



## **Rutland County Council**

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DX28340 Oakham

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Catmose on **Tuesday, 24th April, 2018** 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/my-council/have-your-say/](http://www.rutland.gov.uk/my-council/have-your-say/)

### **A G E N D A**

#### **APOLOGIES FOR ABSENCE**

##### **1) MINUTES**

To confirm the minutes of the Audit and Risk Committee held on 30 January 2018.

##### **2) MATTERS ARISING**

##### **3) DECLARATIONS OF INTEREST**

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

##### **4) PETITIONS, DEPUTATIONS AND QUESTIONS**

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

The total time allowed for this item shall be 30 minutes. Petitions, declarations and questions shall be dealt with in the order in which they are received. Questions may also be submitted at short notice by giving a written copy to the Committee Administrator 15 minutes before the start of the meeting. The total time allowed for questions at short notice is 15 minutes out of the total time of 30 minutes. Any petitions, deputations and questions that have been submitted with prior formal notice will take precedence over questions submitted at short notice. Any questions that are not considered within the time limit shall receive a written response after the meeting and be the subject of a report to the next meeting.

**5) QUESTIONS FROM MEMBERS**

To consider any questions received from Members of the Council in accordance with the provisions of Procedure Rule 95.

**6) NOTICES OF MOTION**

To consider any Notices of Motion from Members submitted under Procedure Rule 97.

**7) EXTERNAL AUDIT UPDATE**

To receive Report No. 77/2018 from the Director for Resources.  
(Pages 5 - 16)

**8) INTERNAL AUDIT UPDATE**

To receive Report No.74/2018 from the Head of Internal Audit.  
(Pages 17 - 44)

**9) INTERNAL AUDIT PLAN 2018/19**

To receive Report No. 75/2018 from the Head of Internal Audit.  
(Pages 45 - 74)

**10) HIGHWAYS MAINTENANCE CONTRACT: INTERNAL AUDIT REPORT**

To receive Report No 76/2018 from the Director for Places.  
(*Report to follow*)

**11) ANNUAL GOVERNANCE STATEMENT**

To receive Report No. 72/2018 from the Director for Resources.  
(Pages 75 - 102)

**12) REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE**

To receive a verbal update from the Director for Resources.

**13) ANY OTHER URGENT BUSINESS**

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

person presiding.

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**DISTRIBUTION**

**MEMBERS OF THE AUDIT AND RISK COMMITTEE:**

Miss G Waller (Chairman)

Mr J Lammie (Vice-Chair)

Miss R Burkitt

Mrs J Fox

Mr A Lowe

Mr G Conde

Mr I Arnold

**OTHER MEMBERS FOR INFORMATION**

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## **AUDIT AND RISK COMMITTEE**

**24 April 2018**

### **EXTERNAL AUDIT UPDATE**

#### **Report of the Director for Resources**

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley, Leader of the Council	
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 progress report from the external auditors, KPMG LLP.

### **1 PURPOSE OF THE REPORT**

- 1.1 To update the Committee on the progress in respect of the external audit for 2017/18.

### **2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 The report from the external auditors in Appendix 1 gives an update on their audit work for 2017/18. Key points to note are:
- Interim work has been completed and there are no significant issues to note;
  - The final accounts audit will take place in June;
  - The auditors will be forming their value for money opinion for 17/18. This will include consideration, as is normally the case, of the Council's medium term financial position.
- 2.2 KPMG LLP will present the report and be available to ask questions at the meeting.

### **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 of the Statement of Accounts.

### **7 EQUALITY IMPACT ASSESSMENT**

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

### **8 COMMUNITY SAFETY IMPLICATIONS**

8.1 There are no community safety implications.

### **9 HEALTH AND WELLBEING IMPLICATIONS**

9.1 There are no health and wellbeing implications.

### **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

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

### **11 BACKGROUND PAPERS**

11.1 There are no additional background papers to the report.

### **12 APPENDICES**

Appendix 1 – External Audit Progress report 2017/18

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



# External Audit: Progress Report and Technical Update

**Rutland County Council**

Audit Committee – March 2018

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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 communications and other publications on the main technical issues which are currently having an impact in local government.

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

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

# External audit progress report – March 2018

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

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

Commentary	
<b>2017/18 Audit</b>	<p>We presented the 2017/18 audit plan for the external audit of the Authority to the January 2018 Audit and Risk Committee. We have continued to liaise with management on the significant financial and operational issues at the Council.</p> <p>The interim audit was carried out in February/March 2018. The work included:</p> <ul style="list-style-type: none"> <li>• Updating our risk assessments, including those covering accounting estimates, fraud, IT, service organisations and other aspects of the general control environment.</li> <li>• Understanding the processes (systems) for the identified Significant Accounts, and testing the operation of the controls within those processes.</li> <li>• Testing the journals and financial reporting controls.</li> <li>• Reviewing the arrangements which are relevant to the VFM conclusion.</li> </ul> <p>There are no matters of concern arising from this work that we need to report to the Committee at this stage. Our work over the coming quarter will include:</p> <ul style="list-style-type: none"> <li>• ongoing liaison with finance staff and Internal Audit 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;</li> <li>• Confirming the working paper requirements for the final accounts audit, and discussing the recently issued 'Prepared by Client' schedule;</li> <li>• starting our final accounts audits. The audit is planned to start 18 June 2018; and</li> <li>• revisiting our VFM conclusion risk assessment and forming our VFM conclusion for 2017/18.</li> </ul> <p>The results of our audit will be reported to the July 2018 Audit and Risk Committee.</p>
<b>Technical Update</b>	<p>At Appendix 1 we have provided a technical update on a small number relevant reports and publications by the National Audit Office, CIPFA and other bodies which have been issued in recent months.</p>

# Appendix 1 - Technical update - NAO publications

Area	Comments
<p>Financial sustainability of local authorities in 2018</p> <p>10</p>	<p>This report reviews developments in the sector and examines whether The Ministry of Housing, Communities &amp; Local Government (the Department) along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities. NAO reported on the financial sustainability of local authorities in 2013 and 2014. This report updates and builds on that work and draws out the following main conclusions for the Department and Wider Government:</p> <p><b>The Department</b></p> <p>The NAO concluded that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased:</p> <ul style="list-style-type: none"> <li>• Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.</li> <li>• The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.</li> <li>• The Department's performance had improved since the NAO's last study. However, conditions in the sector have worsened and the Department must continue to strengthen its oversight and assurance mechanisms to protect against risks to value for money from financial failure in the sector. It must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability.</li> </ul> <p><b>Wider government</b></p> <p>The NAO points out that the Department's capacity to secure the sector's financial sustainability in the context of limited resources is shaped by the priorities and agendas of other departments. The NAO concludes that the Department's improvements in understanding and oversight are necessary but not enough. Equally, because responsibility for services is dispersed across departments, each department has its own narrow view of performance within its own service responsibilities. There is no single central understanding of service delivery as a whole or of the interactions between service areas. The NAO points out that to date, the current spending review period has been characterised by one-off and short-term funding fixes. Where these fixes come with restrictions and conditions, this poses a risk of slowly centralising decision-making. This increasingly crisis-driven approach to managing local authority finances also risks value for money.</p> <p>NAO states that the current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained increases in demand for social care and of tightening resources. The implications for value for money to government from the resulting re-shaping of local government need to be considered alongside purely departmental interests. Departments need to build a consensus about the role and significance of local government as a whole in the context of the current funding climate, rather than engaging with authorities solely to deliver their individual service responsibilities.</p> <p>A copy of the report and other related publications can be found on the NAO website at <a href="https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/">https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/</a></p>

# Appendix 1 - Technical update - NAO publications

Area	Comments
<p><b>Converting Maintained Schools to Academies (February 2018)</b></p>	<p>NAO assessed the Department's approach and the extent of academy conversion; the robustness, cost and speed of the conversion process; and the availability of sponsors and multi-academy trusts to support schools to convert to academies. The report states that:</p> <ul style="list-style-type: none"> <li>by January 2018 the Department had converted nearly 7,000 maintained schools to academies, at an estimated cost of £745 million since 2010-11. Most of the academies had been performing well as maintained schools but it had taken longer than intended to convert a sizeable proportion of underperforming schools that it considers will benefit most from academy status. More recently the Department has started to be more rigorous in its scrutiny of applicants' financial sustainability and governance.</li> <li>Challenges are likely to increase in the future. The Department had not explicitly set out its current policy, but it was unclear how feasible it would be for it to continue to convert large numbers of schools. Most schools that are still maintained by local authorities are primary schools. These include small, sometimes remote, schools that tend to be less easy to integrate into multi-academy trusts.</li> <li>There is substantial variation across the country, in the relative proportions of maintained schools and academies and in the availability and capacity of sponsors to support schools most in need. This complicated position means that it is incumbent on the Department to clarify its policy and make sure that the school system is coherent with all of its parts working effectively together. This will be crucial to secure value for money and provide children with access to good end-to-end schooling</li> </ul> <p>A copy of the report can be found on the NAO website at <a href="https://www.nao.org.uk/report/converting-maintained-schools-to-academies/">https://www.nao.org.uk/report/converting-maintained-schools-to-academies/</a></p>
<p><b>The Adult Social Care Workforce in England (February 2018)</b></p>	<p>In this report the NAO concludes that Department of Health and Social Care is not doing enough to support a sustainable social care workforce.</p> <ul style="list-style-type: none"> <li>There is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. Demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. The Department estimates that the workforce will need to grow by 2.6% every year until 2035.</li> <li>The social care market is operating in challenging circumstances. Care providers struggle to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is to reduce further over the next two years. Uncertainty over funding is limiting local authorities' ability to plan spending on care. The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. Most local authorities are paying fees below the recommended minimum price for care, putting providers in financial difficulties. There is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.</li> <li>The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. The NAO found no evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care.</li> </ul> <p>The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.</p> <p>A copy of the report can be found on the NAO website at <a href="https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/">https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/</a></p>

# Appendix 1 - Technical update - NAO publications

Area	Comments
Sustainability and transformation in the NHS  and  Reducing Emergency Admissions	<p><b>Sustainability and transformation in the NHS (January 2018)</b></p> <p>The NAO found that additional funding (the £1.8 billion Sustainability and Transformation Fund in 2016-17) aimed at help the NHS get on a financially sustainable footing (with significantly less funding growth planned from 2017-18 onwards) has instead been spent on coping with existing pressures. The Fund has helped the NHS improve its financial position from a £1,848 million deficit in 2015-16 to a £111 million surplus in 2016-17. The NHS was struggling though to manage increased activity and demand within its budget and has not met NHS access targets.</p> <ul style="list-style-type: none"> <li>• measures taken to rebalance its finances have restricted money available for longer-term transformation, which is essential for the NHS to meet demand, drive efficiencies and improve the service. The NHS transferred £1.2 billion of its £5.8 billion budget for capital projects to fund the day-to-day activities of NHS bodies.</li> <li>• Many trusts are receiving large levels of in-year cash injections, most of which are loans from the Department, which have worsened rather than improved their financial performance. Extra cash support increased from £2.4 billion in 2015-16 to £3.1 billion in 2016-17.</li> <li>• CCGs and trusts are reliant on one-off measures, rather than recurrent savings that are realised each year. Between 2014-15 and 2016-17 the percentage of savings that were non-recurrent increased from 14% to 17% for commissioners, and from 14% to 22% for trusts. This poses a significant risk to the financial sustainability of the NHS in the future.</li> </ul> <p>The NAO concluded that progress had been made in setting up 44 new partnership arrangements across health and local government, for a more strategic approach to meeting the demand for health services within the resources available. Partnerships' effectiveness varies and their tight financial positions make it difficult for them to shift focus from short-term day-to-day pressures to delivering transformation of services.</p> <p>NAO made a number of recommendations to the Department, NHS England and NHS Improvement, which includes moving further and faster towards aligning nationwide incentives, regulation and processes, as well as reassessing how best to allocate the sustainability and transformation funding.</p> <p><b>Reducing Emergency Admissions (March 2018)</b></p> <p>This report examines progress that the Department, NHS England, NHS Improvement and other stakeholders are making in reducing the impact of emergency admissions on acute hospitals. The report looks at action across acute, primary, community and social care systems rather than focusing on A&amp;E departments alone. It builds on the NAO's 2013 report on <i>Emergency admissions to hospital: managing the demand</i> and our 2016 report on <i>Discharging older patients from hospital</i>, which also examined the pressures on the whole health and social care system.</p> <p>The NAO concluded that the impact on hospitals of rising emergency admissions poses a serious challenge to both the service and financial position of the NHS. Over the last four years, the NHS has done well to reduce this impact despite admitting more people as emergency admissions, largely by reducing length of stay and growing daycase treatment. However, it cannot know if its approach is achieving enduring results until it understands whether reported increases in readmissions are a sign that some people admitted as an emergency are being discharged too soon. The NHS also still has too many avoidable admissions and too much unexplained variation. A lot of effort is being made and progress can be seen in some areas, but the challenge of managing emergency admissions is far from being under control.</p> <p>Copies of the reports can be found at <a href="https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/">https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/</a> and <a href="https://www.nao.org.uk/report/reducing-emergency-admissions/">https://www.nao.org.uk/report/reducing-emergency-admissions/</a></p>

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# Appendix 1 - Technical update - NAO publications

Area	Comments
Round-up for Audit Committees	<p>This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. It is published each autumn and spring, covering NAO publications over the previous six months.</p> <p>The March 2018 edition can be found at the following link:</p> <p><a href="https://www.nao.org.uk/report/round-up-for-audit-committees/">https://www.nao.org.uk/report/round-up-for-audit-committees/</a></p> <p>The publication includes useful articles on:</p> <ul style="list-style-type: none"><li>• Cyber Security</li><li>• Managing Conflicts of Interest</li><li>• Contract and Programme Management, including insights and examples from NAO work relating to: managing contracted-out service delivery; commercial capability; and managing markets.</li></ul>

# Appendix 1 - Technical update - CIPFA publications

Area	Comments
<p>CIPFA Statement on Northamptonshire County Council being the subject of a Section 114 Notice and Best Value Inspector's Report</p> <p>14</p>	<p>In February 2018 the Council's S151 officer issued a 'section 114 notice' (under the Local Government Finance Act 1988) banning all new expenditure at Northamptonshire County Council, with the exception of statutory services for protecting vulnerable people. Further to this an advisory notice (under Section 29 of the Audit and Accountability Act 2014) was issued to the Council by its external auditor which highlighted concerns about the authority's proposed budget and what they claim was an over-reliance on the use of capital receipts.</p> <p>CIPFA's statement says that the news that Northamptonshire County Council is the subject of a Section 114 Notice is not surprising for three reasons.</p> <p><i>First, the local government sector is under enormous strain following significant resource reductions since 2010. CIPFA has advised both the Ministry of Housing, Communities and Local Government (MHCLG) and the LGA that we are likely to see other councils reach this point in the two to three years if the government does not provide a more sustainable framework for local government finances.</i></p> <p><i>Secondly, in the specific case of Northamptonshire, it is a council that has traditionally received tight resources and has generally been a low-cost authority. An adverse OFSTED report placed the corporate position under strain. At the same time the number of elderly people has risen, creating budget pressures.</i></p> <p><i>Thirdly, the county's transformation programme, though innovative, has not yielded sufficient savings and the council depleted its reserves in an unwise manner without alternative compensatory savings of the order needed. However, we have seen other councils suffering the same general and specific strains manage their budgets more effectively. With Northampton, it appears to have now deteriorated too far for the council to be able to manage its finances and government intervention is likely to be needed to set a path for the future.</i></p> <p>CIPFA's statement can be found at the following link:</p> <p><a href="http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk">http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk</a></p> <p>In 2016 CIPFA issued a helpful briefing which looks at what it means to have a balanced budget, what factors have a negative impact on the finances, the impact of a spending freeze and what happens if a Section 114 notice is implemented. The briefing can be found at:</p> <p><a href="http://www.cipfa.org/policy-and-guidance/reports/balancing-local-authority-budgets-and-section-114-notices">http://www.cipfa.org/policy-and-guidance/reports/balancing-local-authority-budgets-and-section-114-notices</a></p> <p>On 15 March 2018 the Independent Inspector appointed by the Secretary of State published his Best Value Inspection report. The Inspection team concluded that the Council had failed to comply with its duty under the Local Government Act 1999 (as amended) to provide best value in the delivery of its services. The Inspection team believe that a new start is required for the residents of Northamptonshire and that this could best be achieved by the creation of two new Unitary Councils (to be established following elections to be held in May 2020). The Inspection team concluded that in the meantime the Secretary of State should consider whether Commissioners should take over the running of the Council.</p> <p>The Inspection report can be found at the following link:</p> <p><a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/690571/Best_Value_Inspection_NCC.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/690571/Best_Value_Inspection_NCC.pdf</a></p>

# Appendix 1 - Technical update – CIPFA and MHCLG publications

Area	Comments
<div>15</div> <p><b>CIPFA Bulletin 01 Closure of the 2017/18 Financial Statements</b></p>	<p>This bulletin covers the closure of accounts for the 2017/18 year and provides further guidance and clarification to complement the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2017/18 Code Guidance Notes.</p> <p>The Bulletin covers:</p> <ul style="list-style-type: none"> <li>• Changes to the 2017/18 accounts closure timetable</li> <li>• Guidance relating to: <ul style="list-style-type: none"> <li>• Accounting for the Apprenticeship Levy</li> <li>• Accounting standards that have been issued but have not yet been adopted</li> <li>• The item 8 debit/credit determination (housing authorities only)</li> <li>• 'Going Concern' basis of accounts</li> <li>• Other changes introduced by the 2017/18 Code</li> </ul> </li> </ul> <p>The Bulletin also provides a briefing on the anticipated changes to the 2018/19 Code and future years' Codes.</p> <p><a href="http://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-01-closure-201718">http://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-01-closure-201718</a></p>
<p><b>Publication of Statutory Guidance for Local Authority Investments and the Minimum Revenue Provision</b></p>	<p>The Ministry of Housing, Communities and Local Government (MHCLG) published in February 2018 its summary of responses to the November 2017 consultation, alongside the updated Codes. The MRP guidance applies for accounting periods starting on or after 1 April 2019, with the exception of paragraphs 27-29 of this guidance "Changing methods for calculating MRP", which apply from accounting periods starting on or after 1 April 2018. The Investment guidance applies from accounting periods starting on or after 1 April 2018. None of the changes introduced by the new guidance are expected to have a significant impact on the Council.</p> <p>The new guidance can be found at the following link:</p> <p><a href="https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance">https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance</a></p>



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## AUDIT AND RISK COMMITTEE

24<sup>th</sup> April 2018

### INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Mr G Brown, Portfolio Holder for Regulatory Services, Waste Management, Property Services, Culture & Leisure, Finance including Revenues and Benefits and Internal Audit	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 <u><a href="mailto:rashley-caunt@rutland.gcsx.gov.uk">rashley-caunt@rutland.gcsx.gov.uk</a></u>	
Ward Councillors	N/A		

#### DECISION RECOMMENDATIONS

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

## 1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2017/18 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### Update on Delivery of Internal Audit Plan

- 2.1 The progress made to date in delivering the 2017/18 audit plan is set out in Appendix A. At the time of reporting, 19 audit assignments have been completed, three reports are in draft awaiting management comment and work is underway on the two remaining assignments.
- 2.2 A copy of the Safer Recruitment in Schools audit report is provided at Appendix F for information, as agreed with the Chair of the Committee.

## **Implementation of Recommendations**

- 2.3 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.4 Since the last Committee meeting, seven recommendations have been implemented.
- 2.5 At the date of reporting, there are 24 actions which are overdue for implementation. Of these, 20 actions were due for implementation over three months ago, three of which were categorised as 'Essential' or 'High' and eight as 'Medium' Priority.

## **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. All internal audit work has been delivered in budget.

## **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: Customer Satisfaction Statistics
- 12.5 Appendix E: Limitations and responsibilities
- 12.6 Appendix F: Internal Audit report – Safer Recruitment in Schools 2017/18

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

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**RUTLAND COUNTY COUNCIL**

**INTERNAL AUDIT UPDATE**

**24<sup>th</sup> APRIL 2018**

## ***Introduction***

- 1.1 LGSS provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2017/18 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 Internal Audit service, which it requires to engage in effective scrutiny.

## ***Performance***

### **2.1 Will the Internal Audit Plan for 2017/18 be delivered?**

LGSS is set the objective of delivering at least 90% of the Internal Audit plan to draft report stage by the end of March 2018.

At the date of writing, 19 audit assignments have been finalised, three reports are at draft report stage and work is underway or complete on both remaining assignments. As such, at this time 92% of the Plan is complete to at least draft report stage and 100% of the plan will be delivered.

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

Internal Audit is on target to deliver the Audit Plan within the 370 days budget. Any overruns on individual assignments are managed within the overall budget.

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

The most recent information available (week 51) shows that the Internal Audit team are spending 94% of time on chargeable activities against a target of 90%.

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

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, 12 questionnaires had been returned with average scores of 'Good' or 'Outstanding'. See Appendix D for further details.

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

Since the last Committee meeting, seven audits (Creditors, Debtors, Main Accounting System, Local Taxation, Safer Recruitment in Schools, Follow up of Fostering and all annual grant claims) have been finalised. The status of each assignment is provided in Table 1. All reports are available to Members via the Intranet.

### **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, seven actions arising from audit reports have been implemented.

At the date of reporting, there are 24 actions which are overdue for implementation. Of these, 20 actions were due for implementation over three months ago, three of which were categorised as 'High' priority and eight as 'Medium' priority. See Appendix B for further details. All actions which are over three months overdue and 'High' or 'Medium' priority are detailed in Appendix C. It should be noted that all three of the 'High' priority overdue actions and some 'Medium' priority actions relate to actions from the Data Management audit – given the new GDPR (General Data Protection Regulations) legislation which will be introduced in May 2018 it is reasonable that these will now be addressed as part of the GDPR project, to ensure the solutions implemented are 'future proof'. Progress has also been reported on all other overdue actions and Internal Audit will continue to monitor progress – a full update will be included in the Annual Internal Audit Report.

**Table 1: Progressing the annual audit plan**

**KEY**

Current status of assignments is shown by



24

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Key Corporate Controls and Policies												
Creditors	14	11.7						●	Good	Good	Minor	
Debtors	14	14.8						●	Substantial	Substantial	Minor	
Payroll	15	8.7					●					
Main Accounting	12	9.3						●	Substantial	Good	Minor	
Local Taxation	15	16						●	Substantial	Substantial	Minor	
Benefits	15	15.3						●	Substantial	Good	Minor	
Contract Procedure Rules Compliance	10	9.2					●					
Business Continuity Management and Emergency Plan	15	14.8						●	Good	Good	Minor	
Treasury Management	10	13.5						●	Substantial	Good	Minor	
Corporate Governance and Counter Fraud												
Cyber Security	12	1.6			●							
Risk Management	10	10.7						●	Substantial	Satisfactory	Minor	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Fraud Risk Register	15	5.3				<div></div>						
Council Tax Fraud and NDR Fraud	15	23.60						<div></div>	Substantial	Good	Minor	
Corporate Objective: Sustainable growth												
Waste Contract	18	18.1						<div></div>	Satisfactory	Satisfactory	Minor	
Affordable Housing – Monitoring	15	7.9						<div></div>	N/A			
Corporate Objective: Safeguarding												
Safeguarding Children	15	15.5					<div></div>					
Safer Recruitment in Schools	15	12.2						<div></div>	Satisfactory	Satisfactory	Moderate	
Deputyships and Court of Protection	12	15.3						<div></div>	Substantial	Good	Minor	
Direct Payments	15	11.9						<div></div>	Good	Substantial	Minor	
Corporate Objective: Sound financial and workforce planning												
Castle Restoration	12	12.9						<div></div>	Substantial	Substantial	Minor	
Corporate Objective: Reaching our potential												
SEN (Consultancy)	8	8						<div></div>	N/A			
Other Assurances												
Grant Claims	7	7.2						<div></div>	N/A			
Limited Assurance Reports – Follow up	10	4.2						<div></div>	N/A			




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Social Media Review	-	5						●	N/A			
Client Support (Committee support, training, client liaison, advice/assistance)	33	31.2										
Contingency – highways support	5	10.2										
Special Investigations/Consultancy	n/a	10.3										
Consortium Management	33	14.5										
<b>TOTAL</b>	<b>370</b>	<b>338.9</b>										

## 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.




Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended and no, or only minor, errors have been detected.
<b>Good</b> ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
<b>Satisfactory</b> ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b> ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
<b>No</b> ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

## Organisational Impact

Level		Definition
<b>Major</b>		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b>		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b>		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

### Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority		Impact & Timescale
<b>Essential</b>		Action is imperative to ensure that the objectives for the area under review are met.
<b>Important</b>		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Standard</b>		Action recommended to enhance control or improve operational efficiency.

## Appendix B: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total		Directorate
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	
Actions due and <b>implemented</b> since last Committee meeting	1	25%	3	27%	3	19%	7	23%	Resources 100%
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	-	-	4	25%	4	13%	People 25% Resources 75%
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	3	75%	8	73%	9	56%	20	64%	Places 30% People 5% Resources 65%
Totals	4	100%	11	100%	16	100%	31	100%	

### 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
<b>High Priority</b>					
Data Management 2016-17	Resources	Records Management Policy - Accountabilities	The GDPR Project Board are updating the Retention Policy in line with new Regulations which come into force in May 2018. "Information Champions" have been selected from each department to deal with information governance issues within their area.	Director for Resources	31/05/2017
Data Management 2016-17	Resources	Data reviews	As above – to be reviewed under GDPR project.	Director for Resources	31/05/2017
Data Management 2016-17	Resources	Network folders - access	As above – to be reviewed under GDPR project.	Director for Resources	30/06/2017
<b>Medium Priority</b>					
Data Management 2016-17	Resources	Induction and awareness	This is an action for the GDPR Project Board and will be updated in line with the Regulations coming into force in May 2018.	Director for Resources	31/05/2017
Debtors 2016-17	Resources	Resolve the credit payments highlighted	Payment will not be made until CCG account is up to date.	Finance Manager	31/05/2017
Creditors 2016-17	Resources	Recover old outstanding credit balance	Working with service area to resolve.	Finance Manager	30/09/2017
CPR Compliance 2016-17	Resources	Management to ensure compliance with CPRs	Review of CPRs underway and compliance to being reviewed again in current audit.	Director for Resources	30/06/2017
Digital Broadband 2016-17	Places	Communications Plan	Dec 17 - In Progress - 'Temporary hold on PR & Comms press	Places Director	22/05/2017

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date
			releases until Phase 3 change process is completed'.		
Safeguarding Policies and Procedures and Compliance 2016-17	People	A standard approach for recording strategy discussions or meetings needs to be defined and communicated to all relevant officers	March 18 - In Progress - 'Option 1 has been completed and has gone live on the system. Option 2 has been considered and an "Action plan" grid will be added to the contact records to allow for evidence of actions taken at the contact stage. This is to be completed within the next month dependent on UAT issues resolving. '	Head of Adult Social Care	30/09/2017
Waste Contract 2017 - 18	Places	Obtain evidence of the required bond or parent company guarantee		Places Director	08/12/2017
Waste Contract 2017-18	Places	Finalise 2017/18 indexation adjustment		Places Director	08/12/2017

## ***Appendix D: Customer Satisfaction***

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The 12 responses received in the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	0	3	8	1	0
Communication during Assignments	1	5	6	0	0
Quality of Reporting	0	4	8	0	0
Quality of Recommendations	0	3	9	0	0
<b>Total</b>	<b>1</b>	<b>15</b>	<b>31</b>	<b>1</b>	<b>0</b>

## ***Appendix E: Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

Internal Audit undertakes 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 Internal Audit 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.

Internal Audit 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.



## **INTERNAL AUDIT REPORT**



### **SAFER RECRUITMENT IN SCHOOLS 2017/18**

<b>Issue Date:</b>	1 <sup>st</sup> March 2018	<b>Issued to:</b>	Gill Curtis – Head of Learning and Skills
<b>Author:</b>	Rachel Ashley-Caunt		Tim O’ Neill – Director for People
			Sav Della Rocca – Assistant Director (Finance) <i>(final copy only)</i>
			Helen Briggs – Chief Executive <i>(final copy only)</i>
			Cllr Wilby - Portfolio Holder for Lifelong Learning <i>(final copy only)</i>
			Cllr Foster – Portfolio Holder for Safeguarding Children and Young People <i>(final copy only)</i>
			Cllr Waller - Chair of Audit & Risk Committee <i>(final copy only)</i>

# SAFER RECRUITMENT IN SCHOOLS 2017/18

## EXECUTIVE SUMMARY

### 1. INTRODUCTION & OVERALL OPINION




Section 175 of the Education Act (2002) requires local education authorities and governing bodies of maintained schools and further education institutions to make arrangements to ensure that their functions are carried out with a view to safeguarding and promoting the welfare of children. In accordance with the School Staffing Regulations 2009, the school's governing body is responsible for recruitment of staff in schools and ensuring that those involved in recruitment have attended safer recruitment training. The audit was designed to provide assurance that the four Council maintained schools and federations adopt a consistent and rigorous approach to recruitment and selection with the aim of reducing the risk of appointing unsuitable people to positions of trust.

All schools must maintain a single central record. This is a key piece of documentation referred to in Keeping Children Safe in Education and it plays a crucial part in establishing and evidencing safe recruitment practice. Whilst all maintained Rutland schools hold a single central record of staff, areas for improvement were identified at the majority of schools to ensure this record is complete and fully consistent with regulatory requirements.

All schools had safer recruitment policies in place and all had recently either strengthened procedures or had improved induction processes in relation to safeguarding. Sample testing of new starters confirmed that in most cases there were stringent processes adhered to in order to ensure that no staff started work at the school until an enhanced DBS certificate had been seen and checked. From the sample tests, three incidences were identified (all at one school) where an individual had been appointed and started work before the DBS outcome was seen and without the minimum expected checks of a barring list check and risk assessment. It was noted that these appointments had all been made prior to April 2017 and that all subsequent appointments had been subject to the relevant checks in advance of start dates; and current staff were aware of the requirements.

A common area of weakness identified across all schools was in relation to right to work checks for which evidence retained did not satisfy legal requirements in 44% of cases tested. There was also a lack of awareness of, and compliance with, checks required on those who had lived overseas in the last five years.

During testing it was noted that there were a number of inconsistencies in approaches and templates across the maintained schools. All schools were keen to implement the recommendations made in the audits and there may be scope for greater support/guidance from the Council to share good practice and support the embedding of this good practice across the maintained school base.

Internal Audit Assurance Opinion			
Control Environment	Satisfactory 		
Compliance	Satisfactory 		
Organisational Impact	Moderate 		
Risk	Essential	Important	Standard
1 - Appointment of individuals who pose a safeguarding risk into positions of trust in schools.	0	2	1
2 - Reputational damage due to failure to comply with regulations, leading to poor inspection outcomes.			
3 - Unsuitable individuals gain access to school premises (specifically visitors and agency staff) who pose a safeguarding risk.			
Total Number of Recommendations	0	2	1

## ***Appendix F: Safer Recruitment in Schools report***

### **2. SUMMARY OF FINDINGS**

#### **Overview of assurance opinions**

Each maintained school received an audit report at the completion of the review and was required to provide evidence that this had been presented to, and agreed by Governors. The reports included findings against all key controls and highlighted any areas for improvement. The schools received two assurance opinions – firstly in relation to Safer Recruitment and secondly in relation to general recruitment, including some payroll controls.

The schools have been anonymised for the purposes of this report but the overall assurance opinions are summarised in table 1 and full reports were shared with the Head of Learning and Skills.

The audit opinions for all schools were adversely affected by the lack of verified right to work in the UK evidence held on file. In two schools, evidence was identified that either a DBS check had not been completed before the start date for an employee (all of which were prior to April 2017) or a DBS certificate from another organisation had been relied upon – these gave rise to Limited Assurance opinions in these areas.

Table 1: Assurance opinions

<b>School</b>	<b>Safer Recruitment opinion</b>	<b>General recruitment/payroll opinion</b>
<b>1</b>	Limited Assurance	Limited Assurance
<b>2</b>	Limited Assurance	Satisfactory Assurance
<b>3</b>	Satisfactory Assurance	Good Assurance
<b>4</b>	Satisfactory Assurance	Satisfactory Assurance

#### **Risk 1: Appointment of individuals who pose a safeguarding risk into positions of trust in schools.**

Of the four schools visited, all had a safer recruitment policy or safer recruitment content in their recruitment and selection policies. There was an awareness across the schools of the need to follow safer recruitment practices and of the four head teachers, all advised that they had attended safer recruitment training. Evidence of attendance at the training had not, however, been retained in all cases and recommendations were made accordingly.

It was highlighted, however, that at the majority of schools there were no governors who had attended safer recruitment training. If governors are to be involved in recruitment procedures it would be advisable for at least one governor to have attended such training and regular refresher sessions.

At each school, a sample of new starters and a sample of existing staff was selected for testing. The tests included the following key controls:

#### **New Starters**

## Appendix F: Safer Recruitment in Schools report

Key control	% compliance	Comments
DBS certificate number recorded and seen before start date	80%	<p>Of the sample of new starters, 20% had commenced employment before an enhanced DBS certificate had been seen.</p> <p>In only one of the above cases identified had a risk assessment been completed for the new starter without DBS certification and in this one case it had not been completed before the start date. The barred list clearance of these new starters also had not been received before the start date – this should be the absolute minimum requirement, with additional assessment. All of these cases were identified at the same school and all were prior to April 2017. All subsequent appointments by this school had been compliant with the expected checks before employee start dates.</p> <p>It was also noted that at all five of the schools copies of DBS certificates were found on personnel files. These must not be retained under the Data Protection Act and DBS Code of Practice.</p>
Barring List check (in advance of receiving full DBS)	100%	All new starters had been subject to barring list checks – however, as noted above, 20% had not been received before the start date.
Declaration of convictions signed and held on file	33%	Consistent weakness at all schools, see further details below.
Disqualification by Association form completed and on file	71%	Some schools have been completing these on a regular basis for all staff. It was noted that some schools had failed to request completion by new starters.
Prohibition from teaching check completed and evidenced (where applicable)	100%	All new teachers had been subject to prohibition from teaching checks.
Right to work in the UK evidence held	80%	However - not all evidence had been consistently signed/dated as evidence of checks and confirmation of originals. Where this was not applied, recommendations have been made.

## Appendix F: Safer Recruitment in Schools report

Key control	% compliance	Comments
Evidence of qualifications/Qualified Teacher Status held	69%	Evidence of QTS status was not held on file for all teachers – recommendations have been made where applicable and this was addressed as a priority.

In relation to the declaration of convictions, it appears that this gap in the control framework has emerged across all of the schools since the template application form provided by EPM was amended and no longer includes this element. The application form template now states that declaration of criminal convictions will be required at the shortlisting stage but schools did not appear to be aware of this change and, as such, no declarations have been completed for recent new starters.

The quality of evidence of the staff induction process was variable across the schools and it was noted that two of the schools had recently introduced new induction procedures which were very comprehensive and provided good coverage of safeguarding, whistleblowing and the Keeping Children Safe in Education guidance. Sharing of good practice between the schools would be beneficial particularly in this area.

### Existing staff

Key control	% compliance	Comments
DBS certificate number recorded	100%	As above – noted that all schools held copies on file contrary to data protection legislation.
Barring List check (in advance of receiving full DBS)	100%	
Disqualification by Association form completed and on file	88%	12% of staff had no declaration on Disqualification by Association on file – across two schools.
Prohibition from teaching check completed and evidenced (where applicable)	82%	From the sample tested, two eligible teachers at the same school did not have evidence of prohibition from teaching checks evidenced on file.
Right to work in the UK evidence held	29%	There was a general poor awareness of right to work legislative requirements – many accepting and retaining copies of a driving licence or small birth certificate as the only evidence.

All schools have been advised that they must not retain copies of DBS certificates on personnel files as this is not allowable under the DBS Code of Practice and has data protection implications.

## ***Appendix F: Safer Recruitment in Schools report***

### **Risk 2: Reputational damage due to failure to comply with regulations, leading to poor inspection outcomes.**

Ofsted inspection outcomes are now dependent on holding a comprehensive, fit for purpose Single Central Record which is suitably supported by personnel files. All of the maintained schools held a Single Central Record but the level of detail and standard achieved varied across the schools. A number of recommendations were made to the schools to improve on the format, content and detail within the records and it was emphasised to all schools that there should be no gaps in the records.

The majority of schools had included most of the mandatory fields but there were some key fields missing on certain records for which an urgent recommendation has been made for amendment and it was confirmed that these changes were made as a matter of priority.

To provide ongoing assurance over the Single Central Record, is it good practice for the Head teacher and a Governor to review the Record on a regular basis and report back to the Governing Body on the findings. This practice was not yet embedded at any of the schools but it had already been planned by some of the schools to introduce this as part of their safeguarding arrangements. This again emphasises the value of safer recruitment training for governors.

### **Risk 3: Unsuitable individuals gain access to school premises (specifically visitors and agency staff) who pose a safeguarding risk.**

All of the schools required visitors to sign in and out of the premises and had controls on the entrance door to reduce the risk of unauthorised access. Some recommendations were made to strengthen controls such as restricting access to visitor badges/lanyards to reduce the risk of unauthorised visitors having access to these. The newer school premises benefit from much tighter security controls installed in the build which segregate access to different areas of the school, limiting the risk of access to teaching areas. It should be noted that this was not a full audit of access controls/premises security and only the visitor procedures were reviewed.

Half of the schools visited had included contractors on their Single Central Record, in accordance with good practice. Some schools had failed to include contractors on their record, despite some contractors having regular contact with the children, such as catering staff. Where these had not been included, recommendations were made to ensure that the contractors with regular contact have been identified and that the source of assurance over their suitability to work with children has been recorded – this may be in the form of assurances from their employer that checks have been completed or may be checks the school has completed themselves and the type of assurance must be clearly stated.

At each school, a sample of governors was selected and evidence was requested of checks conducted. Whilst all schools had included school governors on their Single Central Record, only two schools had retained copies of evidence to support the checks i.e. copies of identification. In order to evidence the completion of the identity checks and that the DBS results relate to the correct person when visiting the premises – copies should be held securely either in electronic records or in a secure facility.

Of the schools visited, it was highlighted that one school had very clear guidance on visitors and included this in the staff induction procedures.

## ***Appendix F: Safer Recruitment in Schools report***

### **3. LIMITATIONS TO THE SCOPE OF THE AUDIT**

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.




### **4. ACTION PLAN**

Each school has agreed an Action Plan to address the findings arising from the audit testing. These have been agreed by Full Governing Bodies.

The following Action Plan provides a number of recommendations for the Council to address the findings identified by the audit work. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.

## Appendix F: Safer Recruitment in Schools report

### ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>A number of the Single Central Records seen on the audit visits were noted as:</p> <ul style="list-style-type: none"> <li>Containing gaps;</li> <li>Not including all mandatory fields; and</li> <li>Not including contractors.</li> </ul> <p>Each school had developed a different template and there was a lack of consistency in approach adopted to completing the registers.</p>	<p>The Council should issue basic guidance on the key 'golden rules' of a Single Central Record. This should address the issues identified by the audit testing.</p> <p>Ideally, a template/example format should be made available to schools to provide assurance that all requirements are being met consistently.</p>	Agreed	Important 	Head of Learning & Skills	<p>April 2018</p> <p>April 2018</p>
2	<p>None of the schools had evidence of a regular review of the Single Central Record by both a governor and the head teacher. Such reviews should provide a check that the register is complete, updated and fit for purpose.</p> <p>Following each check there should be a report to Governors on the findings.</p>	<p>This has been included in the action plan for individual schools to implement.</p> <p>From a Council perspective, the role of governors in exercising these checks should be emphasised in training sessions to ensure that they are aware of what they should be checking and how.</p>	Agreed.	Standard 	Head of Learning & Skills	May 2018
3	<p>The key findings around safer recruitment, as summarised within this report, indicate some lack of awareness and inconsistencies across the schools.</p> <p>Key issues include: minimum checks to be conducted on all new starters; right to work checks and evidence; checks on contractors/those with regular contact with children – including evidencing third party assurances; declaration of convictions in shortlisting stages; and induction processes.</p>	<p>The Council should continue to make use of education bulletins, LA and Head Teacher Partnership Meetings, governor training and relevant groups (Safeguarding through Education/Education Performance Board) as appropriate to raise awareness around the importance of these key controls and sharing of best practice in ensuring and evidencing safe recruitment in schools.</p>	<p>Agreed.</p> <p>Management will also be requiring updates from all of the schools on the implementation of their action plans.</p>	Important 	Head of Learning & Skills	This is ongoing commencing end spring term 2018 – to review September 2018

## Appendix F: Safer Recruitment in Schools report

### GLOSSARY

#### The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The tables below explain what the opinions mean.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
<b>Good</b> ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
<b>Satisfactory</b> ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b> ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
<b>No</b> ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level	Definition	
<b>Major</b> ●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.	
<b>Moderate</b> ●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.	
<b>Minor</b> ●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.	

#### Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale	
<b>Essential</b> ●	Action is imperative to ensure that the objectives for the area under review are met.	
<b>Important</b> ●	Requires actions to avoid exposure to significant risks in achieving objectives for the area.	
<b>Standard</b> ●	Action recommended to enhance control or improve operational efficiency.	

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## **AUDIT AND RISK COMMITTEE**

**24 April 2018**

## **INTERNAL AUDIT PLAN 2018/19**

### **Report of the Head of Internal Audit**

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Mr G Brown, Portfolio Holder for Regulatory Services, Waste Management, Property Services, Culture & Leisure, Finance including Revenues and Benefits and Internal Audit	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit		Telephone: 07824 537900 email: RAshley-Caunt@rutland.gov.uk
Ward Councillors	N/A		

### **DECISION RECOMMENDATIONS**

That the Committee:

1. review and approve the Internal Audit Plan for 2018/19 and the Internal Audit Charter.
2. give authority to the Assistant Director – Finance to make changes to the Audit Plan 2018/19 in consultation with the Chair of the Audit & Risk Committee.

## **1 PURPOSE OF THE REPORT**

- 1.1 To seek the Committee's approval of the Internal Audit Plan for 2018/19 and the Internal Audit Charter, in line with the Public Sector Internal Audit Standards.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

### Audit Plan 2018/19

- 2.1 The Internal Audit Plan sets out the assignments that will be delivered by the Internal Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and

developed with input from senior management and the Audit Committee.

- 2.2 LGSS provides the Internal Audit service for Rutland County Council and is commissioned to provide 370 days to deliver the Audit Plan.
- 2.3 Appendix A provides details on the process followed to develop the Internal Audit Plan for 2018/19 and a copy of the draft Plan is provided in Table 1.
- 2.4 At the January 2018 meeting, Members of the Audit and Risk Committee were invited to highlight any areas where assurance from Internal Audit is sought during 2018/19 for inclusion and prioritisation in the development of the Audit Plan. The areas raised by the Committee have been considered and risk assessed in the development of the Plan and assurances in the areas highlighted have been included in the Plan. The Plan will remain subject to ongoing review during the year and amendments to reflect any changes in the risk environment can be made accordingly.
- 2.5 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Head of Internal Audit throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Risk Committee meetings. Any such amendments could be subject to formal approval by the Assistant Director - Finance and the Chair of the Audit and Risk Committee and would be reported at the subsequent Audit and Risk Committee meeting.

#### Internal Audit Charter

- 2.6 The Public Sector Internal Audit Standards (PSIAS), define the internal audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional monitoring relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.
- 2.7 The Head of Internal Audit has undertaken an annual review of the Charter for the new financial year to confirm that this remains fit for purpose and compliant with good practice and the Public Sector Internal Audit Standards. No material changes have been made to the document or the audit approach following this review. Minor amendments have been made and are shown in tracked changes on pages 24 and 28 – these reflect a change to the recommendation classification from Essential, Important and Standard to High, Medium and Low respectively as these terms appear more meaningful to audit clients. The definition of Substantial Assurance for compliance has also been amended to reflect that in some incidences no errors may be found.

### **3 CONSULTATION**

- 3.1 No external consultation is required but, as noted above, senior management and the Audit and Risk Committee have been involved in developing audit proposals for 2018/19.

### **4 ALTERNATIVE OPTIONS**

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

### **5 FINANCIAL IMPLICATIONS**

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

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

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

### **7 EQUALITY IMPACT ASSESSMENT**

- 7.1 An Equality Impact Assessment (EqIA) has not been completed as there are no equality implications.

### **8 COMMUNITY SAFETY IMPLICATIONS**

- 8.1 There are no community safety implications.

### **9 HEALTH AND WELLBEING IMPLICATIONS**

- 9.1 There are no health and wellbeing implications.

### **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 10.1 The draft Internal Audit Plan for 2018/19 has been developed following a risk based approach, with input from Senior Management and the Audit and Risk Committee. The Plan is presented to the Audit and Risk Committee for final refinement and formal approval.
- 10.2 The Internal Audit Charter is presented to Members for annual review and approval, in accordance with the Public Sector Internal Audit Standards.

### **11 BACKGROUND PAPERS**

11.1 There are no additional background papers.

## **12 APPENDICES**

12.1 Appendix A: Internal Audit Plan 2018/19

12.2 Appendix B: Internal Audit Charter

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



**Internal Audit Plan**  
**2018 / 19**  
**RUTLAND COUNTY COUNCIL**



**Head of Internal Audit: Rachel Ashley-Caunt**

## **INTERNAL AUDIT PLAN 2018/19**

### **1. Introduction**

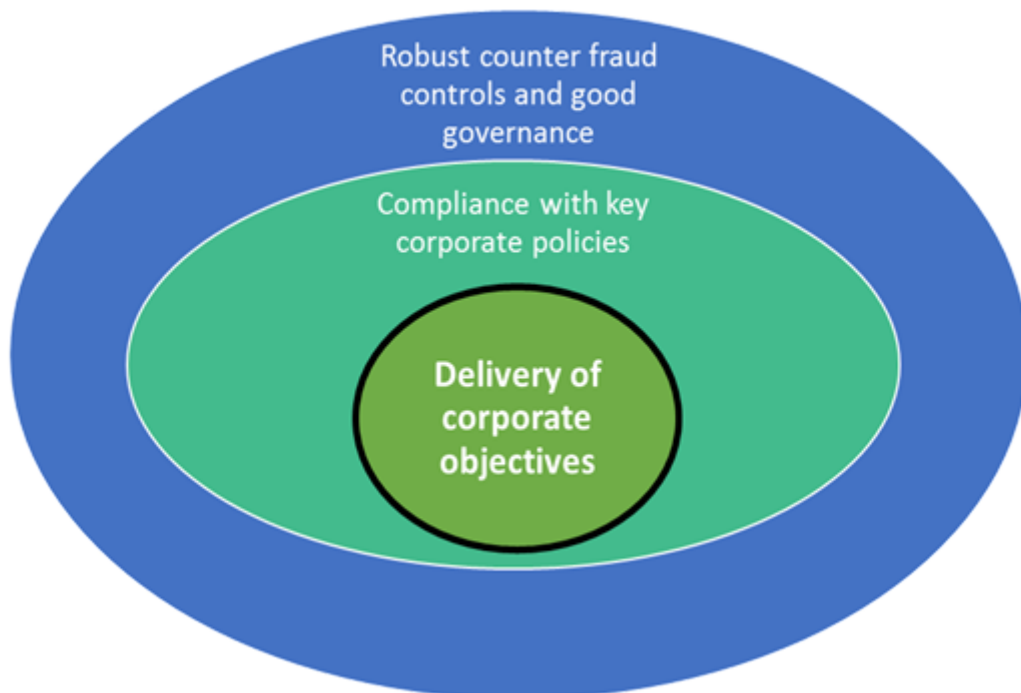
- 1.1 This report sets out the proposed work of Internal Audit at Rutland County Council for 2018/19 for review and approval by the Audit and Risk Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Rutland County Council commissions 370 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
  - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
  - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

### **2. The Audit Plan**

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

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

Exhibit 1. Assurance areas



## **Value for money**

- 2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.
- 2.7 The National Audit Office<sup>1</sup> refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2018/19, as applicable to the risk area:
- **Informed decision making**
    - Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
    - Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
    - Reliable and timely financial reporting that supports the delivery of strategic priorities; and
    - Managing risks effectively and maintaining a sound system of internal control.
  - **Sustainable resource deployment**
    - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
    - Managing and utilising assets effectively to support the delivery of strategic priorities; and
    - Planning, organising and developing the workforce effectively to deliver strategic priorities.
  - **Working with partners and other third parties**
    - Working with third parties effectively to deliver strategic priorities;
    - Commissioning services effectively to support the delivery of strategic priorities; and
    - Procuring supplies and services effectively to support the delivery of strategic priorities.
- 2.8 The proposed Audit Plan for 2018/19 will provide assurances over these key areas within the context of the assignments detailed.
- 2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of compliance with procurement rules will provide assurance over the effective procurement of supplies and services, including when working with third parties.

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

### **3. Planning Process**

- 2.10 In order to ensure that the Audit Plan for 2018/19 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:
- Reviewing the Council's Risk Registers and Corporate Plan;
  - Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
  - Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
  - Workshop session and paper to the Audit and Risk Committee in January 2018 to agree the audit planning process and consult Members on any areas where assurance is sought; and
  - Meeting with members of Senior Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.
- 2.11 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the councils across LGSS.
- 2.12 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2019/20. If the risk environment changes during 2018/19, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.
- 2.13 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit and Risk Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and Chair of the Audit and Risk Committee.

### **3 Resources**

- 3.1 The audit assignments for all of the LGSS clients are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the

resilience and stability of a shared service.

- 3.2 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 3.3 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2018/19

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
Corporate Governance and Counter Fraud	<b>General Data Protection Regulations (GDPR)</b> To provide assurance over the Council's compliance with the new data management regulations.	15	Q3	SR11
	<b>Fraud Risk Register</b> To provide assurance over the effective management of the Council's fraud risks, including the robustness of the Fraud Risk Register. The review will include selecting a sample of areas from the register and assessing whether controls noted are working as intended and appropriate actions are being taken.	15	Q3	Fraud risk register
Key Corporate Controls and Policies	<b>Key Financial Controls</b> <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Debtors</li> <li>• Payroll</li> <li>• Main Accounting</li> <li>• Local Taxation</li> <li>• Benefits – including review of risk based verification</li> </ul>	88	Q3 & 4	SR02  Fraud risk register
	<b>Contract Procedure Rule Compliance</b> To provide annual assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance and strengthening of controls following previous audit recommendations.	10	Q4	SR02
	<b>Procurement cards</b> To provide assurance over the controls in place to prevent inappropriate, unauthorised or fraudulent use of credit cards issued to staff and to review the controls operating to monitor expenditure and recover VAT.	8	Q3	Fraud risk register
	<b>Debt Recovery (Consultancy)</b> To review the new approaches being adopted in recovery of revenues debts to reduce use of bailiffs and provide assurance over effectiveness of the new processes. This may include benchmarking against other comparator authorities.	7	Q1	SR02

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
Corporate Objective: Sustainable growth	<b>Highways Winter Maintenance</b> To provide assurance over the Council's compliance with the Code of Practice for Well Maintained Highways.	15	Q1	PL19
	<b>Green Waste Charging</b> To review the introduction of green waste charging and controls operating over the processing of payments. This is a new area and early audit review would be of value.	10	Q2	Management request
	<b>Use of specialist resources in Planning services (Consultancy)</b> To review the effective use of specialist skills and expertise within the Planning service, such as conservation. To include comparison with approaches adopted at other local authorities to maximise value for money and efficient use of resources.	10	Q1	SR07 Committee request
Corporate Objective: Safeguarding, health and wellbeing	<b>External Placements</b> To re-visit the commissioning and contract management of external placements in People services, following a limited assurance Internal Audit report in 2015/16.	15	Q4	SR05 & SR02
	<b>Public Health Contract Management</b> To provide assurance over the management of public health contracts where Leicestershire County Council (LCC) is the lead commissioner. Assurance is sought that LCC is managing the contracts effectively on the Council's behalf.	15	Q3	P01
	<b>Safeguarding in Schools</b> To provide assurance over safeguarding arrangements in maintained schools, including follow up on safer recruitment recommendations from 2017/18 and safeguarding policy compliance.	14	Q2	SR04
	<b>Community Safety</b> To provide assurance over compliance with regulations on use of CCTV and management of the Council's Community Safety services – including joint working, initiatives and management information.	14	Q1	SR10
	<b>Playground inspections</b> To provide assurance over regulatory compliance and compare frequency of inspections with those at comparable authorities to identify best practice.	10	Q1	SR10
Corporate Objective: Sound financial and workforce planning	<b>Key supplier failure</b> To provide assurance that the Council has taken proportionate steps to manage the risk of key supplier failure. To focus on high risk contracts and controls in place to support these.	12	Q2	SR03
	<b>Delegated services</b> To provide assurance over the governance for provision of these services (specifically public protection services, legal services and out of hours service) and to select a sample of public protection services (such as food hygiene, licensing) to review compliance in further depth.	17	Q2	SR02

<b>Assurance Areas</b>	<b>Internal Audit Assignments (including assurances sought and basis for inclusion)</b>	<b>Audit days</b>	<b>Initial timing</b>	<b>Corporate Risk ref</b>
	<b>Financial risks in social care</b> To provide assurance over the management of financial risks in relation to social care services and what the Council is doing to pro-actively manage these risks. This may include some comparisons with techniques adopted at other local authorities, for example, to make best use of data held.	12	Q2	SR02
<b>Corporate Objective: Reaching our potential</b>	<b>King Centre</b> To provide assurance over the controls in place, and ensure lessons learnt from the OEP audit in relation to tenancy applications and lease agreements have been suitably acted upon.	12	Q2	Committee request
<b>Other assurances</b>	<b>Grant Claim Verifications</b> Changing Lives, Highways Maintenance Block, Integrated Transport Block, Pothole Action Fund and National Productivity Investment Fund allocations.	5	As req'd	
<b>Support to Rutland County Council</b>	Including support and reporting to Audit and Risk Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	33		
<b>Management &amp; development of delegated Internal Audit service</b>	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	33		
<b>Total days</b>		370		

**Table 2: Reserve list 2018/19**

<b>Audit area</b>	<b>Reason for lower risk</b>	<b>Planned action if not covered in 2018/19</b>
<b>Homelessness</b>	No specific risks highlighted, but no coverage in recent years.	Include in 2019/20 audit planning process.
<b>IT Audit</b>	No specific risks highlighted and ongoing service development and plans.	Include in 2019/20 audit planning process. Assurance over PSN compliance to be sought.

## Appendix B. Internal Audit Charter



### INTERNAL AUDIT CHARTER AND STRATEGY

#### 1. INTRODUCTION & CONTEXT

- 1.1 Rutland County Council's Internal Audit service is delivered by LGSS.
- 1.2 As austerity continues, the context for local government and for the overall governance, risk and control environment within which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Council. Services have become increasingly sophisticated in their understanding of risk management and may accept greater levels of controlled risk in order to achieve their aims. This is accompanied by greater transparency and scrutiny of public expenditure and governance. This context will affect the overall governance, risk and control environment.
- 1.3 Internal Audit is required to maintain an Internal Audit Strategy and Charter. The core governance context for Internal Audit is summarised below:

The Accounts and Audit Regulations (2015) set out that:

A relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) prepare an annual governance statement

The Public Sector Internal Audit Standards (PSIAS) issued in April 2013 include the need for risk-based plans to be developed for internal audit and to receive input from management and the 'Board' (usually discharged by the Council's Audit and Risk Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS : 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS : 2450 – "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

1.4 The purpose of the audit strategy and charter is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that:

- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations;
- Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;
- Provides an independent Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
- Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
- Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
- Supports the S151 officer in maintaining prudent financial stewardship for the Council

1.5 The following definitions apply throughout the Strategy and Charter:

- The Audit and Risk Committee – acts as the PSIAS defined Council 'Board'
- The LGSS Chief Internal Auditor – is the PSIAS defined 'Chief Audit Executive'. In practice, a number of the key roles and responsibilities will be delegated to the LGSS Head of Internal Audit, unless otherwise stated.
- Rutland County Council's Senior Management Team (SMT) – is the PSIAS defined 'senior management' team
- Internal Audit – is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic,

disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include financial, performance, compliance, system security and due diligence.
- Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility - examples include counsel, advice, facilitation and training.

## **2. STRATEGY & VISION**

- 2.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed. The 'Mission' for Internal Audit is therefore:

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

- 2.2. Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

- 2.3. LGSS Internal Audit will provide a robust high quality audit service that delivers honest, evidenced assurance, by:

- Focusing on what is important

Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.

- Being flexible and responsive to the needs of the Council

The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.

- Being outward looking and forward focused

The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.

- Providing Assurance

There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.

- Balancing independent support and challenge

Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.

- Having impact

Delivering work which has buy-in and which leads to sustained change.

- Enjoying a positive relationship with and being welcomed by the 'top table'

Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

- Strengthening the governance of the Council

Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

2.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:

- Local Government / Public Sector
- The Council and its community
- Professional Audit and Corporate Governance standards

2.5 All staff within the audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

### 3. AUTHORITY

3.1 In accordance with PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan

will be agreed in consultation with relevant officers, the Audit Committee, and the senior management team.

- 3.2 Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit's remit extends across the entire control environment of the Council.
- 3.3 The Head of Internal Audit for the Council will formally report into the s151 officer who is responsible for maintaining an adequate and effective internal audit service, in accordance with Section 6 of the Accounts and Audit Regulations 2011.
- 3.4 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.
- 3.5 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Councils business held by contractors or partners.
- 3.6 All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.
- 3.7 The Audit Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of IA functions.
- 3.8 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.9 To provide for independence the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor/Head of Internal Audit who report to the Audit Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 3.10 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and Audit and Risk Committees at his/her discretion, including private meetings with the Chair of the Audit and Risk Committee.

#### **4. INDEPENDENCE & OBJECTIVITY**

- 4.1 Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 4.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances

and not be unduly influenced by their own interests or by others in forming judgments.

- 4.3 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.
- 4.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least 2 years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 4.5 The Chief Internal Auditor will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit service.

## **5. HOW THE SERVICE WILL BE DELIVERED**

### **5.1 Audit Planning**

5.1.1 The audit plan guides the work of the service during the year. The planning principles are:

- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
- Being flexible so that the plan evolves through the year in response to emerging risks and issues;
- Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and antifraud responsibilities; and

- Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice from management and sources.

5.1.2 Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.

5.1.3 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.

5.1.4 In order to deliver the Annual Audit Plan at the required quality and professionalism we strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

5.1.5 The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:

- Risk based system audit
- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Risk Management
- Fraud/investigation work
- Value for money audit
- Control self-assessment techniques
- Consultancy and advice

5.1.6 Internal Audit may procure external audit resource to enhance the service provision as necessary.

## 5.2 Internal Audit Annual Opinion

5.2.1 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual

Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

### 5.3 Conduct of work

#### 5.3.1 The principles of how we conduct our work are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from ex-employees and other stakeholders where appropriate;
- Ensuring that risks identified in planning are followed through into audit work;
- Ensuring that the right skills and right approaches are in place for individual assignments;
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate;
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work; and
- Having high standards of behaviour at all times.

### 5.4 Reporting

#### 5.4.1 The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness
- Reporting in a timely, brief, clear and professional manner
- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work
- Always seeking management's response to reports so that the final report includes a commitment to action

- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

5.4.2 A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless in the opinion of the Head of Internal Audit and Client lead a written report is unnecessary.

5.4.3 Each report will:

- Provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action
- provide management's explanations for any risks that will not be addressed
- Identify individuals responsible for implementing agreed actions

5.4.4 Senior Management shall ensure that agreed corrective actions are introduced.

5.4.5 All audits and follow ups receiving a weak or limited audit opinion will be highlighted to the senior management team, and the Audit Committee. Regular reports to the Audit Committee shall highlight each weak / limited report until controls have been restored to satisfactory levels at least.

5.4.6 To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex B):

- a) Assess and test the CONTROL ENVIRONMENT,
- b) Test COMPLIANCE with those control systems, and
- c) Assess the ORGANISATIONAL IMPACT of the area being audited.

## 5.5 Actions / Recommendations

5.5.1 Actions are categorised dependent on the risk as follows:

Importance	What this means
<b>High</b>	Action is imperative to ensure that the objectives for the area under review are met
<b>Medium</b>	Requires actions to avoid exposure to significant risks in achieving objectives for the
<b>Low</b>	Action recommended to enhance control or improve operational efficiency

## 5.6 Follow up

5.6.1 All High and Medium priority actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of promoting the action owner to proactively inform Internal Audit and provide evidence when an action has been fully implemented to inform the follow up process. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities.

## 5.7 Quality Assurance

5.7.1 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

5.7.2 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

5.7.3 An audit manual documenting methods of working;

- Supervision and review arrangements;
- Customer feedback arrangements;
- Quality Standards;

- Annual Internal review;
- Periodic external reviews;
- Performance measures, including:
  - Proportion of plan completed, including spread of areas covered
  - Proportion of agreed actions implemented
  - Proportion of Limited Assurance opinion reports that improve to at least satisfactory as at follow up
  - Productive/direct time as a % of total time
  - Customer satisfaction levels

5.7.4 The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

5.7.5 The Audit and Risk Committee, Senior Management Team and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with SMT, the Section 151 Officer and / or the Audit Committee.

5.7.6 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIMA) and being suitably experienced; and
- encouraging, and where appropriate acting on, Customer feedback.

## **6. AUDIT COMMITTEE OVERSIGHT**

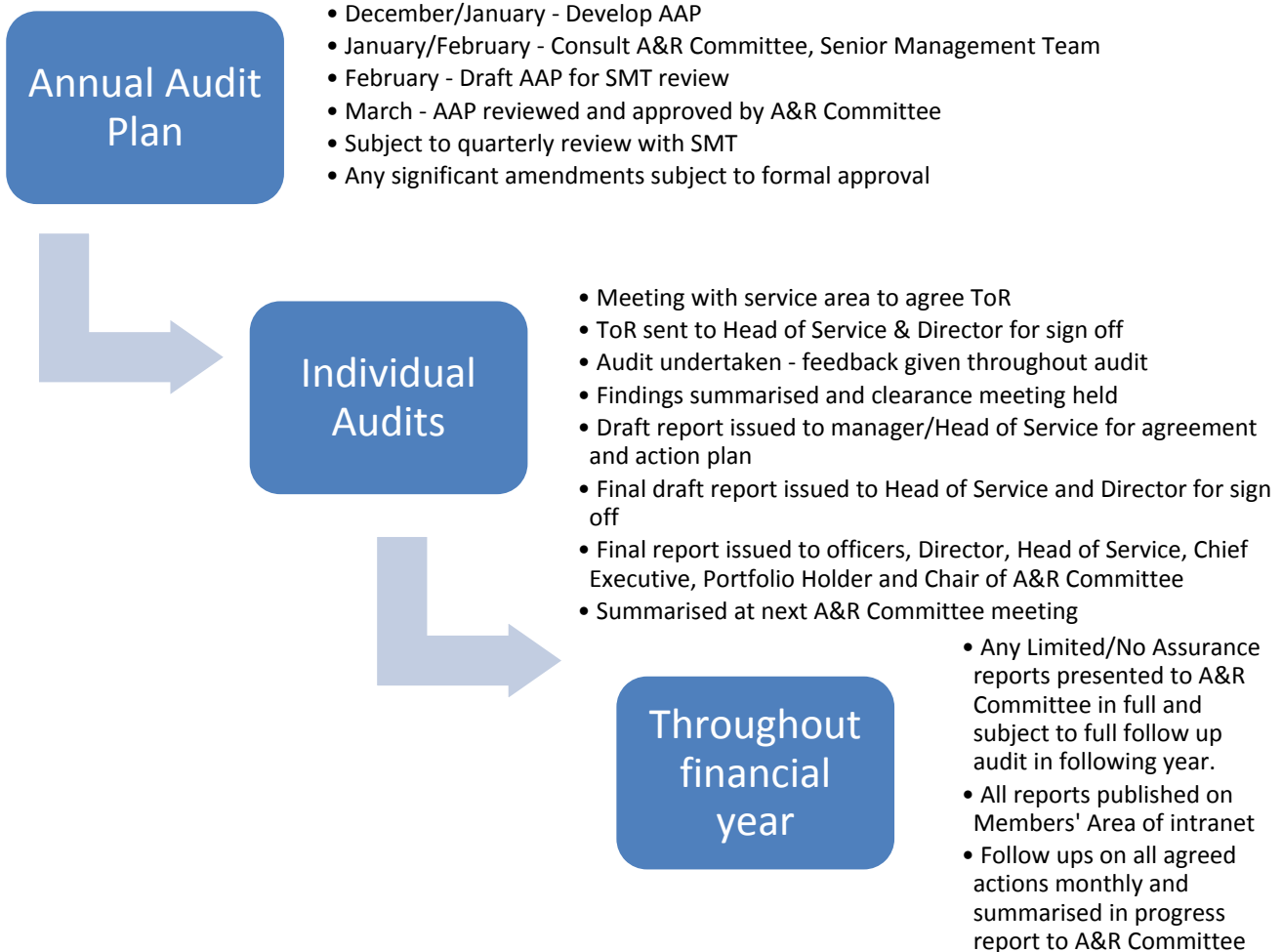
- 6.1 The Chief Internal Auditor/Head of Internal Audit will provide regular update reports to the Audit and Risk Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.
- 6.2 The Chief Internal Auditor/Head of Internal Audit will also present an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition the Audit and Risk Committee will:
- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
  - approve, but not direct, changes to the audit plan;
  - be informed of results from the quality assurance and improvement programme; and
  - be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

## **7. ANTI-FRAUD and ASSOCIATED ISSUES**

- 7.1 The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:
- Anti-Fraud and Corruption policy
  - Whistleblowing policy
  - Anti-Money Laundering Policy
- 7.2 All Internal Audit staff will be alert to possibility of fraud during all work but are not responsible for identifying fraud.

## Annex A

### AUDIT PLANNING & DELIVERY PROCESSES



## **Annex B**

### **INTERNAL CONTROL ASSESSMENT**

<b>Control Environment Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Satisfactory	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

<b>Compliance Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	The control environment has substantially operated as intended and either no errors or some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Where specific compliance reviews are undertaken e.g. grant certification, the following definitions are used to assess the level of compliance in each individual reviewed, albeit each certification usually requires the Chief Internal Auditor and Managing Director to formally certify compliance with grant conditions.

<b>Opinion for Compliance Audits – Levels of Compliance</b>	
<b>Level</b>	<b>Definitions</b>
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

Individual audits are reported to relevant Head of Service, Director, the Chief Executive, Portfolio Holder and the Chair of the Audit and Risk Committee. Periodic summary reports are issued to the Audit and Risk Committee and any reports receiving an opinion of Limited Assurance or below are presented to the Committee in full.

An Annual Audit Opinion is then constructed based upon the years' work and formally reported to the Senior Management Team, the Audit and Risk committee and relevant stakeholders to inform the Annual Governance Statement and Accounts.

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## **AUDIT AND RISK COMMITTEE**

**24 April 2018**

### **ANNUAL GOVERNANCE STATEMENT**

#### **Report of the Director for Resources**

Strategic Aim:	All		
Exempt Information	No		
Cabinet Member(s) Responsible:	Oliver Hemsley – Leader of the Council		
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358	dmogg@rutland.gov.uk
	Sav Della Rocca, Assistant Director - Finance	01572 758159	sdrocca@rutland.gov.uk
Ward Councillors	Not applicable		

### **DECISION RECOMMENDATIONS**

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 2017/18. In advance of formal approval in July, the Committee is invited to consider an early draft.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

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

- 2.3 The governance framework is designed to facilitate the achievement of the Council's aims and objectives and policies, identifying and managing any risks to a reasonable level. The framework is embedded in the Constitution and the policies, procedures, operations and systems in place.
- 2.4 The structure of the AGS remains largely unchanged from the prior year but the content has been updated.
- 2.5 In 2016/17 CIPFA produced an updated version of 'Delivering Good Governance in Local Government', this guidance was applied to the 2016/17 financial year AGS (see 2.2) and continues to be applied in 2017/18.
- 2.6 The core principles of good governance are:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - Managing risks and performance through robust internal control and strong public financial management
  - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 2.7 The AGS shows that we have arrangements in place to comply with these core principles.
- 2.8 Section 7.9 of 'Delivering Good Governance in Local Government' says that key elements of the structures and processes that comprise an authority's governance arrangements do not need to be described in detail in the annual governance statement if they are already easily accessible by the public.
- 2.9 The review of the effectiveness of the governance environment is informed by a number of methods, including internal and external audit reviews, consideration by Council, Cabinet and Scrutiny Panels of various matters including corporate performance, and assurance statements given by service managers in respect of their areas of responsibility. As part of the review of effectiveness, the Council must disclose the actions of any significant governance issues in relation to the Council achieving its vision.
- 2.10 Whilst it is for individual authorities to judge whether a matter is significant, the following tests might indicate a significant issue:

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

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

2.12 The AGS will be submitted to the External Auditors, along with the SoA, at the end of May. The AGS and SoA must be approved before the end of July 2018. The Section 151 Officer is responsible for preparing the SoA for submission, but the AGS is signed by the Leader and the Chief Executive following the review of this Committee. The External Auditor will check the format of the AGS and whether its content is consistent with his understanding of the authority.

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

### **3 CONSULTATION**

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

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

### **4 ALTERNATIVE OPTIONS**

4.1 The Committee is being asked to comment on a draft submission therefore at this stage. Other options are not appropriate. The Council has a statutory duty to submit the AGS as part of the SoA.

### **5 FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising from this report.

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

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

6.2 Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 requires the

Council to conduct an annual review of its system of internal control and following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

## **7 EQUALITY IMPACT ASSESSMENT**

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

## **8 COMMUNITY SAFETY IMPLICATIONS**

- 8.1 There are no community safety implications.

## **9 HEALTH AND WELLBEING IMPLICATIONS**

- 9.1 There are no health and wellbeing implications.

## **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

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

## **11 BACKGROUND PAPERS**

- 11.1 None

## **12 APPENDICES**

- 12.1 Appendix A – draft Annual Governance Statement

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

## Appendix A – Annual Governance Statement

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## **Appendix 1 – Annual Governance Statement**

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### **1. Scope of Responsibility**

Rutland County Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

### **2. The Purpose of the Governance Framework**

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

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

The governance framework has been in place at Rutland County Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

### **3. The Governance Framework**

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

## Vision, Aims and Objectives

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

The Rutland County Council Corporate Plan 2016 to 2020 was adopted by Council on the 12th September 2016 based on a recommendation from Cabinet. In addition to approving the plan it was agreed that an annual review of the plan would be produced and presented to Cabinet and Council. The Plan can be found here:

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

The refresh of the Corporate Plan did not change the key priorities which include:

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

The key revisions reflected:

- the change in political leadership
- acknowledging the opportunities presented by the confirmed closure of St George's Barracks in 2020/21
- the emergence of Rutland One Public Estate (ROPE) Partnership
- Progress on transforming the Barleythorpe College into the King Centre
- Continuing progress on our Digital Rutland project
- the work with Health Partners to investigate the potential for a Health and Social Care Hub.

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

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

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

## **Political and Constitutional Arrangements**

At the start of the 2017/18 municipal year the Political make-up of the Council had changed to the following: 26 Members (18 - Conservative, 4 - Independent, 2 - Liberal Democrats and 2 – non-aligned).

In May 2017 Councillor Thomas (Ward Councillor for Whissendine) resigned from the Council and in June 2017 Councillor MacDuff (Ward Councillor for Ketton) also resigned. A by-election was subsequently held on 20 July 2017 which resulted in the election of Councillor Brown (Conservative) for the Ketton Ward, and Councillor Arnold (Independent Group) for the Whissendine Ward.

These changes resulted in the political make-up of the Council changing to the following: 26 Members (18 Conservative, 5 – Independent, and 3 – non-aligned).

In October 2017 Councillor Clifton confirmed that he would be stepping down from his position on the Cabinet and in November 2017 the then Leader, Councillor Mathias, appointed Councillor Brown as a new Cabinet Member.

In January 2018 Councillor Mathias (Ward Councillor for Oakham South East and Leader of the Council) resigned from the Council. At a Special Council Meeting on 5 February 2018, the Council elected Councillor Hemsley as Leader of the Council. At the same meeting Councillor Hemsley confirmed the appointment of Councillor Begy to the Cabinet as Deputy Leader and also confirmed the Cabinet Portfolios which can be found on the following link:

<http://rutlandcounty.moderngov.co.uk/mgCommitteeDetails.aspx?ID=133>

A by-election was held on 8 March 2018 which resulted in the election of Mr Adam Lowe (non-aligned) to the Oakham South East Ward.

This changed the political make-up of the Council to the following: 26 Members (17 Conservative, 5 – Independent, and 4 – non-aligned).

### *Elections*

In June 2017, a General Election was held. Rutland is part of the Rutland and Melton UK parliament constituency. Sir Alan Duncan was re-elected as the MP for the constituency. The total turnout for the Rutland and Melton Constituency was 73.43% out of a total electorate of 78,463.

There were also elections held for three County Councillors arising from vacancies and a Parish Poll was held in Morcott.

### *Constitution*

The Council's Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Panels and provides for extensive delegation to officers. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in May 2016 and again in May 2017. The exercising of

delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

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

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

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

- Consideration of proposals and drafting of responses to consultations for Council approval in relation to the Local Government Boundary Commission Electoral Review;
- Review of decision making in relation to Planning and Licensing Committee and clarification of referrals under Procedure Rule 110;
- Implementation and update of the Public Speaking Scheme for Planning and Licensing Committee; and
- Preliminary work on a revised Member Officer Protocol and revised Scrutiny Procedures Rules (on-going).

One of the Council's priorities for 2018/19 is a full review of the Council's Constitution.

### *Boundary Commission Review*

The Local Government Boundary Commission for England identified Rutland as requiring an electoral review which started in March 2017 and was completed in April 2018.

The Commission's final recommendations propose that Rutland should be represented by 27 county councillors in the future: one more than the current arrangement. The recommendations also propose that those councillors should represent two three-councillor wards, eight two-councillor wards and five one-councillor wards across the county.

Full details of the final recommendations can be found at:

<http://www.lgbce.org.uk/all-reviews/east-midlands/rutland/rutland>

## **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 Head of Legal and Governance) 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.

## **Performance Management**

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

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

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

## **Financial Management**

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

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

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

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

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

The MTFP was updated throughout 2017/18 and periodically reported to Cabinet. The updated MTFP, following the Local Government Settlement, was presented to each Scrutiny Panel by the Leader and to Council as part of the budget setting process. 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 2017, the external auditors issued an unqualified audit opinion on the Authority's financial statements.

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted. There have been no updates to either set of rules in the year.

## **Risk Management**

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

The Leader is the lead member for risk management. Each risk is assigned a member of SMT as risk owner. SMT is responsible for maintaining the register and monitoring the actions taken to mitigate the strategic risks. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels if there is a need to look at them in more detail. The register was reviewed in July 2018.

Beyond the corporate risk register, the Council also has an Elections Risk Register and Fraud Risk register. Directorates also have their own risk registers albeit in different formats. The move to standardise risk registers is ongoing.

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 is reported periodically to the Audit and Risk Committee.

### **Standards of Conduct**

During 2017/18 the Monitoring Officer received 28 complaints of alleged Councillor Misconduct within the County, which is a significant reduction on the previous year. A large percentage of the complaints continue to be related to Oakham Town Council. An independent investigation took place into multiple conduct complaints relating to an Oakham Town Councillor. Recommendations and sanctions were suggested by the Monitoring Officer for implementation by the Town Council.

### **Information Governance**

The new General Data Protection Regulation (GDPR) will be effective from May 2018. A project group was established with representation from across the Council to review current data protection practices and policies to ensure compliance.

The Council used guidance provided by the Information Commissioner's Office (the ICO) and issues arising from previous internal audit reviews to drive its action plan. Key actions included:

- Establish a data protection asset register
- Review current data sharing agreements
- Completing system readiness checks of all existing applications
- Identifying data champions from teams
- Developing a tool kit for use across the Council

The project will continue into 2018/19 but good progress has been made and the Council anticipates being in a position to comply.

Training was launched in March 2018 to both staff and elected members to ensure the Council is fully compliant by May 2018.

### **Counter-fraud and Whistleblowing**

The Council has arrangements in place for receiving allegations of fraud or misconduct through its whistle-blowing policy. The Policy was reviewed, and subsequently endorsed by Cabinet in February 2016, to incorporate changes in legislation and reporting procedures within the Council. An external reporting mechanism was also included in the new version. Members of staff are made aware of the changes through Policy briefings and internal communication updates. Members of the public are also advised of the changes. No whistle blowing allegations were registered during 2017/18.

The Council continues to make available a fraud reporting mechanism: the Rutland Reporting App was developed for mobile telephone users, who might wish to report concerns via this route. All concerns are directed to the [fraud@rutland.gov.uk](mailto:fraud@rutland.gov.uk) email account, which is monitored by the Performance and Project Co-ordinator. No reports were made during 2017/18.

The Council's Counter Fraud Strategy is under review and will be finalised by June 2018. The review will consider whether any changes are required in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Matches generated by the National Fraud Initiative exercise were progressed during 2017/18 with no issues or concerns.

## **Developing Effectiveness**

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

The effective performance of our staff is crucial to delivering Council services- our Recruitment policy provides the framework to recruit the right staff at the right time. Over the past two years we have introduced some innovative and creative recruitment strategies through digital campaigns and bespoke microsite – this has enabled us to fill difficult to recruit posts and reduce the use of agency and interim staff. This has also brought stability to teams and we are now seeking individuals move through their career and develop their role with Rutland.

We invest in our staff through a training and development framework that supports professional training, ensures essential and mandatory training is provided, as well as organisational, leadership and management development.

The Council's Workforce Development Strategy is scheduled for review in 2018 and will set out key objectives and targets for the next two years. The content will be aligned with strategic aims and objectives, Council Values and feedback from the second Staff Engagement Survey that was carried out in quarter 3 of 2017-18.

Members are provided with development opportunities through in-house and external training and briefings. There is mandatory training on the Code of Conduct, planning, licensing and appeals. Members are encouraged to express an interest in receiving training on specific topics.

In 2017-18 Members attended training on the following subjects:

- Induction to the Council (for new Councillors elected in 2017/18)
- Planning Training
- Internal Audit and related topics
- Corporate Parenting
- Members have also attended various individual training sessions on a variety of subjects offered through organisations such as East Midlands Councils, Local Government Association and the Centre for Public Scrutiny.

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

## **Service Delivery**

## Partnerships

The Council is focused on delivering high quality outcomes at low cost and has always worked in partnership with an eclectic mix of Local Government and Public Sector partners. A list of the some of the key partnerships is including below.

<b><u>Service Name</u></b>	<b><u>Lead Authority Name</u></b>
Internal Audit	Local Government Shared Service
Welland Procurement	Melton Borough Council
Legal Services	Peterborough City Council
Out of Hours Emergencies	Harborough District Council
Fraud Support	Leicester City Council
Public Protection	Peterborough City Council
Emergency Planning	Leicestershire County Council
Local Safeguarding Children Board	Leicestershire County Council
Adoption Services	Leicestershire County Council
Public Health	Leicestershire County Council (with shared Director)
Finance IT systems provision and administration	Herefordshire Council (local authority company, Hoople)

The Council continues to review how best to deliver services with examples below of reviews undertaken in the year.

With the departure of key payroll staff, the Council extended its partnership with Herefordshire Council to include delivery of the payroll service. Payroll is now processed by Hoople with the Council retaining sign off responsibilities. The cost of service is lower than it was in house and now benefits from increased resilience.

One area under focus is the delivery of the Planning/Building Control Service. The Council currently has some aspects of the Planning/Planning Policy service provided/supported by officers from a neighbouring authority (South Kesteven District Council). SKDC use IDOX software and the Council is moving over to the same system which generates a financial savings as well as facilitating the potential for further joint working.

The Council has recently completed a review looking into how it delivers administrative support. The Council operated a structure wherein administrative roles were incorporated into various teams within each directorate with a central corporate support team providing executive and democratic support. The review generated options to reduce cost, increase resilience and drive forward equality and performance.

The review has led to the creation of a centralised business support hub, a separate Governance team with a stronger emphasis on support to the scrutiny process and clerk support to committees, and a team of three Executive Officer roles to support the

Senior Management Team. Over time and once fully embedded, officers will be assessing whether efficiencies can be made.

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

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

### **Community Engagement, Partnership working and reporting**

The Council has two projects that are part of the 'One Public Estate' programme which is supported by Central Government and aims to bring together Central and Local Government together with like-minded private sector partners to deliver services more effectively to the public. These projects relate to St Georges Barracks and the Rutland Hub.

#### *St Georges Barracks*

In September 2017, the Ministry of Defence (MOD) and Rutland County Council announced that it will work together to explore possible options for the future use of St George's Barracks in North Luffenham.

St George's Barracks was identified for intended disposal by the MOD in 2020/2021 as part of the November 2016 Better Defence Estate announcement.

As well as ensuring MOD infrastructure is optimised to meet the UK's strategic defence needs, the estate optimisation strategy also contributes to a cross-government target of releasing enough land for a potential 160,000 new homes by 2020, with surplus MOD sites to be utilised for housing and other forms of development.

The partnership between Rutland County Council and the MOD aims to make sure the St George's Barracks site is developed in a way that takes account of existing communities, local needs and the environment. Over the next two years a master plan for St George's will be produced and work has already begun to seek input from local groups and organisations with an interest in the site.

Public Parish Briefings took place in October and November 2017 and the Council and MOD held two Focus Group sessions in the Officer's Mess at St George's Barracks on Monday 29 January. The sessions were attended by close to 150 people who were either members of surrounding communities or had expressed an interest in taking part from the wider Rutland community.

The Council has successfully bid for external funding to support preparatory work and has made it to stage two of the Housing Infrastructure Fund (HIF) bidding process. Stage two of the HIF bidding process involves the development of a business case to support the proposal for funding before a final decision on the allocation of funding is made in summer 2018.

### *Rutland Hub*

The Council (RCC) is leading a project to bring together the public sector and elements of the private sector into one physical asset. The Partners involved include the RCC, Leicestershire Partnership NHS Trust, East Leicestershire and Rutland CCG, Oakham Medical Practice, Healthwatch Rutland, East Midlands Ambulance Service, Leicestershire Fire and Rescue Service and Leicestershire Police.

Currently the partners involved in this project have a number of physical property assets that are spread out across the County of Rutland. In the majority of cases these assets are at the end of their economic life and in need of significant investment or replacement.

This project aims to explore and cost the options in bringing together these partners onto one cost effective asset that will improve operational effectiveness. The project is now at feasibility stage which is being conducted by an external consultant.

Engagement is underway with local representatives in the form of a public participation group which is feeding into feasibility work to support the development of the project.

### *Town Centre*

In 2017/18 the Council continued its project for the regeneration of Oakham Town Centre to ensure a vibrant future for the Town.

To deliver this vision, the Council considered various options including one-way with traffic flowing west to east, incorporating chevron parking, loading bays, high quality surfaces and wider pavements and two-way traffic flow with an enhanced pedestrian environment and high quality surfaces.

A stakeholder engagement strategy was developed by a Project Board and approved by Cabinet on 17th Jan 2017 (report no 19/2017). Stage 1 of the strategy involved working group meetings to consider 3 design concepts. The responses were assessed by the Project Board and the Council's design partners (AECOM) with both options developed as outline designs. Stage 2 of the stakeholder engagement was a public consultation exercise on these options. The consultation ran from 11th June until 14th July 2017 and involved public exhibitions in the Market Place, leaflets and a website. In addition 300 businesses were invited to an evening event to discuss the proposals.

Soon after the public consultation, the project was halted as it became evident that the project does not have wide enough support within the community and Councillors were unwilling to bring forward a project without that support. No physical work was actually undertaken by the Council.

The Council remains committed to the need to invest in Oakham as our County town but acknowledges that this initiative must have wider support. Following the unanimous approval of a motion at Full Council on Monday 15 January, a task and finish group has been established through the Council's Growth, Infrastructure and Resources Scrutiny Panel. The purpose of the group will be to consider the future of Oakham town. The Membership and Terms of Reference were agreed by the Growth, Infrastructure and Resources Scrutiny Panel at meetings held on 15 February and 22 March. Membership of the group which is independently chaired includes

representatives from within the community, businesses, representative organisations, residents and Councillors with an interest in the regeneration of Oakham. Further information can be found at:

<https://www.rutland.gov.uk/my-community/roads-and-highways/oakham-town-centre/>

### *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.

Below is the membership of the Local Strategic Partnership:

Helen Briggs	Chief Executive, RCC
Cllr Oliver Hemsley	Leader, RCC
Cllr Alan Walters	Chair of Safer Rutland Partnership & Health & Wellbeing Board
Cllr Gordon Brown	Chair of Sustainable Growth and Culture and Leisure Theme Groups
Cllr Richard Foster	Chair, Children's Trust Board
Dr Tim O'Neill	Deputy Chief Executive, RCC
Cllr Michael Haley	Mayor of Oakham
Cllr Alec Crombie	Mayor of Uppingham
Dr A Ker	GP Representative
Tim Sacks	Chief Executive, East Leicestershire & Rutland CCG
Insp Gavin Drummond	Leicestershire Constabulary
CFO Steve Lunn/Rik Taylor	Leicestershire Fire & Rescue
Neil Thomas	Governor, HMP Stocken
Lindsay Henshaw-Dann	Chief Executive, Voluntary Action Rutland
Simon Mutsaers	Chief Executive, Citizens Advice Bureau
Lt Col Richard Chesterfield	Armed Forces Representative

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

The following is a list of initiatives that have been created in 2017/18:

- Contribution to a review of the RCC Corporate Plan

- Input into support for changes within our Armed Forces Community
- Restructure of the Local Strategic Partnership
- Significant work undertaken within LSP Theme Groups
- Signed up to and supported the refresh of the Armed Forces Community Covenant

### *Working with Health*

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

Following public engagement in late 2016/early 2017 on a working draft of the LLR STP, the STP has been further developed and reshaped, with the next round of public consultation anticipated in early/mid 2018. The programme has been a standing item at the Health and Wellbeing Board.

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

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

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

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

Helping to deliver health and social care integration tailored to the Rutland context, the Rutland Better Care Fund has progressed well during 2017/18, with the programme remaining on track against its key targets.

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

- An average of 92% of people receiving reablement care after a hospital stay still living at home three months after being discharged
- A projected rate of permanent admissions to residential homes of 196 per 100,000 people aged over 65 this year, well within the target of 322.
- The average number of hospital beds taken up by Rutland patients per day due to delays discharging patients have almost halved (5.2 per day per 100,000)

adults, relative to 10.25 per day in 2016-17 and a national average target of 9.4).

- Emergency hospital admissions of Rutland patients are being sustained at last year's levels, against a background trend of rising admissions.

Avoiding hospital discharge delays has been a key focus over the last 9 months, reflecting the national priority placed on this issue. Going forward, the focus of partnership working across health and care remains on unified prevention, including an emphasis on active ageing, and on using holistic and personalised approaches to equip those living with long term conditions or frailty to prolong their independence and enhance their wellbeing, so reducing demand on community and acute health services. A central focus is empowering individuals to take a greater role in their own wellbeing and to shape the care and support that is right for them. Particular successes in prevention include introducing a new Housing MOT service to respond to housing issues with a bearing on health and a low overhead Housing and Prevention Grant scheme for people with disabilities needing home adaptations. In parallel, a new complex care service has been piloted for those with particularly complex care needs that are difficult to meet through the mainstream care market.

### *Other Engagement*

The Council undertakes public engagement and consultation on a range of matters. In 2017/18 this included:

- Future of St Georges Barracks
- Rutland Hub project
- 2018/19 Annual Budget Consultation
- Highways Customer Survey
- Childcare Survey
- Oakham Town Centre
- Sexual health services
- Greetham Neighbourhood Plan
- Council Tax discounts and premiums applied to empty homes
- Local Plan review
- Oakham Hopper Bus service

### *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.

#### **4. Review of Effectiveness**

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

#### **Internal and Management Assurance**

##### *Internal Audit*

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

The Internal Audit service continues to be provided by the Welland Internal Audit Consortium in partnership with LGSS. The Head of Internal Audit opinion is shown below:

[TO BE INCLUDED IN FINAL VERSION WHEN RECEIVED]

##### *Scrutiny*

During 2017/18 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 considered include:

- Performance and Financial Management
- Oakham Town Task and Finish Group
- Annual Report of the Director of Public Health 2017
- Signs Policy
- Fees and Charges
- Local Flood Risk Management Strategy
- Rutland Local Plan
- CQC Inspection Reports
- Adult Social Care Peer Review
- Neighbourhood Plan Task and Finish Group
- SACRE Annual Report
- Children's' Services Annual Reports and Strategy's
- Adult Social Care Annual Reports and Strategy's

- Safeguarding Reports
- Ofsted Reports

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

In August 2016 the Scrutiny Commission agreed to undertake a review of Poverty in Rutland. A Green Paper on the Poverty Review was drafted in March 2017 and went out to consultation in April 2017. The Scrutiny Commission will look to conclude this work in Spring 2018.

### *Audit and Risk Committee*

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

The Committee completed a self-assessment review in July 2016 and has implemented the actions raising from that in 2017/18, including:

- Asking Directors to present to the Committee on any area rated by internal audit as 'limited' – this is now standard practice
- Dedicating 30 minutes of every other meeting to training – sessions have been held on the Annual Governance Statement and Audit Planning
- Reviewing the terms of reference of the Committee – this was completed in May 2017

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

### *Complaints*

Significant improvement has been achieved in our complaint response times. The results show that 96% of stage 1 complaints (89% last year) and 100% of stage 2 complaints (92% last year) are answered within the deadlines set within the complaints policies. **[TO BE UPDATED AT YEAR END]**

### *Financial performance*

Quarterly reports on Financial management are presented to Cabinet. **In terms of the budget, the Council achieved an outturn of £X compared to a budget of £X. [TO BE COMPLETED WHEN THE FINAL FIGURES ARE KNOWN]**

In terms of the medium term financial outlook, the Council has a financial gap which is forecast to be £1.5m by 2020/21.

### *Corporate performance*

Quarterly reports on Performance Management are also presented to Cabinet. **The Council's overall performance shows 91% of indicators are on or above target (as at the end of January 2018), compared to 85% at the end of 2016/17. [TO BE UPDATED IN DUE COURSE]**

Corporate Plan targets and objectives are reviewed annually to ensure they are still relevant.

### *Information Governance*

The Information Governance (IG) Toolkit is an NHS online system which requires organisations to assess themselves against Information Governance policies and standards, demonstrating a level of assurance which supports information sharing with health for Public Health and Adult Social Care purposes. Requirements cover:

- The Information Governance management framework.
- Confidentiality and data protection.
- Information security.
- Records management.

The Council met the required standard for IG Toolkit version 13, applicable to 2017-18.. We are currently reviewing and updating the information and evidence required to maintain compliance with version 14 of the Toolkit. The Toolkit is being replaced from April 2018 by a new Data Security and Protection Toolkit. This requires health and care organisations to demonstrate how they meet the ten data security standards adopted by Government in July 2017 following the 2016 Review of Data Security, Consent and Opt-Outs by the National Data Guardian for Health and Care.

### *Project Management*

The Council has a project management framework which includes the role of the Project Management Office, a scalable Project Management methodology and Project Management support.

The Internal Audit report on the Library and Children's Centre highlighted a number of areas where lessons have been learnt and the Project Management Framework updated as a result. These areas are mainly in the project initiation phase of the framework, but a more general review of the whole framework was also carried out.

The following changes were made as a result:

- Establishment of formal project governance arrangements – establishment of a Project Board earlier in the process to oversee the project initiation and feasibility work.
- Budget Setting - The project board will provide more effective challenge to the development of the plans and budgets and include a finance representative
- Effective challenge of proposals (stages 0 and 1) - having a project board will also allow for a more robust response to any challenge from elected members or officers and this will be achieved through an evidence based approach, such as feasibility studies, surveys etc.

All project progress is also being monitored through SMT to understand progress and to overcome any potential issues/risks before they become problematic. This provides an additional layer of challenge outside of the project boards and allows for the independent escalation of issues.

The revised framework is being applied on current projects, including:

- Oakham Enterprise Park II
- Transforming Care Programme
- Green Waste collection
- General Data Protection Regulations
- Planning system replacement

Whilst projects are at different stages, project reporting indicates that all projects are on track.

#### *Data Incidents*

Between April 2017 and March 2018, 15 reports of potential data breaches were made. This is a slight increase on 2016/17. All were investigated to satisfactory conclusion with no outstanding risks identified. No data incidents were escalated to the Information Commissioners Office (ICO).

#### *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.

The business continuity plans also consider the loss of key suppliers across areas, the impact on services and how quickly service provision can be restored through alternative arrangements.

An audit of Business Continuity and Emergency Planning was undertaken in late 2017 and concluded that the Council's arrangements were 'Good'.

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

The most recent test was undertaken as a desktop exercise in June 2017 and the results were recorded in note form by the Senior Resilience Officer (SRO). The SRO stated that the notes are not kept once revisions to the Major Incident Plan are made although there is a 'lessons learned' register maintained by the Leicestershire Resilience Partnership that includes lessons from tests completed by all members of the partnership and associated agencies to support sharing of best practice.

There has been some high level training provided to key staff members where their role is key in business continuity. The emergency planning test exercise referred to above is also used as a training tool for key staff involved in business continuity and enables them to be tested in scenario situations to see if they can arrive at a timely and accurate solution

### *Management Assurance*

Managers have all completed an assurance statement highlighting whether there may be controls issues in their areas. **As expected, there are areas where improvements are required as identified through audit reports or other work. None of the issues raised are considered to be Significant Control issues.**

**[TO BE COMPLETED FOR FINAL VERSION]**

## **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 2016/17 gave the Council an unqualified conclusion on the Statement of Accounts and Value for Money opinion. No concerns were reported regarding the Council's arrangements for securing financial resilience.

### *Ofsted Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers and Review of the Effectiveness of the Local Safeguarding Children Board*

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

In May, the Council took an action plan to the Children's Scrutiny Panel which addressed the 17 recommendations which Ofsted noted in their report. An update

was provided at the November Children and Young People Scrutiny Panel which can be found below:

<http://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=132&MId=1705&Ver=4>

#### *Ofsted Joint Local Area SEND Inspection*

Between 10 July 2017 and 14 July 2017, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rutland to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014. The main findings were as follows:

- Leaders are very committed to improving the local area's arrangements for identifying, assessing and meeting the needs of children and young people who have special educational needs and/or disabilities.
- The local area's self-evaluation is accurate.
- The designated clinical officer has a clear quality assurance role to ensure that health practice is effective in meeting the needs of children and young people who have special educational needs and/or disabilities.
- The local area's identification of children who have special educational needs and/or disabilities in the early years is highly effective.
- The local authority and health professionals work very closely together to meet the needs of children and young people who have special educational needs and/or disabilities.
- The quality of EHC plans has improved markedly over the past 12 months. They capture the children's voices and the views of parents and carers well. The outcomes are sharply focused and reflect the hopes and aspirations of children and young people. Parents have appreciated the greater clarity in the plans.
- A higher proportion of EHC plans are completed within the statutory time frame than nationally.
- The academic outcomes for children who have special educational needs and/or disabilities are improving.
- The communication of the local offer (the online tool for signposting families to services) has not been effective. Leaders recognise this and have already started talking to parents about how they could communicate the local offer to them more effectively.
- Children and young people who have special educational needs and/or disabilities say that they feel safe in Rutland.

The report was discussed at the Children's Scrutiny Panel in September 2017 and a series of actions were agreed including reviewing the Local Offer (now completed) and creating a Project Board to oversee the capital funds available to improve and extend SEND provision in Rutland.

#### *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 2018.

## **Summary**

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

## **5. Significant Governance Issues**

There are no significant issues to report.

## **6. Certification**

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

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

Signed: \_\_\_\_\_

Helen Briggs, Chief Executive

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Oliver Hemsley, Leader of the Council

Date:: \_\_\_\_\_

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