



Rutland County Council

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Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held in the Catmose on Tuesday, 24th July, 2018 at 7.00 pm

PRESENT: Mr J Lammie(Vice-Chairman) Mr G Conde
Mrs J Fox Mr A Lowe
Mr O Bird (Substitute for Mr Arnold) Mr J Dale (Substitute for Miss G Waller)

OFFICERS PRESENT: Miss Rachel Ashley-Caunt Head of Internal Audit
Mr Saverio Della Rocca Director for Resources
Mr Andrew Merry Finance Manager - Technical
Mrs Natasha Taylor Governance Manager

IN ATTENDANCE: Mr T Crawley KPMG LLP
Mr M Norman KPMG LLP

159 APOLOGIES FOR ABSENCE

Apologies were received from Mr Arnold, Mrs Burkitt and Miss Waller.

160 DECLARATIONS OF INTEREST

There were no declarations of interest in respect of items on the agenda.

161 TERMS OF REFERENCE

The Committee noted the terms of reference, number of places and voting places, membership and dates of meetings of the Audit and Risk Committee.

162 MINUTES

The minutes of the Audit and Risk Committee held on 24 April 2018 were confirmed and signed by the Chairman.

163 MATTERS ARISING

There were no matters arising.

164 PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions, Deputations or Questions had been received from members of the public.

165 QUESTIONS FROM MEMBERS

There were no questions received from members.

166 NOTICES OF MOTION

There were no notices of motion received from members.

167 STATEMENT OF ACCOUNTS 2017/18

Report No. 127/2018 was received from the Director for Resources. The purpose of the report was to present the statutory Statement of Accounts (SoA) 2017/18 (Appendix A of Report No. 127/2018) in the form prescribed by regulations to meet the statutory requirement for the Council to approve and publish its annual statement of accounts by 30 July 2018.

Mr Della Rocca provided a brief introduction acknowledging the work that had gone in to adhering to the shorter timescales in producing the SoA this year following changes to the statutory deadlines. The RCC SoA was not overly complex and the main areas highlighted were the pension fund deficit which was subject to fluctuations as detailed in the cover report. The RCC pension liability was consistent with that of other Local Authorities. The other issue highlighted was the provision for liability created by business rates appeals. The SoA included the Annual Governance Statement which demonstrates the Council's compliance with the governance framework and Appendix B provided further clarification of the key statements.

During discussion the following points were noted:

- i. Mr Conde requested information on whether it was possible to impose on Parish Councils a more consistent approach to setting precepts. Mr Della Rocca confirmed that the Council was not able to impose such conditions on Parishes and that Parishes were free to set their own budgets and manage their financial affairs as they see fit;
- ii. Adult Social Care debt represented one of our key debtor streams. This debt accrued against a legal charge on property so would eventually be repaid;
- iii. The external auditors would highlight if there was a material concern regarding the level of debt and provide advice on ways in which the risk may be mitigated. No such concerns had been highlighted;
- iv. Officers confirmed that there had been no requests from members of the public to view or comment on the accounts; and
- v. Mr Lammie highlighted the growing financial gap referenced in Section 3 of the SoA and the necessity to rely on reserves asking whether this could ultimately lead to a similar situation as faced by Northamptonshire. Mr Della Rocca confirmed that all Local Authorities were facing the same challenges and must address the issue of depleting reserves. The Council acknowledged this challenge and was looking to address the situation. Mr Conde asked whether the Council was reliant on commercial income as others are. Mr Della Rocca indicated this was not the case and the Council's commercial approach was proportionate and limited. The Growth, Infrastructure and Resources Scrutiny Panel meeting in September would

focus on the financial position of the Council. It was important to learn from other authorities to see what had worked and what had not, but also to recognise that each authority would have its own unique characteristics and challenges.

RESOLVED

To **APPROVE** the Statement of Accounts for 2017/18 at Appendix A of Report No. 127/2018 including the Annual Governance Statement.

168 EXTERNAL AUDITORS REPORT (ISA 260 REPORT)

Report No. 131/2018 was received from the Director for Resources, the purpose of which was for the external auditors to report to those charged with governance and inform the Committee on matters arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

Mr Norman, KPMG LLP, introduced the Report to those Charged with Governance (ISA 260) and confirmed that subject to completion of the remaining work and outstanding queries being resolved they anticipated issuing an unqualified audit opinion of the Authorities financial statements and value for money opinion before the deadline of 31 July 2018.

Mr Della Rocca confirmed that this would be the last year working with KPMG LLP on the external audit due to organisational change. KPMG LLP and RCC Officers and members acknowledged the positive working relationship they had developed over the years.

RESOLVED

- 1) The Committee received the External Auditors Report and considered any issues arising;
- 2) The Committee **APPROVED** the letter of representation in Appendix 1 of Report No. 131/2018 for signing by the Vice-Chair of the Committee (Mr J Lammie) and the S.151 Officer (Mr S Della Rocca); and
- 3) The Committee **AGREED** that the right of referral under Procedure Rule 110 was removed due to the urgency of the decision in relation to the deadline for approval of the Statement of Accounts by 31 July 2018 under the Accounts and Audit (England) Regulations 2015.

169 INTERNAL AUDIT ANNUAL REPORT 2017/18

Report No. 126/2018 was received from the Head of Internal Audit, the purpose of which was to provide the Committee with the Head of Internal Audit's Assurance Opinion for 2017/18 and the Annual Report detailing the basis for this opinion, for review and approval.

During discussion the following points were noted:

- i. Members asked for clarification on the contrasting opinions with regard to the design control environment and the compliance with controls in tables 1 and 2 under section 2 of the report. Miss Ashley-Caunt clarified that the rating of

substantial was the highest that could be given and it was positive that 66% had reached this standard. However, when the controls were tested some did not operate consistently due to the need to embed or refine the processes around them, which is why they had been given a lower rating in this area. This did not cause concern.

RESOLVED

To **APPROVE** the Annual Internal Audit Report and Assurance Opinion for 2017/18.

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Mr Norman and Mr Crawley left the meeting and did not return.

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170 INTERNAL AUDIT UPDATE

Report No. 132/2018 was received from the Head of Internal Audit, the purpose of which was to update members on the progress made in delivering the 2018/19 Annual Audit Plan and outcomes from audit assignments completed since the last committee meeting.

During discussion the following points were noted:

- i. The terms of reference for the consultancy review on project governance had been agreed by the Chair and Vice-Chair of the committee and would focus on risk assessing projects up front and using that assessment to inform subsequent governance arrangement. The Terms of Reference would be circulated to members.

RESOLVED

To **NOTE** the Internal Audit Update Report (Appendix A of Report No. 132/2018).

171 ANNUAL FRAUD REPORT 2017/18 AND COUNTER FRAUD REPORT

Report No. 129/2018 was received from the Director for Resources, the purpose of which was to provide an overview of any fraud related activity which has affected the Council during 2017/18; provide assurance regarding the Council's resilience against the risk of fraud; and present an updated Fraud Strategy for comment prior to submission to Council.

During discussion the following points were noted:

- i. Benefit related fraud does occur in Rutland. Claimants do sometimes fail to update the Council when there is a change in circumstances and therefore continue to receive benefit for which they were no longer entitled. This was not always classed as fraud as there were circumstances where this could be attributable to genuine oversight, rather than an intention to claim benefits fraudulently. Nationally there was a 25% recovery rate for benefit overpayment and Rutland's recovery figures were consistent with this national average;
- ii. The Council approach to Blue Badge misuse was to rely on spot checks, referrals from members of the public and data matching. This would be

- monitored and should the occurrence of misuse of blue badges increase, the approach and processes for dealing with this type of fraud would be reviewed;
- iii. The log of IT Assets was out of date, however further investigation highlighted that devices had been assigned to different users but records had not been updated. Most of the devices were now accounted for; and
 - iv. Rutland County Council maintains a Fraud Risk Register to ensure that areas where the Council may be vulnerable to fraud are monitored closely.

RESOLVED

- 1) The Committee **ENDORSED** the content of the Annual Fraud Report; and
- 2) The Committee **REVIEWED** the draft Fraud Strategy (Appendix A of Report No. 129/2018), no amendments were advised.

172 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

The Director for Resources confirmed that there was nothing to report at this time.

173 ANY OTHER URGENT BUSINESS

There were no items of urgent business.

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The Chairman declared the meeting closed at 8.18 pm.

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