledge of rates charged elsewhere. As current staff would TUPE transfer, providers would wish to see terms and conditions before deciding rates. Assumes 400 days commissioned and the remainder provided in-house. Day rates higher as buying-in a Head of Audit would cost more per day (£500 - £650 per day) than a general composite rate. Costs are shared between 5 local authorities		

2.3.3   The conclusion from the analysis was that the current model is favourable. The challenge for the Board therefore was to find a way of converting the existing temporary arrangement into a permanent model with LGSS or another local

authority.

2.3.4 The Assistant Director – Finance discussed collaborative models with a number of local authorities albeit ones with which the Council has no direct experience of working with on internal audit. All were interested in principle but would need to undertake further due diligence to assess whether they could deliver the service for the existing fee. At the same time, LGSS came forward with its own proposal for the Welland to delegate the service to it for the same fee. On this basis, after some consultation (with the Chief Executive, Portfolio Holder, Chair of Audit and Risk Committee and other Welland s151 Officers), Officers decided therefore that there was no compelling reason to continue deliberations with other authorities at this stage and that continuing to work with LGSS made the most sense for the staff and the Council generally. The reasons for this are as follows:

- LGSS are currently working with the Council and have demonstrated that they can deliver what is needed;

- Current performance levels are very good;

- There would be minimal disruption as LGSS are already managing the service;

- LGSS know our audit staff (who would TUPE transfer under this proposal) and our staff know LGSS and how they work;

- LGSS have confirmed that they can deliver within our existing budget;

- LGSS have developed good relationships with senior management and have the confidence of the Audit and Risk Committee;

- The Council would gain access to a bigger team with wider skills.

2.3.5 Officers are preparing a report for Cabinet with the preferred option to delegate the internal audit service to LGSS.

3   CONSULTATION

3.1   As internal audit and fraud services are 'back-office' functions, this change will not impact on the public and so has not been subject to external consultation. Since the implementation of the delegation impacts on staff terms and conditions, informal and formal consultations would need to be undertaken with staff if Cabinet agree to this option.

3.2   As indicated above, the Welland Internal Audit Board has also been consulted. All authorities are provisionally supportive of the plans.

4   ALTERNATIVE OPTIONS

4.1   Officers have set our alternative options above which have been assessed. The Committee can support the proposed option – in full or with variations - or offer an alternative view which can be fed into the options paper for Cabinet consideration.

5   FINANCIAL IMPLICATIONS

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

6   LEGAL AND GOVERNANCE CONSIDERATIONS

6.1   In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive are responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council.

6.2   The delegation of functions to another local authority is permissible under sections 101 and 102 of the Local Government Act 1972 and sections 19 and 20 of the Local Government Act 2000. Formal approval for this delegation will be sought in due course.

6.3   The Audit and Risk Committee is responsible for oversight of Internal Audit work and assessing whether the Council has adequate provision in place hence the reason for the report.

7   EQUALITY IMPACT ASSESSMENT

7.1   An Equality Impact Assessment (EqIA) has not been completed for the following 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 Council has appropriate internal audit arrangements in place. The proposed option effectively secures the future provision of internal audit without comprising the high performance and low cost model in place.

11   BACKGROUND PAPERS

11.1   There are no additional background papers to the report.

12   APPENDICES

12.1   None

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577. (18pt)

Report No: 144/2016
PUBLIC REPORT

AUDIT AND RISK COMMITTEE

19 July 2016

EXTERNAL AUDIT UPDATE

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Terry King, Leader and Portfolio Holder for Corporate Finance	
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 ensure that the Committee is aware of and understands the progress made by KPMG in delivering their responsibilities as the council's external auditors.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The update report from KPMG in Appendix 1 provides the Committee with a high level overview of progress by KPMG in delivering their responsibilities as the council's external auditors.

2.2 More information can be found on page 4 of Appendix 1 on the following key areas:

- What work has been undertaken

- Initial findings following interim audit

- Further work to be undertaken

2.3   The report provides further information and access to reports or articles that KPMG or other organisations have published which might be of interest to members. These are:

- Reimagine – Local Government. There are a number of reports under this headline. More information can be found on page 4 of Appendix 1;

- NAO report on discharging older patients from hospital (page 6);

- NAO report on English Devolution deals (page 7); and

- NAO report on LEPs (page 8).

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.

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 the Statement of Accounts.

7   EQUALITY IMPACT ASSESSMENT

7.1   An Equality Impact Assessment (EqIA) has not been completed for the following 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 of external audit to the audit of the Statement of Accounts.

11   BACKGROUND PAPERS

11.1   There are no additional background papers to the report.

12 APPENDICES

Appendix 1 – External Audit progress report and technical update

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

This page is intentionally left blank

KPMG

External Audit: Progress Report and Technical Update

Rutland County Council

Audit and Risk Committee – July 2016

Contents

Tony Crawley
Director
Tel: 0116 256 6067
Email: tony.crawley@kpmg.co.uk

82

Mike Norman
Manager
Tel: 0115 935 3554
Email: michael.norman@kpmg.co.uk

David Schofield
Assistant Manager
Tel: 0116 256 6074
Email: david.schofield@kpmg.co.uk

This report provides the Audit and Risk Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights some of the recent KPMG 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.

External audit progress report – July 2016

	Commentary
Planning	We presented the draft 2015/16 audit plan for the external audit of the Authority to the April 2016 Audit and Risk Committee. We have continued to liaise with management on the significant financial and operational issues at the Council. Our work over the coming quarter will include: • ongoing liaison with finance staff and further meetings with senior officers as part of the audit process to better understand the current and longer term issues that the council is addressing; and • liaising with internal audit. • starting our final accounts audit. • Starting our audits of the 2015/16 Housing Benefit Subsidy claim and the Teachers Pensions Agency return.
Financial statements	Since the Audit and Risk Committee's last meeting we have: • Followed up on the work carried out at the interim audit. • discussed the progress made in addressing the year-end closedown risks and confirmed our core working paper requirements. • agreed the start date for the final accounts visit (25 July 2016). At this stage there are no additional matters that we need to bring to your attention.
Value for Money	In our audit plan we did not identify any significant value for money conclusion risks, though we did highlight your medium term financial planning arrangements as a specific area of focus. We will continue to update our risk assessment during the year and report our conclusions in the ISA260 report to the Audit and Risk Committee in September 2016. At this stage there are no specific concerns that we need to bring to your attention.
Grant Claims and other returns	We have met managers to confirm the audit requirements for the Housing Benefit Subsidy claim. We expect to start the on-site work in September 2016. We expect to meet with managers in July 2016 to confirm the arrangements for the audit of the Teachers Pensions Agency return.
Audit fee	At this stage there are no changes planned to the scale audit fee of £65,481 communicated to the Council in April 2015 and in our March 2016 Audit Plan. No other audit related or non-audit work is in progress.
Actions	We ask the Audit and Risk Committee to: ▪ **NOTE** this progress report.

83

Technical update – KPMG publications

Area	Comments
Reimagine Local Government	In April 2016 KPMG launched an new client communication (*'Let's Talk Local Government'*) with the aim of providing a channel for regular dialogue with our clients to discuss relevant topical issues. The communication forms part of our *Reimagine Government* campaign and our colleagues have applied their thinking to reimagine public services, using this to generate conversations , design solutions and implement this thinking locally. The *Reimagine Local Government* Website can be found at: https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html The first edition of the communication includes the following think pieces: **Women in the public sector: "I thought I was there to make up the numbers"**, This is a write up of our successful International Women's Day event. https://home.kpmg.com/uk/en/home/insights/2016/04/women-public-sector-leaders.html **Council cash crunch: New approach needed to find fresh income, by Adrian Fieldhouse.** In the article the author proposes that to enable diversified income streams to flourish councils need to have to have the right culture and approach. https://home.kpmg.com/uk/en/home/insights/2016/04/council-cash-crunch-new-approach-needed-to-find-fresh-income.html **English devolution: Chancellor aims for faster and more radical change, by Katie Johnston.** Even some of the more dynamic authorities may find it difficult to drive growth at a scale and pace sufficient to make up for the loss of central support. https://home.kpmg.com/uk/en/home/insights/2016/04/english-devolution-chancellor-aims-for-faster-and-more-radical-c.html **Time for the Care Act to deliver, by Andrew Webster.** The article proposes that the idea of councils as responsive organisations, guiding people to the best care, is the correct one. It is not only right for the wellbeing of our population. https://home.kpmg.com/uk/en/home/insights/2016/04/time-for-the-care-act-to-deliver.html **Councils can save more than just cash by sharing data, by Richard Walker.** Local authorities are yet to realise the full value of their data and are wary of sharing information. Cross-sector structures and the right leadership is the first step to combating the problem. https://home.kpmg.com/uk/en/home/insights/2016/04/councils-can-save-more-than-just-cash-by-sharing-data.html **Reimagine Care: using digital platforms to improve life for service users and carers , by Mark Essex.** Government policies on public services emphasise personalisation but the offer in social care often falls short of these goals. This could improve through a change in approach and some relatively straightforward digital technologies, https://home.kpmg.com/uk/en/home/insights/2016/03/reimagine-care.html Please let us know if you need any more information on any of these publications.

84

Technical update – CLG announcements

Area	Comments
Councils given flexibility to use sales of surplus property to improve services	In March 2016 the government issued further guidance to support its Autumn Statement announcement of planned changes to the rules for use of 'capital receipts'. For a 3-year period from the 1 April, local authorities will be able to spend any revenues they generate from selling surplus assets – like property or shares and bonds - to fund the costs of improvements to services. Examples of things capital receipts could be used on improving include: shared back office, restructuring and admin work with other councils counter fraud programmes public facing services which straddle more than one body, like children's services or trading standards The guidance requires that if councils are to use these flexibilities they should develop a dedicated strategy document to go alongside or as part of their annual budget. As a minimum, strategies should list each project that plans to use revenues from capital receipts to improve and state details of the expected savings or service transformation. From 2017 to 2018 strategies will also be required to review whether planned savings outlined in previous years are being achieved. The guidance can be found at the link below: https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts

85

Document Classification: KPMG Confidential

Technical update – National Audit Office publications

Discharging older patients from hospital

The health and social care system's management of discharging older patients from hospital does not represent value for money, according to the NAO. The spending watchdog estimates that the gross annual cost to the NHS of treating older patients in hospital who no longer need to receive acute clinical care is in the region of £820 million.

NHS guidance is that patients are moved out of acute hospital as soon as it is clinically safe to do so; it is important to achieve the correct balance between minimising delays and not discharging a patient from hospital before they are clinically ready. Caring for older people who no longer need to be in hospital in more appropriate settings at home or in their community instead could result in additional annual costs of around £180 million for other parts of the health and social care system. This would reduce the potential savings of £820 million arising from discharging patients earlier from hospitals.

The report found that, while some efforts to rectify the situation have been made, an ageing population and more older people being admitted to hospital means there needs to be a step change in performance to resolve the problem. Data on delayed transfers of care substantially under-estimate the range of delays that patients experience. Over the past two years the official data shows there has been an increase of 270,000 (31%) in days in acute hospitals when beds have been occupied by patients who have had their discharge delayed unnecessarily, to the current figure of 1.15 million days. These figures, however, only account for delays after clinicians and other professionals deem a patient to be ready for discharge, and does not include all patients who are no longer in need of acute treatment. Based on evidence gathered by the NAO, the true figure for patients aged 65 and older who are no longer benefiting from acute care could be as high as 2.7 million days.

In 2014-15, the percentage of older people admitted to hospital after attending A&E was 50%, compared to 16% for those aged under 65. Although overall length of stay for older patients following an emergency admission has decreased from 12.9 to 11.9 days in the last five years, suggesting improved efficiency, the overall number of bed days resulting from an emergency admission has still increased by 9% from 17.8 million to 19.4 million days.

Workforce capacity issues in health and social care organisations are making it difficult to discharge older patients from hospital effectively. Across the health and social care system, providers and commissioners said that staff recruitment and retention were a significant cause of delays: vacancy rates for nursing and home care staff were up to 14–15% in some regions, and fewer than half of hospitals felt they had sufficient staff trained in the care of older patients. Health and social care organisations are also not sharing patient information effectively, despite a statutory duty to do so. In addition, while hospitals are financially incentivised to reduce discharge delays, there is no similar incentive for community health and local authorities to speed up receiving patients discharged from hospital. Among the NAO's recommendations is that the Department of Health, NHS England and NHS Improvement should set out how they will break the trend of rising delays against the demographic challenge of growing numbers of older people.

The NAO's full report can be found at:

https://www.nao.org.uk/report/discharging-older-patients-from-hospital/

86

Technical update - National Audit Office publications (continued)

Area	Comments
English Devolution Deals	This April 2016 report by the NAO states that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended, according to the National Audit Office.

Over the last 18 months, 10 devolution deals have been agreed, outlining the transfer of powers, funding and accountability for policies and functions previously undertaken by central government, in Greater Manchester, Cornwall, Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands, East Anglia; Greater Lincolnshire; and the West of England. They are the latest in a range of initiatives and programmes designed to support localism and decentralisation.

HM Treasury and the Cities and Local Growth Unit are responsible for managing the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole. All of the deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care. The government has announced new additional investment funding of £246.5 million a year alongside the devolution deals announced so far. Over time, the government intends to combine this funding with a number of other funding streams into a 'single pot' to enable more local control over investment decisions, and has announced £2.86 billion of initial allocations over 5 years for the first 6 mayoral devolution deals.

Central government's management approach to brokering devolution deals is designed to support its policy of localism. The government considers that devolution proposals should be led by local areas, and that central government's role should be to respond to these proposals. As a result, the government has decided not to set out a clear statement of what it is trying to achieve through devolution deals.

According to the NAO, however, there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability. The deals agreed so far involve increasingly complex administrative and governance configurations. And as devolution deals are new and experimental, good management and accountability both depend on appropriate and proportionate measures to understand their impact.

To improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services.

The NAO's full report can be found at:

https://www.nao.org.uk/report/english-devolution-deals/ |

Technical update - National Audit Office publications (continued)

Area	Comments
Local Enterprise Partnerships	The role and remit of Local Enterprise Partnerships has grown significantly and rapidly since 2010, but as things stand, the approach taken by the Department of Communities and Local Government to overseeing Growth Deals risks future value for money, according to the National Audit Office.
	The government encouraged the establishment of LEPs as private sector-led strategic partnerships which would determine and influence local growth priorities. With the advent of the Local Growth Fund, the amount of central government funding received by LEPs is projected to rise to £12 billion between 2015-16 and 2020-21 via locally negotiated Growth Deals. The Department, however, has not set specific quantifiable objectives for what it hopes to achieve through Growth Deals, meaning that it will be difficult to assess how they have contributed to economic growth.
	The NAOs report found that LEPs themselves have serious reservations about their capacity to deliver and the increasing complexity of the local landscape. To oversee and deliver Growth Deal projects effectively, LEPs need access to staff with expertise in complex areas such as forecasting, economic modelling and monitoring and evaluation. Only 5% of LEPs considered that the resources available to them were sufficient to meet the expectations placed on them by government. In addition, 69% of LEPs reported that they did not have sufficient staff and 28% did not think that their staff were sufficiently skilled. The NAO found that LEPs rely on their local authority partners for staff and expertise, and that private sector contributions have not yet materialised to the extent expected.
	In addition, there is a risk that projects being pursued will not necessarily optimise value for money. Pressure on LEPs to spend their Local Growth Fund allocation in year creates a risk that LEPs will not fund those projects that are most suited to long term economic development. Some LEPs reported that they have pursued some projects over others that, in their consideration, would represent better value for money. LEPs have also found it challenging to develop a long-term pipeline of projects that can easily take the place of those that are postponed.
	The Department has acted to promote standards of governance and transparency in LEPs, and all 39 LEPs had frameworks in place to ensure regularity, propriety and value for money by March 2015. The Department, however, had not tested the implementation of such assurance frameworks at the time that Growth Deals were finalised. The NAO found that there are considerable gaps in LEPs' compliance with the Department's requirements in this regard, and that the availability and transparency of financial information varied across LEPs.
	The NAO's full report can be found at:
	https://www.nao.org.uk/report/local-enterprise-partnerships/#

88

Technical update – CIPFA publications

Area	Comments
'More Medicine Needed' 89	The government's Five Year Forward View for the NHS, published in 2014 is, according to CIPFA's May 2016 report, already outdated as extra money for investment is used to plug short-term gaps. The report warns that the NHS could well overreach its budget by £10bn a year by 2020. Analysis suggests that the NHS will struggle to make £22bn planned efficiency savings by 2020. Furthermore, new pressures have arisen since the plans were set in 2014, and much of the £8bn additional funding announced last year is being used to make ends meet, instead of being invested in projects to save money in the future. The report warns that new charges or healthcare rationing will have to be introduced, unless taxes are raised to meet the annual £10bn shortfall, which is equivalent to £571 for every working household. CIPFA has called for an independent commission to establish a 'golden ratio' of GDP spend on healthcare. UK spending on health is expected to be 7% of GDP by 2020, well below other countries such as France or Germany (11%), let alone the US (18%). CIPFA states that the NHS faces a shortfall of £2.45bn this year and that's likely to grow to £10bn by 2020. The shortfall is due to a combination of insufficient financial support, increased pressures from new commitments and a growing and aging population, and unrealistic saving targets. The government estimated that the pressures on health will likely cost £30bn by 2020, which it intends to address with £22bn efficiency savings and £8bn additional funding in the Spending Review 2015. CIPFA's analysis suggests that the cost of increasing demand will in fact be in the range of £30bn–£40bn, with savings only being in the range of £16bn–£22bn and much of the additional funding has already been used. The 2020 overspend is therefore expected to be in the range of £5bn–£16bn with a most likely scenario of £10bn. CIPFA's report is available through: http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/%C2%A310bn-black-hole-likely-by-2020,-as-nhs-retreats-to-quick-fixes

Document Classification: KPMG Confidential

Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Issued April 2015
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016 (for April 2016 Audit and Risk Committee)	To April 16 Audit and Risk Cttee
Interim			
Interim progress report and liaison	Update on any control and process issues. Liaison with managers to Identify improvements required prior to the issue of the draft financial statements and the year-end audit.	April 2016 and onwards	Updated through April Audit and Risk Committee Progress Report Other discussions ongoing
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC

KPMG

kpmg.com/socialmedia   **kpmg.com/app**

Download on the **App Store**

This page is intentionally left blank