



Rutland County Council

Catmose, Oakham, Rutland, LE15 6HP.

Telephone 01572 722577 Email governance@rutland.gov.uk

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Catmose on **Tuesday, 4th February, 2020** 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/

A G E N D A

1) APOLOGIES

2) MINUTES

To confirm the minutes of the Audit and Risk Committee held on 5 November 2019.

3) MATTERS ARISING

4) 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.

5) PETITIONS, DEPUTATIONS AND QUESTIONS

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rules 93 and 94.

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 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.

6) QUESTIONS WITH NOTICE FROM MEMBERS

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

7) NOTICES OF MOTION

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

8) EXTERNAL AUDIT PLANNING 2019/20

To receive Report No.26/2020 from the Strategic Director for Resources (Pages 5 - 24)

9) INTERNAL AUDIT UPDATE

To receive Report No.24/2020 from the Strategic Director for Resources (Pages 25 - 44)

10) INTERNAL AUDIT PLANNING 2020/21

To receive Report No.25/2020 from the Strategic Director for Resources. (Pages 45 - 50)

11) STRATEGIC RISK REGISTER

To receive Report No.29/2020 from the Strategic Director for Resources. (Pages 51 - 72)

12) WHISTLEBLOWING POLICY

To receive Report No. xx from the Strategic Director for Resources. (Pages 73 - 86)

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)

Mrs K Payne (Vice-Chair)

Mr A Brown

Mr E Baines

Mrs R Powell

Mr I Razzell

Mr N Woodley

OTHER MEMBERS FOR INFORMATION

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AUDIT AND RISK COMMITTEE

4th February 2020

EXTERNAL AUDIT PLANNING 2019/20

Report of the Strategic Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

That the Committee notes the audit plan from the external auditors, Grant Thornton UK LLP.

1 PURPOSE OF THE REPORT

1.1 To outline the approach to the external audit for 2019/20.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The external audit plan in Appendix 1 sets out the approach to the Statement of Accounts audit and Value for Money conclusion. Grant Thornton 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 but the Committee should note that the audit fee has increased from last year by £4k. The fee increase is one that is being applied to all audited bodies and not just Rutland. The increase arises from the pressure on firms to deliver higher quality audits and in particular to exercise greater challenge in areas where management make judgements or rely upon advisers.

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 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

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

9 COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

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

12 BACKGROUND PAPERS

- 12.1 There are no background papers.

13 APPENDICES

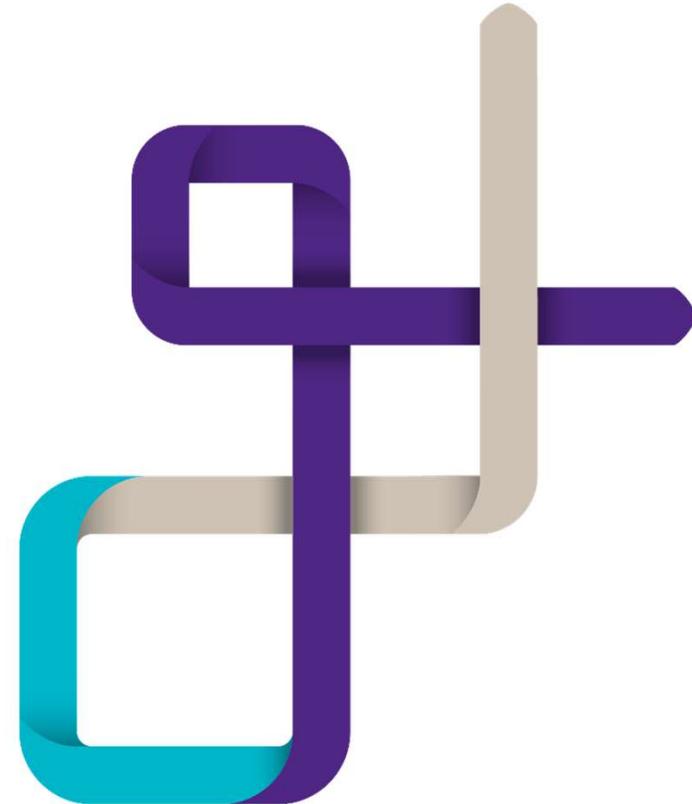
- 13.1 Appendix 1 – Audit Plan 2019/20

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

External Audit Plan

Year ending 31 March 2020

Rutland County Council
January 2020



Contents



Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rutland County Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Rutland County Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Risk Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit & Risk Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

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

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.25m (PY £1.25m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £62.5m (PY £62.5k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any VFM significant risks.

Audit logistics

Our interim visit will take place in February and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £56,420 (PY: £52,420) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. To breakeven, the 2019/20 budget contained £235,000 of funding from the use of reserves. The forecast out-turn position for the year at Q2 is for £123,000 of funding from the use of reserves, due to savings and efficiencies.

Council tax makes up 72% of funding as a whole. Revenue growth budgets have been restricted and constrained to areas considered unavoidable, such as changes in legislation. The authority has assumed a “stand still” funding position and on this basis has estimated it would have a budget shortfall of circa £631k in 2021/22, £1,038k in 2022/23, £1,351k in 2023/24 and a further £1,578k in 2024/25.

While this position is far less severe than that faced by many authorities, it will still require careful planning and management.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further this Audit Plan, is subject to PSAA agreement.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Rutland County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Rutland County Council.</p>	
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling revaluation)	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£35 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£47.095m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Leicestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</p>	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

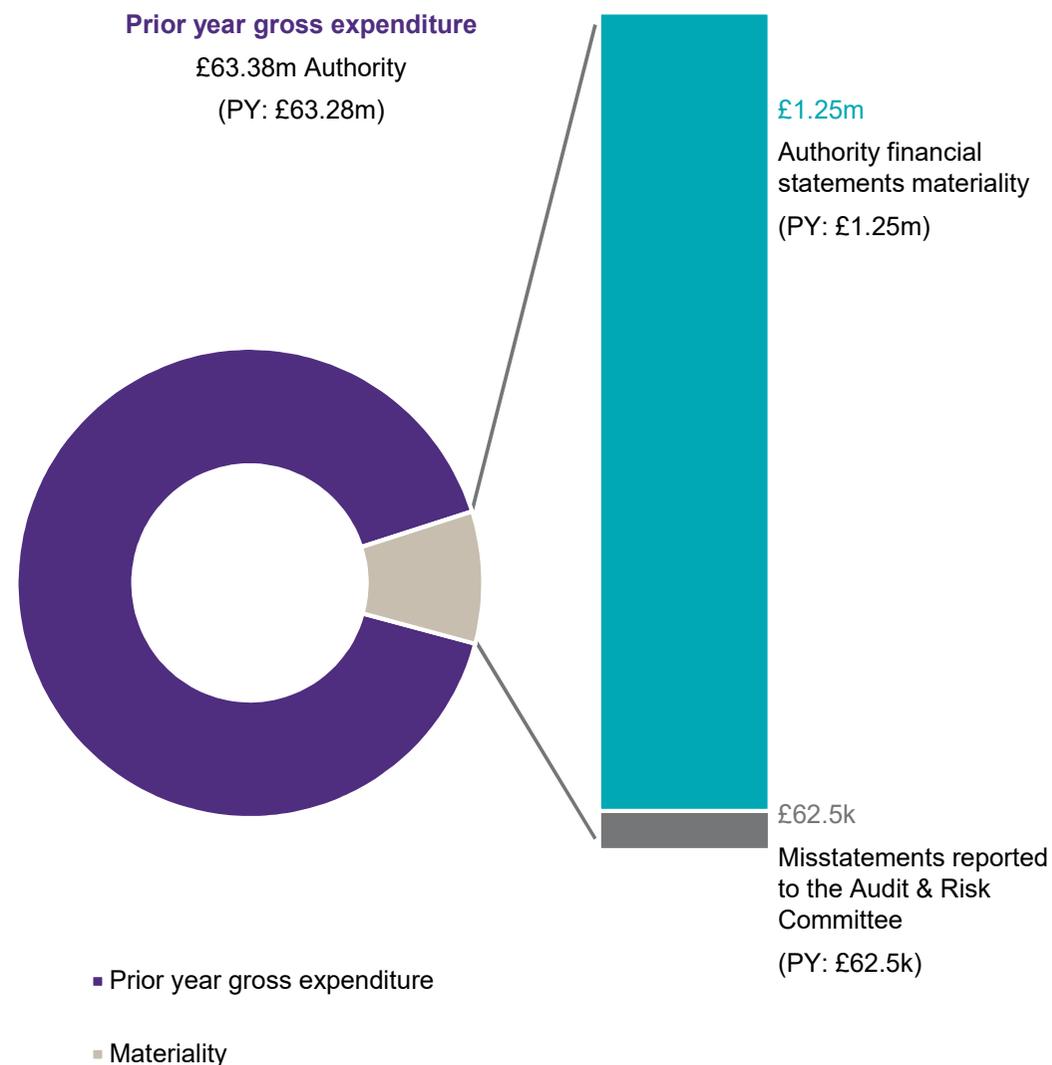
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.25m (PY £1.25m), which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k in relation to the disclosure note on the remuneration of individual senior officers, which we consider to be sensitive and of interest to the public.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit & Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £62.5k (PY £62.5k).

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



7. Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

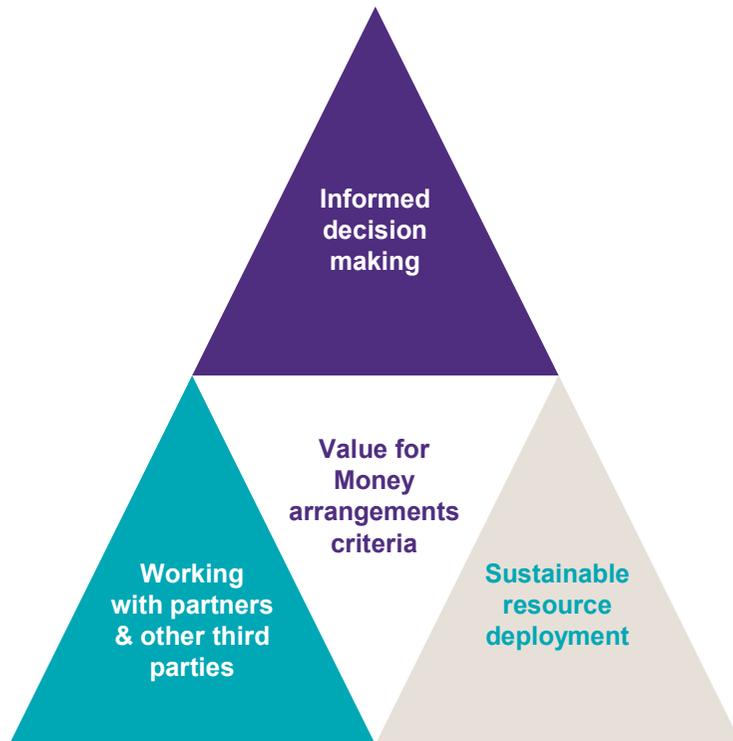
This is supported by three sub-criteria, as set out below:

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement and updating our assessment of your financial position, before we issue our auditor's report.

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8. Audit logistics and team



John Gregory, Key Audit Partner

John's role will be to:

- lead our relationship with you;
- be a key contact for the Chief Executive, Strategic Director of Resources and the Audit & Risk Committee;
- ensure that Grant Thornton's full service offering is at your disposal; and
- take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Paul Harvey, Audit Manager

Paul's role will be to:

- manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the CCG.
- Review work performed by the audit team to ensure high audit quality

David Schofield, Audit Incharge

David's role will be to:

- take responsibility as the day to day contact for the CCG Finance Staff and running of the audit
- ensure effective communication and understanding by the Finance team of audit requirements

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

9. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£65,481	£52,420	£56,420
Total audit fees (excluding VAT)	£65,481	£52,420	£56,420

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	£50,420	
Raising the bar	£2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	£1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	£1,750	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Revised scale fee (to be approved by PSAA)	£56,420	

10. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified

Service	£	Threats	Safeguards
Audit related:			
Housing Benefit (Subsidy) Assurance Process	6,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,500 in comparison to the total fee for the audit of £56,420 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved member Firms will be included in our Audit Findings report at the conclusion of the audit. by the Audit & Risk Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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AUDIT AND RISK COMMITTEE

4th February 2020

INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gov.uk
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 2019/20 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 2019/20 audit plan is set out in Appendix A. At the time of reporting, 76% of the audit plan is either in progress or complete.

Implementation of Recommendations

- 2.4 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.5 Since the last Committee meeting, five recommendations have been confirmed as implemented.

2.6 There are currently six actions rated as 'Medium' priority which are more than three months overdue for implementation but have not yet been fully implemented. Internal Audit has been provided with assurance that progress is being made in these areas and to manage the risks associated.

2.7 It is standard practice for any audit reports receiving lower than Satisfactory Assurance opinions to be presented to the Audit and Risk Committee in full. To date, no such reports have been finalised from the 2019/20 Audit Plan.

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

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

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

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

6.2 There are no legal implications arising from this report.

7 DATA PROTECTION IMPLICATIONS

7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

8.1 There are no equality implications.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 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.

12 BACKGROUND PAPERS

12.1 There are no additional background papers to the report.

13 APPENDICES

13.1 Appendix A: Internal Audit Update Report

13.2 Appendix B: Implementation of Audit Recommendations

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

13.4 Appendix D: Customer satisfaction statistics

13.5 Appendix E: Limitations and responsibilities

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RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
FEBRUARY 2020

Date: 4th February 2020

Introduction

- 1.1 LGSS provides the internal audit service for Rutland County Council and has been commissioned to provide 360 audit days to deliver the 2019/20 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 2019/20 be delivered?

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2020.

At the time of reporting, 76% of the audit plan is either complete or in progress. The Internal Audit service is on track to ensure that at least 90% of assignments are either in draft or final report stages at 31st March 2020.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the Audit Plan within the 360 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 41) shows that the Internal Audit team are spending 95% 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. Scores given by audit clients during the year to date are shown in Appendix D.

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, five audit assurance reports (**Treasury Management; Licensing; Local Taxation; Complaints and Compliments Management; Housing and Homelessness**) have been finalised and no significant areas of weakness have been identified which would impact upon the Internal Audit opinion. Some initial guidance and support on IT Asset Management has also been provided and audit testing is to be conducted in March 2020 to provide assurance over controls in this area. The status of each planned assignment is provided in Table 1.

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, 5 actions arising from audit reports have been implemented.

At the date of reporting, there are 14 open audit actions which are overdue for implementation. Of these, 6 actions were due for implementation over three months ago and were categorised as 'Medium' priority. See Appendix C for further details.

Table 1: Progressing the annual audit plan

KEY

Current status of assignments is shown by ●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Key Corporate Controls and Policies												
Creditors	13	-	●									Q4
Payroll	15	-	●									Q4
Treasury management	14	14					●		●	●	●	
Local taxation	13	14					●		●	●	●	
Contract Procedure Rules Compliance	10	0.5			●							
IR35 compliance	10	10.8					●		●	●	●	
Corporate Governance and Counter Fraud												
Fraud Risk Register	15	1		●								Q4
Corporate Objective: Sustainable growth												

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Highways contract management	15	18.1					●					
Waste management	20	7.1			●							
FixMyStreet	12	12					●					
Corporate Objective: Safeguarding and Health and Wellbeing												
Schools thematic audit – Risk Assessments	12	6.6			●							
Community safety and CCTV	14	5.6			●							
Housing and Homelessness	15	15						●	Substantial ●	Substantial ●	Minor ●	
Disabled facilities grants	14	15						●	Substantial ●	Good ●	Minor ●	
Corporate Objective: Sound financial and workforce planning												
Budgetary control	12	9.1					●					
CIL/s106 monitoring	17	-		●								Q4
Licensing	15	15.3						●	Good ●	Good ●	Minor ●	
Corporate Objective: Reaching our potential												

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Customer service standards	15	-	●									Q4
IT Audit – asset management	15	7.2			●							
Complaints and compliments management	15	11.4						●	● Substantial	● Substantial	● Minor	
Other Assurances												
Grant Claims	15	8.2			●				N/A - certification			
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	33	16.2										
Internal Audit Management	33	14.7										
CP Development												
TOTAL	360	202										

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
Substantial ●	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.
Good ●	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.
Satisfactory ●	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.
Limited ●	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.
No ●	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.

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Organisational Impact

Level		Definition
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 organisation as a whole.
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 as a whole.
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.

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
High		Action is imperative to ensure that the objectives for the area under review are met.
Medium		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low		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	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	2	100%	2	18%	1	17%	5	26%
Actions due within last 3 months, but <u>not implemented</u>	-	-	3	27%	1	17%	4	21%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	-	-	6	55%	4	66%	10	53%
Totals	2	100%	11	100%	6	100%	19	100%

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

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Medium priority						
Waste Contract 2017 -18	Places	Review performance measures and monitoring	January 2020 - Jan 20 - A draft deed of variation request form will be with the Strategic Director by 14/01/2020, for approval. This will address all performance management and reporting requirement elements with the contract. Suggested revised date to get this closed - 31/01/2020.	Places Director	30/06/2018	31/01/2020
Highways contract 2016-17	Places	Develop approach to planning and recording of inspections	Being followed up as part of 2019/20 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Places Director	30/04/2017	Subject to audit follow up testing
Delegated Services 2018-19	Places	Expand performance indicators and targets	January 2020 – in progress and to be completed by 28 th February 2020.	Places Director	31/05/2019	28/02/2020
Delegated Services 2018-19	Places	Periodic spot checking of KPIs	January 2020 – in progress and to be completed by 28 th February 2020.	Places Director	31/05/2019	28/02/2020
Delegated Services 2018-19	Places	Monthly performance reporting	January 2020 – in progress and to be completed by 28 th February 2020.	Head of Environmental Services	31/05/2019	28/02/2020
Procurement cards 2018-19	Resources	VAT coding	November 19 - Delayed implementation on the advice of HMRC due to an issue with our registration. This will be sorted during November and we will then pick up this issue.	Finance Manager	30/06/2019	

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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 ten responses received during the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	2	8	-	-
Communication during Assignments	-	3	7	-	-
Quality of Reporting	-	4	6	-	-
Quality of Recommendations	-	2	8	-	-
Total	-	11	29	-	-

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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 Internal Audit'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.

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AUDIT AND RISK COMMITTEE

4th February 2020

INTERNAL AUDIT PLANNING 2020/21

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

1. That Members note the initial areas highlighted for potential coverage in the Internal Audit Plan 2020/21 and advise on any areas where the committee seeks assurance from the Internal Audit team during the year ahead.

2. That Members approve delegation to the Strategic Director of Resources, in consultation with the Chair of the Audit and Risk Committee, to approve an interim 2020/21 Internal Audit plan ahead of formal approval by committee in April 2020.

1 PURPOSE OF THE REPORT

- 1.1 To advise Members on progress being made on developing the Internal Audit Plan for 2020/21 and some initial areas proposed for inclusion in the Plan, subject to risk assessing and prioritisation. To also invite Members to highlight any areas where they require assurance from the Internal Audit team during the next financial year.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Internal Audit Plan

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 In order to ensure that the Audit Plan for 2020/21 addresses the Council's key risks and adds value, the Head of Internal Audit is identifying and prioritising the areas for coverage by:
- Reviewing the Council's Risk Registers and Corporate Plan;
 - 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;
 - Analysing coverage of Internal Audit reviews over the last five years and the assurance opinions provided following each review, to identify any gaps or areas where follow up work would be of value;
 - Identifying any areas of the Audit Universe which have not been subject to Internal Audit review during the last four years; and
 - Seeking input from Senior Management on key risks and emerging risk areas for the year ahead and also any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.
- 2.3 Following this process, a number of potential audit assignments have been identified and will be prioritised and refined based on risk and added value.
- 2.4 A list of areas highlighted during the planning process to date has been provided in Appendix A.
- 2.5 Members of the Audit and Risk Committee are invited to raise any areas where assurance from Internal Audit is sought during 2020/21 for inclusion and prioritisation in the development of the Audit Plan.
- 2.6 The draft Audit Plan will be presented to the Audit and Risk Committee in April 2020 for final refinement and formal approval. The Plan will then remain open to ongoing review and amendment throughout the financial year to respond to any changes in risk and emerging issues. To enable the Internal Audit team to commence work on the audit assignments on 1st April 2020, it is recommended that a delegation be given to the Council's Strategic Director and the Chair of the Audit and Risk Committee to approve an interim audit plan pending formal approval at the April meeting.

3 CONSULTATION

- 3.1 The Council's senior management are being consulted on the contents of the Audit Plan for 2020/21 and this report provides an opportunity for consultation with the Audit and Risk Committee. No public consultation is required.

4 ALTERNATIVE OPTIONS

- 4.1 The Committee could contact the Head of Internal Audit directly following the meeting with any further areas of assurance which may arise before March 2020 and these can be included in the audit planning process.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. The Audit Plan will be 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 plan provides assurance over the Council's control framework and key risks. 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 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 There are no equality implications.

9 COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 11.1 The Audit Plan for 2020/21 is being developed using a risk based approach, with input from senior management and the Audit and Risk Committee. The initial potential areas for coverage highlighted during the audit planning process to date will be refined and prioritised based on risk and value added. The draft Audit Plan will be presented to the Committee in March 2020 for final refinement and formal approval. The Plan will remain open to ongoing to review and amendment throughout the financial year to reflect and respond to changes in risks and emerging issues.

12 BACKGROUND PAPERS

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

13 APPENDICES

13.1 Appendix A: Initial areas identified during Audit Planning 2020/21 to date

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

Internal Audit Plan 2020/21 – Initial Areas Highlighted

Topic	Assurance provided
Corporate / Cross Cutting	
Key Financial Systems	Annual testing on key financial controls (Debtors, Creditors, Payroll, Main Accounting, Local Taxation, Benefits). It is intended that a cyclical approach will be adopted to this audit coverage.
Grant verification	To sign off on various annual grants including highways expenditure and troubled families.
Contract Procedure Rules compliance	To provide assurance over compliance with rules in relation to procurement of goods and services. This is an annual review to provide assurance over value for money and counter fraud and corruption controls.
Peer review follow up	To review progress made in delivering any actions arising from the peer review in 2019.
Customer services	To provide assurance over practice across selected areas of the Council and Customer Services (CST) – following the introduction of a revised version of customer service standards.
Project management	To provide assurance over compliance with the revised project management governance framework for a sample of recent projects.
Counter Fraud	
Fraud Risk Register	To provide assurance over the management of the fraud risk register, including the identification and management of risks, and to review a sample of the risks identified to confirm that appropriate actions are being taken to mitigate risks and pro-actively prevent, detect and report attempted frauds.
Service Specific	
S106 monitoring	To provide assurance over the processes in place for the administration, collection and spending of s106 monies.
Waste contract procurement	To provide assurances over the procurement of the Council's waste contract during the financial year – engaging at key stages, as appropriate.
Contract Management	To review compliance with contract management controls for a sample of contracts, potentially focussing on high value contracts in the Places directorate.

Topic	Assurance provided
Budgetary control in Places directorate	To review processes in place for effective setting, monitoring and reporting upon spend against revenue budgets in the Places directorate. Audit on budgetary control in social care performed in 2018/19 and similar approach to be adopted but based on Places directorate spend.
Fix my street	To continue to provide assurance over delivery of actions plans in place for improving communications and use of the Fix my street system.
Schools thematic review	To provide assurance over compliance with key controls in relation to a specific area – such as safeguarding, health and safety, data protection. Theme to be determined with senior management and independent/academy schools to be invited to participate.
Uppingham Community College SEND Capital project	To conduct a post implementation review of this capital project, reviewing controls applied and any lessons learnt.
Payments to early years providers	To provide assurance that claims for payment from providers of nursery places are accurate and legitimate; the Council's arrangements to meet those obligations are fit for purpose; and to test the accuracy and legitimacy of claims received from a sample of providers.
Ofsted review – follow up on actions arising	To conduct a follow up review of actions implemented to address any areas for improvement arising from Ofsted inspections in the year.
Social care complaints management	To provide assurances over the design of, and compliance with, controls in place for the recording, handling and escalation of complaints received in relation to social care.
Adult learning	To provide assurance over the management of the adult learning service, following award of new contract.
Direct payments	To provide assurance over controls operating to prevent and detect fraud or misuse of direct payments. This has not been reviewed since cards were introduced and assurances to be gained over the new processes operating in this area.
IT	
IT Policies and Procedures	To review new and revised IT policies to ensure all are in place, fit for purpose, communicated and compliant with good practice.

AUDIT AND RISK COMMITTEE

4th February 2020

STRATEGIC RISK REGISTER

Report of the Strategic Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr O Hemsley, Leader and Portfolio Holder for Rutland One Public Estate & Growth, Tourism & Economic Development, Communications, Resources (other than Finance)	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	n/a	

DECISION RECOMMENDATIONS

That the Committee notes the content of the Risk Register and the actions underway to address the risks.

1 PURPOSE OF THE REPORT

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

2 STRATEGIC RISK REGISTER

- 2.1 The Risk Register was reviewed following production of the new Corporate Plan and feedback from Audit and Risk in July 2019. The Committee were positive about the changes.
- 2.2 One further change we will look to make is to include a summary of Directorate risks in an addendum to the Risk Register. This has not yet been completed as work on the General Election, Budget and Local Plan has been prioritised.

2.3 The dashboard below summarises the updates since the last published version.

<p>Number of Risks</p> <p>12</p>	<ul style="list-style-type: none"> • A new control has been added to Risk 72 (Disruption to Council Services related to Brexit impact or uncertainty). This control reflects attendance at a number of regional and national meetings connected to Brexit resilience and preparation. • Comments on a number of risks have been updated to reflect progress/changes since last Audit and Risk meeting, these are: <ul style="list-style-type: none"> ○ Risk 7: Failure to identify infrastructure needs to support growth and put in place plans to deliver it. ○ Risk 78: Failure to achieve expectations of customers across key service areas. ○ Risk 10: Failure to protect the health and safety of employees and member of the public. ○ Risk 72: Disruption to Council Services related to Brexit impact or uncertainty. ○ Risk 73: There is a risk we cannot recruit to key vacant posts in the Places Directorate. ○ Risk 74: There is a risk that the Council is not financially stable in the medium term. ○ Risk 75: Risk of serious financial/reputational damage from a data breach.
<p>Risks added since last review</p> <p>0</p>	
<p>Risks removed since last review</p> <p>0</p>	
<p>Number of open actions</p> <p>17</p>	
<p>Actions added since last review</p> <p>1</p>	<ul style="list-style-type: none"> • An action related to the completed of an action plan (Risk 75: Risk of serious financial/reputational damage from a data breach) has been completed. This action is now a control on the risk, and the risk score has been revised to take into account the new control. The residual score has been amended from 9 to 6. • An action for the refresh of the Infrastructure Delivery Plan has been completed (Risk 7: Failure to identify infrastructure needs to support growth and put in place plans to deliver it).
<p>Actions completed since last review</p> <p>2</p>	

3 CONSULTATION

- 3.1 No consultation is necessary; the purpose of the report is to update the Committee on the latest position.

4 ALTERNATIVE OPTIONS

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

5 FINANCIAL IMPLICATIONS

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

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 As set out in the terms of reference within the constitution, this Committee has responsibility to provide assurance of the adequacy of the Risk Management framework and control environment.
- 6.2 There are no legal implications arising from this report.

7 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no service, policy or organisational changes being proposed.

8 EQUALITY IMPACT ASSESSMENT

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

9 COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

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

12 BACKGROUND PAPERS

12.1 There are no additional background papers.

13 APPENDICES

13.1 Appendix A: Strategic Risk Register

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

Appendix A Strategic Risk Register

Key to symbols/terms used within the report

Risk Score:

Inherent Risk – the likelihood/impact of the risk without taking any controls and actions in place into consideration.

Residual Risk – the likelihood/impact of the risk taking the controls and actions RCC have put in place into consideration.

Actions:

All actions have a 3 letter code defined as follows:

[IMP] – An action that will improve the likelihood/impact of the risk once the action is completed.

[PRE] – A preventative action, which will not improve the risk but will prevent it from getting worse.

Risk ID: 3	Risk Title: Failure to deliver key services should a significant business interruption occur	
Owner: Director – Places	Actions <ul style="list-style-type: none"> • [PRE] Zurich Municipal have been asked to do a Business Continuity health check, to take place after December 2019 <ul style="list-style-type: none"> ○ Added September 2019 ○ Completion date to be confirmed • [IMP] Due to changes in Places Directorate, an operational lead to support Director in delivery of Business Continuity to be identified as part of Structure Review <ul style="list-style-type: none"> ○ Added September 2019 ○ Managers are updating business continuity plans as part of ongoing business ○ Due for Completion December 2019 ○ Revised deadline March 2020 	Controls <ul style="list-style-type: none"> • A Major Incident Plan has been prepared • Specific recovery plans are in place for the 5 key threats (loss of staff, telephone system, buildings, ICT, Utilities) • Business Continuity documents have been uploaded to a secure website (Resilience Direct) • Contract procedure rules include the requirement for managers to consider the impact of contractor failure and mitigate the risks appropriately • Business Continuity arrangements audited by Internal Audit • Recovery plans tested regularly – last exercise was at Senior Managers Forum, July 2019
Inherent Score: 12		
Residual Score: 4		
Date Risk Added: September 2016		
Last Review Date: September 2019		
Comments: Zurich review will take place prior to the end of March. We are waiting for this to be scheduled. Should additional recruitment be required as part of the Structure review then a further action will be added.		

Risk ID: 4	Risk Title: Failure to Safeguard (Children) and a child is significantly abused, hurt, or dies.	
Owner: Director - People	Actions <ul style="list-style-type: none"> • [IMP] Implement Leicestershire, Leicester and Rutland (LLR) Domestic and Sexual Violence and Abuse Strategy to reduce the prevalence, likelihood and harm of domestic and sexual violence and abuse. <ul style="list-style-type: none"> ○ Due for completion March 2021 • [IMP] Deliver a refreshed Joint Exploitation strategy to continue to prevent and reduce exploitation in Rutland. <ul style="list-style-type: none"> ○ Due for completion April 2022 	Controls <ul style="list-style-type: none"> • Processes and procedures in place to protect the most vulnerable • Ensuring we have sufficient competent, trained staff to safeguard children and there is no unallocated work • Clear practice standards in place so staff know what is expected of them. • Children's services development plan finalised and subject to monthly progress reviews. • High quality management oversight of all Children's Social Care practice. • Comprehensive Performance Management and Quality Assurance framework in place.
Inherent Score: 20		
Residual Score: 8		
Date Risk Added: September 2016		
Last Review Date: October 2019		
Comments: The number of Children Looked After has increased from 33 to 42 since the end of March 2019. The last 'focused' visit from OFSTED was in March 2019 and a full judgement inspection is due between November 2019 and April 2020.		

Risk ID: 5	Risk Title: Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.	
Owner: Director - People	Actions <ul style="list-style-type: none"> • [IMP] Ongoing audits to consider practitioner application of safeguarding thresholds during triage. <ul style="list-style-type: none"> ○ Added July 2019 ○ Due for completion December 2019 ○ Revised deadline March 2020 • [PRE] Audit put in place to ensure correct understanding and processes when safeguarding notifications are multi agency as opposed to single agency. This is to ensure shared risk and correct agency investigating. <ul style="list-style-type: none"> ○ Added July 2019 ○ Due for completion December 2019 ○ Revised deadline March 2020 	Controls <ul style="list-style-type: none"> • Processes and procedures in place to protect the most vulnerable. • Scrutiny and overview from the Safeguarding Boards. • Monthly performance and financial monitoring by senior offices and updates to Cabinet. • High quality, timely information contained within case files. • High quality, timely management oversight by DASM. • Clear practice standards in place so staff know what is expected of them. • Management oversight recorded on file alongside regular supervision. • Effective training of staff. • Comprehensive Performance Management and Quality Assurance framework in place.
Inherent Score: 15		
Residual Score: 6		
Date Risk Added: September 2016		
Last Review Date: October 2019		
Comments: *The Care Act 2014 (Section 42) requires that each local authority must make enquiries, or cause others to do so, if it believes an adult is experiencing, or is at risk of, abuse or neglect. An enquiry should establish whether any action needs to be taken to prevent or stop abuse or neglect and if so, by whom.		

Risk ID: 76	Risk Title: Failure to address increasing SEND costs and provide an inclusive learning offer	
Owner: Director - People	Actions <ul style="list-style-type: none"> • [IMP] Working on a new model of delivery for children with SEND through SEND Strategic Partnership. <ul style="list-style-type: none"> ○ Due for completion 31st March 2020. • [IMP] Review SEND funding models for schools and single providers to make sure that we are spending funding in the most effective manner. <ul style="list-style-type: none"> ○ Due for completion July 2020 • [IMP] Review existing Designated Special Provisions <ul style="list-style-type: none"> ○ Due for completion September 2021 	Controls <ul style="list-style-type: none"> • SEND recovery plan in place and actioned. • Monitoring by officers – regular scrutiny of performance data, finance and outcomes. • SEND Programme Board scrutinises progress of SEND recovery plan. • Continue to expand our In-County special education options for children with SEND so more children are educated closer to home. • Support and enable our Early Years Settings to meet the needs of all children and families so all Rutland families have access to early education which meets identified needs.
Inherent Score: 15		
Residual Score: 12		
Date Risk Added: October 2019		
Last Review Date: October 2019		
Comments: The increased demand and rising costs for supporting children with SEND is a national issue and the Department for Education is completing a review into current arrangements and funding streams. Without changes nationally, the SEND recovery plan in Rutland is unlikely to fully address the current and long term budget pressures.		

Risk ID: 7	Risk Title: Failure to identify infrastructure needs to support growth and put in place plans to deliver it.	
Owner: Director - Places	Actions <ul style="list-style-type: none"> • None 	Controls <ul style="list-style-type: none"> • Existing plan in place – Infrastructure Delivery Plan • Infrastructure requirements identified linked to CIL. • Key infrastructure requirements are monitored on a regular basis e.g. School Places. • Specific projects in place to meet specific need including; <ul style="list-style-type: none"> ○ Digital Rutland – Broadband. ○ OEP – Employment/business growth. ○ Schools – Schools and learning places. • Balances of s106 and CIL being held pending refresh of IDP.
Inherent Score: 12		
Residual Score: 4		
Date Risk Added: November 2016		
Last Review Date: September 2019		
Comments: The IDP has been completed and released with rest of Local Plan supporting documents for approval by Cabinet and Council in January 2020. Naturally work will be ongoing to refine and progress this as development progresses through the plan period. Council, through Director of People, is in discussion with Health (Rutland Hub project) to assess future health needs. This is an ongoing project of the One Public Estate programme. The Director of People is also working with the Director of Places to commission work to determine school place needs.		

Risk ID: 77	Risk Title: Changes to LLR Health system may reduce our ability to shape services to meet population needs	
Owner:	Actions <ul style="list-style-type: none"> • [IMP] Development of a joint Social Care and Health team around the Primary Care Networks working in partnership with GP's. <ul style="list-style-type: none"> ○ Due for Completion – April 2020 	Controls <ul style="list-style-type: none"> • Excellent relations with CCG/Community Health and GP's. • Delivering strong integrated health and social care offers with partners via BCF. • Significant integration already achieved proven by data. • Rutland integrated service is a nationally recognised success. • Services continue to develop such as with the Primary Care Network consolidating the Rutland approach.
Director - People		
Inherent Score:		
Residual Score:		
Date Risk Added:		
Last Review Date:		
October 2019	Comments: Local NHS services are under review with the risk Rutland will not feature in its overall plans being subsumed into the design of County and City.	

Risk ID: 78	Risk Title: Failure to achieve expectations of customers across key service areas.	
Owner: SMT	Actions <ul style="list-style-type: none"> • [IMP] Improvement plan in place for RCC website, including ensuring compliance with Accessibility standards. <ul style="list-style-type: none"> ○ Added October 2019 ○ Due for completion December 2019 ○ Revised deadline September 2020 to coincide with implementation date for Accessibility standard. ○ Initial work has been completed but more extensive work planned. • [IMP] Review approach to responding to Fix My Street referrals with view to improving timeliness and quality of response by keeping residents informed on the progress of their issues <ul style="list-style-type: none"> ○ Added October 2019 ○ Partially completed – interface problems between Highways systems and Fix My Street have been fixed. ○ Backlog of unanswered queries has been resolved pre-Christmas. ○ Due for completion December 2019 ○ Work is ongoing to ensure we are 	Controls <ul style="list-style-type: none"> • Customer KPIs in place across key service areas. • External feedback in areas like Better Care Fund/Social Care. • Customer Service Standards in place. • Complaints, compliments and comments recorded and analysed. • Access to Council services available through various channels. • Website team in place.
Inherent Score: 12		
Residual Score: 6		
Date Risk Added: October 2019		
Last Review Date: October 2019		

	<p>aware of all known problems. Revised completed end Feb 2020</p> <ul style="list-style-type: none"> • [IMP] Develop a new vision for Customer Services, including strategy and new standards <ul style="list-style-type: none"> ○ Added October 2019 ○ Due for completion June 2020 • [IMP] Launch MyAccount – online tool enabling residents to report issues/interact with the Council. <ul style="list-style-type: none"> ○ Added October 2019 ○ Due for completion June 2020 ○ We are looking at an earlier implementation, possibly end February. 	
<p>Comments: Aim is to launch MyAccount in February 2020 allowing public to see an early version and provide feedback. MyAccount demo to take place at Growth, Infrastructure and Resources Scrutiny Committee in November. Changes are being made based on feedback.</p>		

Risk ID: 10	Risk Title: Failure to protect the health and safety of employees and members of the public	
Owner: Director - Places	Actions <ul style="list-style-type: none"> • [IMP] Health and Safety policy updated. <ul style="list-style-type: none"> ○ Added February 2018 ○ Scheduled for Cabinet in January 2020, then needs approval at Full Council. ○ Sept 2019 – Additional support required for H&S, consideration to be given in new Places Strategy. ○ Oct 2019 – A need has been identified to recruit externally to fill this role, recruitment process means action is unlikely to be completed until the end of the year ○ New completion date February 2020 • [IMP] Health and Safety training programme being developed. <ul style="list-style-type: none"> ○ Added February 2018 ○ Sept 2019 – all documents/policies that site below H&S policy currently being reviewed ○ Due for completion 31st December 2019 ○ Revised deadline 31st March 2020 	Controls <ul style="list-style-type: none"> • Joint safety committee in place that reviews internal risk reports such as RIDDOR. • Contract procedure rules require contract managers to take due regard of health and safety when procuring contracts. • Managers complete risk assessments for service activities and review annually. • Mandatory health and safety training for all staff • Rolling programme of audits ongoing. • PRIME (online accident reporting system) live and in use.
Inherent Score: 20		
Residual Score: 6		
Date Risk Added: September 2016		
Last Review Date: October 2019		

Comments: Policy will be signed off by SMT and reported to Joint Safety Committee January 2020. The Council brought in Interim Resource to take forward this project but this resource has now left and additional cover is being sought. Permanent role being recruited to during January/February 2020 subject to market.

Risk ID: 72	Risk Title: Disruption to Council Services related to Brexit impact or uncertainty	
Owner: Director - Places	Actions <ul style="list-style-type: none"> • None 	Controls <ul style="list-style-type: none"> • Working with LLR to look at scenarios. • RCC attendance at Government workshops. • Impact assessment ongoing – some initial views on impact already formed within teams and assessed. • Contributing to LLR Resilience Planning. • Funding available from Government should we need to respond • Attending all Brexit Lead Officer (and regional) and Resilience Partnership meetings in preparation.
Inherent Score: 15		
Residual Score: 6		
Date Risk Added: November 2018		
Last Review Date: September 2019		
Comments: Meetings and actions all completed. Meetings finished by mid-January as per national agreement.		

Risk ID: 73	Risk Title: There is a risk we cannot recruit to key vacant posts in the Places Directorate	
Owner: Director - Places	Actions <ul style="list-style-type: none"> • [PRE] Ongoing recruitment and testing market supplements for difficult to recruit areas. <ul style="list-style-type: none"> ○ Added Jan 2020 ○ Completion date n/a but update on recruitment activity given below (see comments). 	Controls <ul style="list-style-type: none"> • Specific recruitment plans in place. • Provision for supplements in place. • Use of external agencies. • Applicant Tracking System in use, allowing Human Resources to manage the recruitment process better.
Inherent Score: 15		
Residual Score: 12		
Date Risk Added: September 2019		
Last Review Date: September 2019		
Comments: Key posts recruited to: CIL/s.106 posts recruited September 2019, Deputy Director (interim), Head of Asset Management completed and starting March 2020 – interim in place for handover, Economic Development Manager , Economic Development Officer, Economic Development Programme Manager all recruited during November 2019 and in post. Senior Highways Manager out to advert during January 2020, Transport Strategy Manager (0.5FTE) awaiting confirmation in structure, Health and Safety Officer – not on establishment but vacant from September (0.5FTE), funding made available to recruit. Advert out during January/ February 2020. Building surveyor permanent posts being advertised during January 2020 to stabilise number of interims in this service area – subject to market response.		

Risk ID: 74	Risk Title: There is a risk that the Council is not financially stable in the medium term (as evidenced by the gap in MTFP)	
Owner: Director - Resources	Actions <ul style="list-style-type: none"> • [IMP] Emergency budget being prepared so that when there is certainty over future funding it can be used as a starting point for discussions <ul style="list-style-type: none"> ○ Added September 2019 ○ This is ongoing and largely complete in Resources and Peoples Directorates. Work delayed in Places due to work on Local Plan. ○ Due for Completion March 2020 	Controls <ul style="list-style-type: none"> • Medium Term Financial Plan in place • Members adhering to minimum General Fund balances in budget setting • Members understand the need to raise Council Tax • All increases in budget scrutinised to ensure they are legitimate. • Lobbying for additional funding ongoing.
Inherent Score: 24		
Residual Score: 12		
Date Risk Added: September 2019		
Last Review Date: September 2019		
Comments: Settlement received in December 2019. Future year settlements not expected until late 2020. Ideally emergency budget work needs to be complete when they have future year settlements so in the Autumn.		

Risk ID: 75	Risk Title: Risk of serious financial/reputational damage from a data breach	
Owner: Director - Resources	Actions <ul style="list-style-type: none"> • None 	Controls <ul style="list-style-type: none"> • Topic at staff briefings to raise awareness. • E-learning and annual refresher training for staff on GDPR/Data Protection. • Track ICO guidance. • Data Protection policies and procedures in place. • All breaches investigated. Lessons learned and applied. • Audits conducted of breach investigations. • KPI in this area being monitored to assess whether further actions required. • Action plan based on ICO feedback fully implemented
Inherent Score: 16		
Residual Score: 6		
Date Risk Added: September 2019		
Last Review Date: September 2019		
Comments: Number of breach reported to ICO was 3 last year, it was 5 this year at Quarter 2, and still 5 in Quarter 3.		

Inherent Risk plotted on Risk Matrix

IMPACT	Most Severe 4			3	75	4, 10	74
	Major 3				7, 78	5, 72, 73, 76	
	Moderate 2				77		
	Minor 1						
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6

Residual Risk plotted on Risk Matrix

IMPACT	Most Severe 4		4				
	Major 3		5, 75		73, 74, 76		
	Moderate 2		3, 7	10, 72, 77, 78			
	Minor 1						
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6

AUDIT AND RISK COMMITTEE

4 February 2020

WHISTLEBLOWING POLICY REVIEW

Report of the Strategic Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr O Hemsley, Leader and Portfolio Holder for Rutland One Public Estate & Growth, Tourism & Economic Development, Communications, Resources (other than Finance)	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
	Sue Bingham, Business Support Manager	01572 758165 sbingham@rutland.gov.uk

DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Consider the Whistleblowing Policy (Appendix A) and recommends to Cabinet for approval.

1 PURPOSE OF THE REPORT

- 1.1 To seek the views of the Audit and Risk Committee on the Whistleblowing Policy (in line with the functions of the Committee as set out in the Constitution) and a recommendation to Cabinet for approval of the Policy.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 Rutland County Council is committed to ensuring that it, and the people working for it, complies with the highest standards of openness, honesty and accountability.
- 2.2 The term Whistleblowing has a specific legal definition i.e. a disclosure or allegation of serious wrongdoing made by an employee and a wider public definition i.e. any disclosure or allegation of serious wrongdoing made by anyone. UK Whistle Blowing legislation was introduced by the Public Interest Disclosure Act 1998, which sets out to protect individuals who make certain disclosures of information in the public

interest, to allow such individuals to bring action in respect of victimisation and for connected purposes.

- 2.3 The review of this Policy has taken place in accordance with the date set by Cabinet in February 2016. Since then this Policy has remained valid and compliant with the legislation.
- 2.4 The only changes that have been made are minor amendments to officer names and job titles in-line with the Councils current structure (page 6 of appendix A).
- 2.5 The key point of the Policy outlines that employees wishing to raise a concern should do so with their immediate manager, or one of the person referred to in the policy if they are not comfortable doing this. If however, they are a member of the public or feel that the issue should be raised at a higher level due to its severity or sensitively, the Policy provides contact details for members of senior management and an Independent Person who can be contacted.
- 2.6 On approval of the updated Policy the Councils website and internal intranet will be amended. Further communication will be made via the Councils website and social media to ensure the public are aware of the Whistleblowing Policy and how to raise concerns.

3 CONSULTATION

- 3.1 When the original Whistleblowing Policy was introduced, Trade Unions were consulted and supportive of the Policy. As this review has resulted in minor changes, extensive consultation has not been required but Unions have been updated.
- 3.2 The Councils Internal Audit department have been advised of this Policy review and support the changes that have been made.

4 ALTERNATIVE OPTIONS

- 4.1 As an employer and public body, it is good practice to create an open, transparent and safe working environment where employees feel able to speak up. To this end, it is essential that the Council continues to ensure all policies and procedures are legal and current. An alternative option would be not to review the original Policy therefore failing to recognise the required changes, which are fundamental to creating a culture of openness and support.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 Part 3 Section 6.3 (d) of the Councils Constitution provides for the Audit and Risk Committee to “advise on whistleblowing”. The report is brought to enable the Committee to provide its advice to Cabinet who are responsible for the determination of employment matters (other than those that relate to structure).

7 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

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

9 COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no Community Safety implications arising from this report.

10 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 There are no specific Health and Wellbeing implications to this policy but the Council has an overall duty of care to its employees which means taking all steps which are reasonably possible to ensure the health, safety and wellbeing of staff.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 11.1 The Council's Whistleblowing Policy has been reviewed and updated to take account minimal changes to officer names and job titles.
- 11.2 It is therefore recommended that this Policy is approved and implemented immediately.

12 BACKGROUND PAPERS

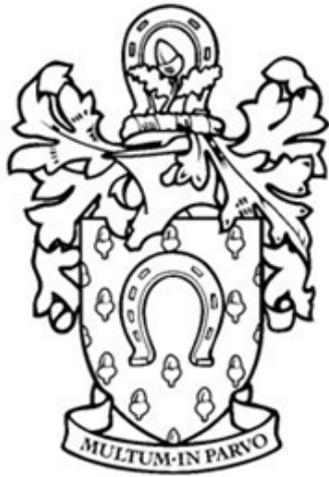
- 12.1 There are no additional background papers to the report.

13 APPENDICES

- 13.1 Appendix A – Draft Whistleblowing Policy.

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

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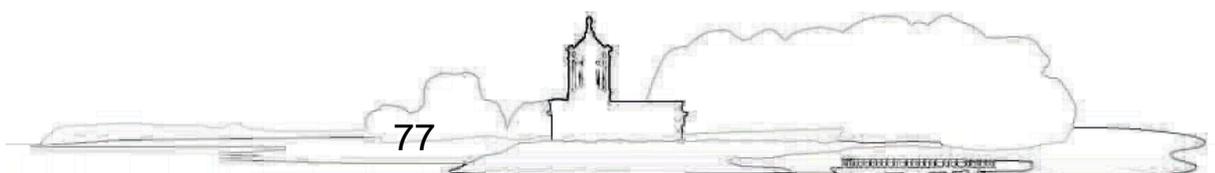
Rutland County Council

WHISTLEBLOWING POLICY

Version & Policy Number	Version 2 : Whistleblowing
Guardian	Deputy Director Corporate Governance (Monitoring Officer)
Date Produced	November 2012
Review Date	November 2015
Next Review Date	November 2019

Approved by Audit and Risk Committee	September 2012
Approved by Full Council	November 2012
Revisions endorsed by Audit and Risk Committee	26 January 2016
Approved by Cabinet	16 February 2016

Approved by Audit and Risk Committee	
Approved by Cabinet	



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1. Introduction

- 1.1 Rutland County Council is committed to ensuring that it, and the people working for it, complies with the highest standards of openness, honesty and accountability.
- 1.2 The term Whistleblowing has a specific legal definition i.e. a disclosure or allegation of serious wrongdoing made by an employee and a wider public definition i.e. any disclosure or allegation of serious wrongdoing made by anyone. UK Whistleblowing legislation was introduced by the Public Interest Disclosure Act 1998, which sets out to protect individuals who make certain disclosures of information in the public interest, to allow such individuals to bring action in respect of victimisation and for connected purposes.
- 1.3 This Policy seeks to cover both disclosures and allegations of serious wrongdoing made by employees and members of the public, and to demonstrate the Council's commitment to the protection of those who raise concerns in what they reasonably believe to be in the public interest. To this end, where this policy makes reference to a whistle blower; it refers to any individual (including Rutland County Council employees and/or members of the public) who is making a disclosure or allegation of serious wrongdoing. Examples of wrongdoing are:
 - Breach of a legal obligation;
 - Any criminal activity, including incitement to commit a criminal act;
 - Corruption or fraud
 - A miscarriage of justice
 - A danger to the health or safety of an individual or damage to the environment
 - Abuse of power or authority
- 1.4 Failure to comply with professional standards, Council policies or codes of practice/conduct. Committed by or related to the actions of:
 - Rutland City Council employees;
 - County Councillors; and/or
 - Contractors, agency staff, suppliers or consultants of Rutland County Council in the course of their work for the Council.
- 1.5 The Council will investigate such allegations and, where appropriate, take action. The Council is also committed to preventing any harassment, victimisation or unfair treatment of any person arising from their whistle blowing, and where appropriate, will take disciplinary action against any member of staff responsible for such harassment, victimisation or unfair treatment against a whistle blower.
- 1.6 The Council is committed to the highest possible standards of openness, accountability. In line with that commitment we expect employees, and others that we deal with, who have serious concerns about any aspect of the Council's

work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

- 1.7 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may seem easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.8 This Whistleblowing Policy makes it clear that any employee can do so without fear of victimisation, subsequent discrimination or disadvantage. This Policy is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside.
- 1.9 These procedures are in addition to the Council's Compliments, Comments and Complaints Policy and Procedures and other statutory reporting procedures applying to some departments. The Council will proactively publish these procedures to ensure all stakeholders are aware of its existence; it is also the individual responsibility of each stakeholder to ensure customers and members of the public are aware of the existence of these procedures.
- 1.10 The Policy has been shared with the relevant trade unions and has their support.
- 1.11 A flowchart has been developed to guide you through the process; this can be found at Appendix A.

2. Aims and Scope of the Policy

2.1 The Policy aims to:

- encourage anyone to feel confident in raising serious concerns and to question and act upon concerns about practice;
- provide avenues to raise those concerns and receive feedback on any action taken;
- ensure that anyone making a disclosure receives a response to their concerns and knows how to pursue them if unsatisfied;
- reassure employees making a disclosure that they will be protected from possible reprisals or victimisation either from colleagues or the Council, as their employer, if they make a disclosure in what they believe is to be the public interest.

2.2 There are existing procedures in place to enable employees to lodge a grievance relating to their own employment contract. Anyone wishing to raise a matter under this subject should refer to the Council's Grievance Policy. The Whistleblowing Policy is intended to cover major concerns that fall outside the scope of other procedures and are outlined at section one above.

- 2.3 Thus, any serious concerns that anyone has about any aspect of service provision or the conduct of officers or Councillors or others acting on behalf of the Council can be reported under the Whistleblowing Policy. This may be about something that:
- makes someone feel uncomfortable in terms of known standards, own experience or the standards we believe the Council subscribes to; or
 - is against the Council's Constitution and policies; or
 - falls below established standards of practice; or
 - amounts to improper conduct.

3. Safeguards

- 3.1 The Council is committed to good practice and high standards and wants to be supportive of anyone with legitimate concerns.
- 3.2 The Council recognises that the decision to report a concern can be a difficult one for anyone to make. If a disclosure is made in the public interest, in reasonable belief, there should be nothing to fear from acting to protect the interests of the Council and the people that it serves.
- 3.3 A whistle blower is protected from victimisation if they are:
- A worker;
 - Revealing information as set out at section 1 above thus making what is known as a 'qualifying disclosure'. This means that they are eligible for protection against detriment if they disclose under the employer's recognised procedure;
 - Revealing it to the right person, and in the right way making it a 'protected disclosure'. (See section 7).
- 3.4 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect any individual who raises a concern in accordance with this Policy.
- 3.5 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that might already be in place.

4. Confidentiality

- 4.1 All concerns will be treated in confidence and every effort will be made not to reveal the identity of anyone reporting a concern if they so wish. At the appropriate time, however, they may need to come forward as a witness, to allow an investigation to proceed.

5. Anonymous Allegations

- 5.1 This Policy encourages everyone to put their name to their allegation whenever possible.
- 5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 5.3 In exercising this discretion the factors to be taken into account would include:
- the seriousness of the issues raised;
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

6. Untrue Allegations

- 6.1 If allegations are made frivolously, maliciously or for personal gain, appropriate and proportionate action may be taken against the individual making them.

7. How to Raise a Concern

- 7.1 As a first step, employees should normally raise concerns verbally or in writing to their immediate manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if an employee believes that management is involved, an approach should be made to the nominated officers below. The telephone contacts for these senior officers are provided below.
- The Chief Executive – Helen Briggs - 01572 758203
 - The Strategic Director – Resources – Sav Della Rocca – 01572 758159
 - Deputy Director Corporate Governance (Monitoring Officer) – Phil Horsfield – 01572 758154
 - Head of Internal Audit – Rachel Ashley-Caunt - 07824 537900
- 7.2 Anyone else wishing to raise a concern can also contact the Council's Officers above. Contact can be via the Council's dedicated email address whistleblowing@rutland.gov.uk or to the Head of Internal Audit who is independent of the Council.
- 7.3 If the concern is about a child or vulnerable adult and is considered to be a safeguarding issue, the matter should be referred immediately to the Director of People.
- The Director of People – Mark Andrews – 01572 758339
- 7.4 Concerns should set out:
- the background and history of the concern (giving relevant dates);

- the reason why there is particular concern about the situation.
- 7.5 Although anyone making a disclosure is not expected to prove beyond doubt the truth of an allegation, there is a requirement to demonstrate to the person contacted that there are reasonable grounds for concern and that they believe there is a public interest in the matter.
- 7.6 If the person making the disclosure is an employee, they may invite a trade union or professional association representative or a friend to be present during any meetings or interviews in connection with the concerns raised.

8. How the Council will respond

- 8.1 Where appropriate, the matters raised might:
- be investigated by management (including the use of external investigators), internal audit, or through the disciplinary process;
 - be referred to the police;
 - be referred to the external auditor, or
 - form the subject of an independent inquiry.
- 8.2 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest.
- 8.3 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.4 Within ten working days of a concern being raised, the person with lead responsibility for managing the concern will contact to you:
- acknowledging that the concern has been received;
 - indicating how the Council proposes to deal with the matter;
 - giving an estimate of how long it will take to provide a final response;
 - advising whether any initial enquiries have been made;
 - supplying information on support mechanisms, and
 - advising whether further investigations will take place and if not, why not.
- 8.5 The amount of contact between the Officers considering the issues and those making a disclosure will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided.
- 8.6 Where any meeting is arranged, an employee can be accompanied by a union or professional association representative or a friend. A member of the public, or any other party, may be accompanied by a friend.

- 8.7 The Council will take steps to minimise any difficulties which an individual might experience as a result of raising a concern. For instance, if the person making the disclosure is required to give evidence in criminal or disciplinary proceedings the Council will arrange for that person to receive advice about the procedure.
- 8.8 The Council accepts that anyone making a disclosure will need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, the Council will inform the person making the disclosure of the outcome of any investigation.

9. The Responsible Officer

- 9.1 The Chief Executive has overall responsibility for the maintenance and operation of the Policy. Deputy Director Corporate Governance (Monitoring Officer) maintains a record of concerns raised and the outcomes (but in a form which does not endanger confidentiality), on behalf of the Chief Executive, and will assist in reporting as necessary to the Council.

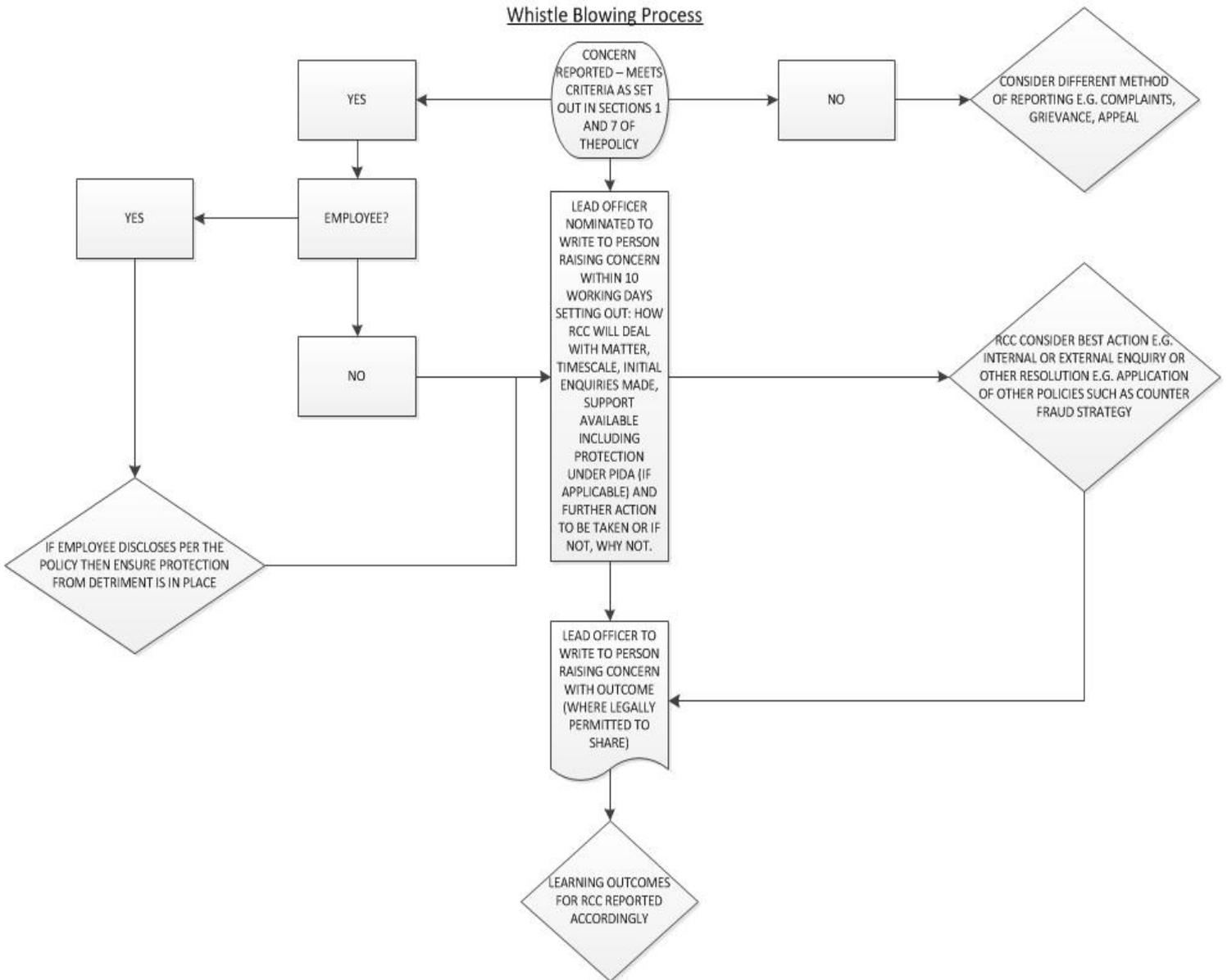
10. How the Matter can be taken further

- 10.1 The Policy is intended to provide an avenue within the Council to raise concerns. The Council hopes that anyone wishing to raise a concern will be satisfied with any action taken. If not the following are possible contact points:
- the Council's Internal Audit team
 - the Council's External Auditor;
 - [Public Concern at Work](#).
 - the Police; or, for employees
 - A trade union
- 10.2 If anyone decides to take the matter outside the Council, they should ensure that they do not disclose confidential information.

11. Maintaining the Policy

- 11.1 The Policy will be reviewed by the Audit and Risk Committee on a regular basis to ensure that it continues to be fit for purpose.

12. WHISTLEBLOWING FLOW CHART



**A large print version of this document is
available on request**



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