

# Rutland County Council

Catmose, Oakham, Rutland, LE15 6HP

Telephone 01572 722577 Email [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk)

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Catmose Catmos Street, Oakham, LE15 6HP on **Tuesday, 26th April, 2022** commencing at 7.00 pm when it is hoped you will be able to attend. Audio of the meeting can also be listened to at <https://us06web.zoom.us/j/99211958007>

Yours faithfully

Mark Andrews  
**Chief Executive**

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at [www.rutland.gov.uk/my-council/have-your-say/](http://www.rutland.gov.uk/my-council/have-your-say/)

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

### **1. APOLOGIES**

### **2. MINUTES**

To confirm the minutes of the Audit and Risk Committee held on 1<sup>st</sup> February 2022.

(Pages 5 - 8)

### **3. DECLARATIONS OF INTEREST**

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

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

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

**5. QUESTIONS WITH NOTICE FROM MEMBERS**

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

**6. NOTICES OF MOTION**

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

**7. EXTERNAL AUDITORS ANNUAL REPORT 2020/21**

To receive Report No. 86/2022 from the Strategic Director for Resources.  
(Pages 9 - 32)

**8. EXTERNAL AUDIT PLAN FOR 2021/22**

To receive Report No. 85/2022 from the Strategic Director for Resources.  
(Pages 33 - 84)

**9. STRATEGIC RISK REGISTER**

To receive Report No. 81/2022 from the Strategic Director for Resources.  
(Pages 85 - 112)

**10. INTERNAL AUDIT UPDATE**

To receive Report No. 82/2022 from the Head of Internal Audit.  
(Pages 113 - 128)

**11. INTERNAL AUDIT PLAN 2022/23**

To receive Report No. 87/2022 from the Head of Internal Audit.  
(Pages 129 - 152)

**12. REVIEW OF TRAINING NEEDS**

**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:**

Councillor R Powell (Chair)

Councillor G Brown (Vice-Chair)

Councillor E Baines

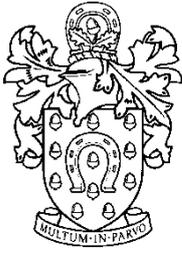
Councillor N Begy

Councillor A MacCartney

Councillor A Walters

**OTHER MEMBERS FOR INFORMATION**

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# Rutland County Council

Catmose Oakham Rutland LE15 6HP

Telephone 01572 722577 Email [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk)

Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held Via Zoom - <https://us06web.zoom.us/j/98656219033> on Tuesday, 1st February, 2022 at 7.00 pm

**PRESENT:** Councillor R Powell (Chair) Councillor G Brown (Vice-Chair)  
Councillor E Baines Councillor N Begy  
Councillor M Jones Councillor A MacCartney

**ABSENT:** Councillor A Walters

**OFFICERS PRESENT:** Saverio Della Rocca Strategic Director of Resources  
Rachel Ashley-Caunt Head of Internal Audit  
Tom Delaney Governance Manager

**IN ATTENDANCE:** Councillor K Payne Portfolio Holder  
L Griffiths Grant Thornton  
P Harvey Grant Thornton

## 1 APOLOGIES

No apologies for absence were received.

## 2 MINUTES

Consideration was given to the minutes of the meeting held on 30 November 2021. It was noted that since the meeting it had been confirmed that with reference to item 10, Internal Audit Delegation, the matter would be considered by Cabinet in March rather than Council as stated in the report and minutes.

It was proposed by the Chair that the minutes be approved subject to the reference to Council being changed to Cabinet. This was seconded and upon being put to the vote, with five votes in favour and one abstention, the motion was carried.

## RESOLVED

That the minutes of the meeting held on 30 November 2021 be **APPROVED**.

## 3 DECLARATIONS OF INTEREST

There were no declarations of interest.

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

No petitions, deputations and questions had been received.

#### **5 QUESTIONS WITH NOTICE FROM MEMBERS**

No questions with notice from Members had been received.

#### **6 NOTICES OF MOTION**

No notices of motion had been received.

#### **7 EXTERNAL AUDIT UPDATE**

Laurelin Griffiths and Paul Harvey of Grant Thornton, the Council's External Auditors, provided a verbal update to the Committee. It was confirmed that following several delays Grant Thornton had been unable to present their annual report on their Value for Money findings, but it was expected that this would be ready for the next meeting of the Committee. It was confirmed that there had been no significant findings of concern and several minor findings would be discussed with officers prior to the report coming to the Committee.

Sav Della Rocca, Strategic Director for Resources, explained that officers had not received any feedback on the Value for Money findings. It was also agreed that following the presentation of the Value for Money conclusion to the Committee options could be explored for the matter to be presented to Council.

#### **8 RISK MANAGEMENT**

Report No. 24/2022 was presented by Sav Della Rocca, Strategic Director for Resources. The report shared the updated Risk Management Policy and sought the Committee's comments prior to approval by Cabinet. It was highlighted that the policy had not been updated for some time and reflected newer working practices and embedded the creation of directorate-level risk registers discussed at previous meetings of the Committee.

Overall, Members welcomed the updated policy and the changes made. The Strategic Director for Resources agreed to consider several comments when finalising the policy for Cabinet regarding:

- The emphasis in the appendices to the policy regarding the risks of an unstable financial position and of cyber-security.
- The minuting of non-public meetings where risk were discussed, in order to better demonstrate that risks had been properly considered.
- The list of Roles and Responsibilities in the Policy, and in particular the approval process for the Annual Government Statement between the Audit and Risk Committee, the Leader of the Council and the Chief Executive.

In response to a query regarding the six-monthly review of the Strategic Risk Register by the Committee, it was confirmed by Councillor K Payne, Portfolio Holder that this was in line with guidance from the Chartered Institute of Public Finance and Accountancy. It was also confirmed by the Strategic Director for Resources that

although the Policy would be expected to be next reviewed in four years' time, there would always be the option to commence a review at an earlier point if circumstances required.

## **RESOLVED**

That the Audit and Risk Committee's comments on the updated Risk Management Policy be taken into consideration before the policy's presentation for approval at Cabinet.

## **9 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) UPDATE**

Saverio Della Rocca, Strategic Director for Resources, verbally confirmed to the Committee that there has been no use of the provisions of the Regulation of Investigatory Powers Act since the last update.

## **10 INTERNAL AUDIT UPDATE**

Rachel Ashley-Caunt, Head of Internal Audit, presented Report No 23/2022 which updated Members on the progress made in delivering the 2021/22 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

Clarification was sought regarding the sharing of Internal Audit reports with Members of the Committee before they formally came before the Committee. In response Tom Delaney, Governance Manager, confirmed that once issued, Internal Audit reports were shared with Members via email and were subsequently uploaded into the Members Microsoft Group for viewing. The Head of Internal Audit and Governance Manager undertook to ensure that no recent reports had been missed from this process.

## **RESOLVED**

That the Committee **NOTES** the Internal Audit update report at Appendix A.

## **11 INTERNAL AUDIT PLANNING 2022/23**

Rachel Ashley-Caunt, Head of Internal Audit presented Report No. 22/2022 which advised Members of progress made in developing the Internal Audit Plan for 2022/23 and a list on proposed areas for coverage, and Member's views were sought on areas which the Committee would prioritise for coverage. It was noted that the provided list of areas included those put forward by Members of the Committee and the Chairs of the Scrutiny Committees, Members were thanked for their feedback and the Head of Internal Audit confirmed that alongside the final Audit Plan at the next meeting would be a reserve list of areas not taken forward with reasons why, such as the need to ensure a spread of assignments across all directorates.

In response to a question from the Chair, it was explained that Internal Audit had not included an assignment on children's safeguarding as this was examined and assurance given through Ofsted inspections. Internal Audit were best placed to examine the implementation of Ofsted recommendations, and it was agreed other areas such as fostering and corporate parenting responsibilities would allow indirect assurance to be given on children's safeguarding.

Councillor G Brown also highlighted the importance of looking into the Home to School Transport arrangements, high value contracts in Waste Management and Highways, and the SEND and MiCare services. The safeguarding implications of Taxi licensing was also suggested as a future item for an Audit Assignment.

The recommendations of the report were moved by Councillor N Begy and upon being put to the vote, with six votes in favour the motion was unanimously approved.

## **RESOLVED**

That the Committee:

- 1) **NOTES** the initial areas highlighted for potential coverage in the Internal Audit Plan 2022/23 and advise on any areas which the committee would prioritise for coverage.
- 2) **APPROVES** delegation to the Strategic Director of Resources, in consultation with the Chair of the Audit and Risk Committee, to approve an interim 2022/23 Internal Audit plan pending approval by the Committee in April 2022.
- 3) **NOTES** that the Audit Plan is flexible and will be kept under review to ensure it remains focused on key areas.

## **12 ANY OTHER URGENT BUSINESS**

There was no urgent business for consideration, but the Chair suggested a self-evaluation could be sent to Members of the Committee outside of the meeting to help identify training needs following Annual Council, it was agreed that any training could be timed to take place immediately before meetings of the Committee.

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**The Chair declared the meeting closed at 19:53.**

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**AUDIT AND RISK COMMITTEE**

26 April 2022

**EXTERNAL AUDITORS ANNUAL REPORT 20/21**

**Report of the Strategic Director for Resources**

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Head of Finance	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

**DECISION RECOMMENDATIONS**

That the Audit and Risk Committee receives the External Auditors Annual Report and approves the responses to recommendations made

**1 PURPOSE OF THE REPORT**

- 1.1 The external auditors, Grant Thornton, have completed their audit work for 2020/21 and the results are attached in the Annual Report for the Committee to note.

**2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 The Report provides a commentary on the results of the auditors work to the Council and external stakeholders, and highlights issues that the auditors wish to draw to the attention of the public.
- 2.2 The auditors reported their detailed findings from their financial statements audit work to the Council's Audit and Risk Committee in September. We received an unqualified opinion on the financial statements on 23 November 2021. There are no recommendations relating to this element of their work.
- 2.3 In September 2021, VFM work was ongoing and is now concluded as highlighted in the Audit report. The auditors assess our arrangements against three headings –

financial sustainability, governance and improving economy, efficiency and effectiveness. The report is positive about our arrangements and there is only one recommendation identified on page 10 relating to linking risks to corporate plan objectives. This is not a significant issue but the Committee is asked to approve the response.

- 2.4 The Committee has previously indicated that it would be useful for the external auditors to present their findings to Full Council. This can be discussed at the meeting.

### **3 CONSULTATION**

- 3.1 None required.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Audit and Risk committee is responsible for overseeing external audit matters so there are no alternative options.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 None.

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

- 6.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to receive reports from the external auditors.

### **7 DATA PROTECTION IMPLICATIONS**

- 7.1 A data protection impact assessment has not been completed as there are no data protection implications.

### **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 This report presents the opinion from the external auditors and highlights some of the key matters, and asks the Audit and Risk Committee to approve the letter in line with their constitutional responsibility.

### **12 BACKGROUND PAPERS**

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

## **13 APPENDICES**

### 13.1 Appendix A – Annual Report

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# Auditor's Annual Report

## Rutland County Council

For the year end 31 March 2021  
April 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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## Appendices

- A - The responsibilities of the Council
- B - An explanatory note on recommendations
- C - Use of formal auditor's powers

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. 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 Council 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.

# Executive summary

## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Rutland County Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness



### Financial sustainability

We assessed the arrangements concerning Financial Sustainability and found no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans.



### Governance

We assessed the arrangements concerning Governance and found no indications of potential significant weaknesses. However we have made one improvement recommendation which can be found on page 11.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



### Improving economy, efficiency and effectiveness

We assessed the arrangements concerning improving economy, efficiency and effectiveness and found no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.

## Opinion on the financial statements

We have audited the financial statements of Rutland County Council for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the of the Council as at 31 March 2021 and the Council's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term 3-5 years.



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporate an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there is a good level of support from finance to ensure budgets are achievable from a resourcing perspective, and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management have allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20, the Council recorded an underspend of £313k on its revenue account. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 clearly had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020, the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFP) for 2020-24. These financial projections showed cumulative funding gaps of £3.762m over the period.

During the 2020/21 financial year officers projected income and expenditure pressures of £2.6m due to Covid-19. However, once there was clarity that government would be providing significant grants to cover additional costs and also loss of income the Council was able to review its financial projections for the remainder of the year and ultimately was able to deliver a balanced budget. This was a result of receiving an additional £4.988m of government funding. The government funding for additional costs and income was obviously critical in allowing the Council to deliver the 2020/21 position, however the Council also had to ensure it had appropriate arrangements in place to deliver revised operational strategies, including the administration of grants to local businesses.

The 2021/22 budget forecasts utilising £1.288m of reserves. This is mainly the use of Covid-19 funding carried forward (£848k), £200k from the social care reserve to support identified pressures and £175k from the pressure reserve to fund major procurement project costs. All three of these reserves are being used for their intended purpose.

As part of the 2021/22 budget setting process the Council has also updated its MTFP, expanding it to cover the period to 2027/28 taking into account the financial environment the Council is currently operating in. This updated MTFP shows increasing budgetary pressure over the period.

## How the body plans to bridge its funding gaps and identifies achievable savings

The Council has a track record of delivering its saving plans. Before Covid-19, a saving requirement of £3.762m was identified over the life of the MTFP. In recognition of the pre-existing funding gaps along with the financial pressures arising from the pandemic, the Council has acknowledged that the current position is not sustainable and has identified a number of areas of review, including:

- reviewing its leisure strategy and re-procurement of its leisure contract to return to a cost neutral position
- developing a waste strategy and undertaking a procurement exercise for its waste contract
- reviewing all staff vacancies
- undertaking a review across all services to identify additional saving options

# Financial sustainability

The Council understands its spending and the complexities of distinguishing between statutory and discretionary spending as a means of driving savings and efficiencies. Officers have explained to Members the requirement for the Council to provide statutory services or meet regulations does still allow some discretion as to how these services are delivered. On this basis, it subjects all spending to close scrutiny when savings plans are being considered.

The Council has £35.55m of operational property, and to date the value of these assets have held up despite uncertainties arising from the pandemic. Like many others in the sector, the Council will need to consider whether its existing strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19, for example the potential reduction in the need for office space due to hybrid- and home-working. The Council are currently developing a 10 year capital programme and asset management strategy.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

We note there is a robust financial planning process in place which ties in with corporate objectives, service and workforce priorities. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council Plan covered the period 2019-24 and had the vision of “achieving a high quality of life in vibrant communities, for everyone in Rutland.” The annual budget and MTFS clearly reference this vision and reflect the priorities within the plan. Whilst the Council Plan was produced before Covid-19, the Council has continued to work towards the original objectives of the plan whilst understanding the need to manage the immediate requirements emerging due to the pandemic like managing grant distribution for business and supporting the most vulnerable.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid-19 demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 with both income and expenditure pressures of £2.6m forecast during the year, but a surplus outturn of £2.245m. This therefore made the decision making process challenging. The ability to close the gap and deliver a surplus is primarily down to the support from government during the year but the Council also demonstrated flexibility and an understanding of its costs and service provision to manage the position.

## Summary

We found no evidence or indication of risks of significant weaknesses in the Council’s arrangements relating to financial sustainability, and as such no further risk-based work has been undertaken in this area.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

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Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account, from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all fundamental elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

## How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

We have reviewed the processes the Council has in place to assess and monitor risk. The Council has a risk management strategy that sets out the Council's responsibilities and approach to managing risks facing the Council.

Each risk identified is RAG rated based on a 4x6 scoring matrix based on upon the impact and the likelihood of the risk.

All risk are allocated a risk owner and in the case of a strategic risk these are a member of the executive management team. The risk owners update the risk register to show the proposed treatment (improve / prevent) along with key controls for the risk and an action plan for managing the risk.

All strategic risks are included in a Strategic Risk Register, and are reported to the Audit & Risk Committee on a half yearly basis. The report sets out a variety of data for each risk including:

- Risk Owner
- Inherent Risk Score
- Residual Risk Score

- Impact
- Proposed treatment (improve / prevent)
- Key Controls
- Action plan to manage the risk

It is evident that the risks on the Strategic Risk Register are changing from the prior year, for example a specific Covid-19 risk and a specific risk around procurement and commissioning capacity were added in 2020/21. This demonstrates that the risk register is live and regularly updated as the risks facing the Council change.

We identified one potential enhancement to the Strategic Risk Register. In line with best practice, we recommend that risks are clearly mapped to the Council's corporate objectives.

Internal audit services are provided by LGSS. An internal audit plan for 2020/21 was approved by the Audit & Risk Committee in February 2020. However, due to Covid-19, internal audit agreed to provide support to service areas in the first quarter, including:

- ongoing review of decision logs including decisions on contract extensions and changes to key financial controls; and
- support provided in relation to fraud risk assessments and post payment checks on the business grants.

As a result, the internal audit plan was revisited to reflect the changes in work and remaining available days for the year. The Chief Internal Auditor gave a Head of Internal Audit Opinion of 'Satisfactory Assurance'.

As part of our review, we have not identified any issues with the scope of the Internal Audit function, how it is directed by management and via the Committee Structure or the delivery of the service.

# Governance

## How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year in terms of financial planning. Before Covid-19, a medium-term financial strategy had been produced based on prudent assumptions about future income streams. This was subsequently updated as part of the 2021/22 budget setting process.

The Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic, there is no evidence the arrangements in place have been compromised. Budgets were discussed with budget holders, senior leadership, other stakeholders and the Finance, Assets and Performance Scrutiny Committee. The budget is then presented to Cabinet for final review and their recommendation to full Council for approval. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored into revised saving plans.

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## How the body ensures effective processes and systems are in place to ensure budgetary control

There are appropriate systems and processes in place for oversight and monitoring of the budget. Budget holders receive monthly budget monitoring reports for the services they have responsibility for. These reports are broken down by cost centre and compare monthly income and expenditure against budget. Reasons for all variances must be reported to the finance team along with explanations of any action being taken.

The Council's financial regulations clearly set out the responsibilities of directors for the financial performance of their directorate to control expenditure and income within their areas of responsibility.

Quarterly finance and performance reports are presented to Cabinet and the Growth, Infrastructure and Resources Scrutiny Committee. The report sets out financial performance of the Council at an organisational level and also broken down by directorate and service area. The report includes details of significant variances that impact on the budget.

Cabinet and the Growth, Infrastructure and Resources Scrutiny Committee also receive half yearly treasury management reports. These reports set out the Council's investment and borrowing position as well as performance against its prudential indicators agreed in the annual treasury management strategy.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

There is no evidence to suggest the Council's decision-making processes are not open or transparent. All major policy decisions are taken to Scrutiny Committees in accordance with the Council's Constitution. The Committee Report Template ensures all relevant considerations must be included. Committee members are provided opportunity to challenge and ask questions at Committee meetings, before voting on the decision. The report template for Committee decisions requires consideration of all stakeholders, and proper engagement as appropriate.

Covid-19 did impact on the ability of many organisations to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles due to urgency) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge at the Council. A Decision Making Log was created to document the use of emergency powers and other delegated powers during the crisis. The log also includes details of who has been consulted when making the decisions.

## How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. The Council's Constitution sets out the framework for monitoring compliance with legislation. The Council has a Monitoring Officer who is responsible for reporting on the lawfulness of the Council's activities. The Constitution includes Codes of Conduct for both officers and members that stipulate the expected behaviours of the staff and members, including openness, transparency, personal ownership and engagement. These are consistent with the public sector Nolan principles.

The Constitution contains a policy for officers and members regarding gifts and hospitality and sets out the responsibility to ensure interests are appropriately declared. These declarations are captured through an annual process and are evidenced at the start of each Committee meeting. It is also possible to search the Council website for declarations made at meetings by meeting type, date and Councillor.

# Governance

## Summary

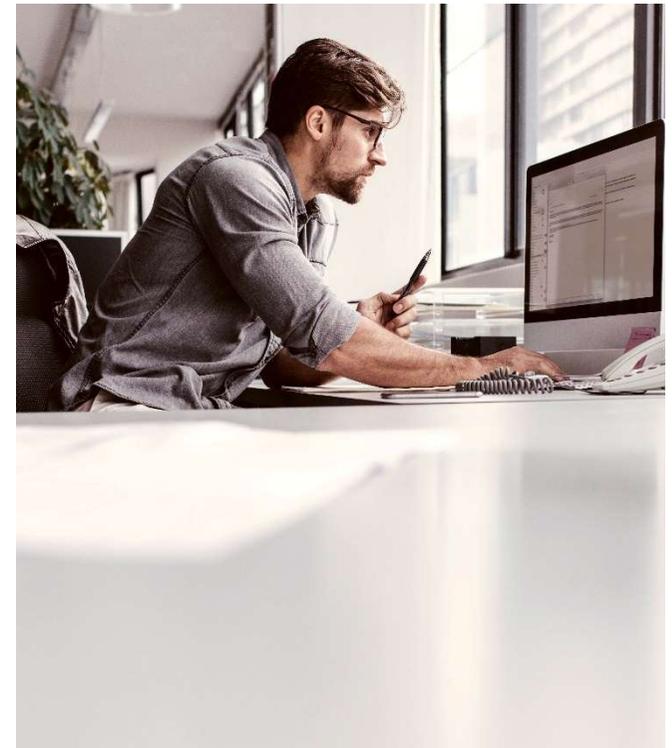
We found no evidence or indication of risks of significant weaknesses in the Council's governance arrangements, and as such no further risk-based work has been undertaken in this area. However, we have made one improvement recommendation in relation to linking risks in the corporate risk register to corporate objectives, as set out overleaf.

# Improvement recommendations

## Governance

<b>1 Recommendation</b>	Within the Strategic Risk Register, we recommend that each risk is mapped to the relevant corporate objectives
<b>Why/impact</b>	Mapping the risks on the Strategic Risk Register will enable new analysis of which corporate objectives are most at risk, and the impact on achieving the objectives of not mitigating risks sufficiently.
<b>Auditor judgement</b>	Clear mapping between the Strategic Risk Register and the corporate objective will enable members to exercise scrutiny in better detail.
<b>Summary findings</b>	On the Strategic Risk Register, risks are not mapped against the corporate objectives.
<b>Management comment</b>	The Council have recently reviewed the Risk Management Policy. The nature of the risks included in the Strategic Risk Register map across the corporate objectives. Therefore mapping these risks doesn't add any value to member's scrutiny of the risks.

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

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## How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a 5-Year Corporate Plan running from 2019-24. The purpose of the plan is to establish a clear vision, priorities, strategic aims and objectives of the Council within the context of a robust Medium Term Financial Plan for the period. The main aim is “to achieving a high quality of life in vibrant communities, for everyone in Rutland”.

As the plan covers five years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle, the Council reports on the delivery of the key targets identified in the 5-Year Plan as part of its performance framework.

The Council’s approach to performance reporting is similar to others in the sector. Cabinet and Scrutiny Committees receive quarterly performance reports. As we explain on page 14, Covid-19 has impacted on both the cycle of reporting (with cancelled meetings) and with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year.

The quarterly performance reports include a summary and an Appendix with every KPI under the Council’s strategic priorities. Each KPI is colour coded for an easy visual presentation of performance, whether it is being achieved or not and the trajectory of the indicator.

The report also sets out overall performance and provides details for those KPIs not achieved along with a narrative of reasons for not achieving the target and actions being taken by officers.

The Council liaises regularly with other councils in Leicestershire and has a good knowledge of what others are doing, where good practice is in place and benchmarking of costs across service areas.

The Council also undertakes benchmarking as part of its budget setting process for reserve levels and average spend per household.

In addition, service directors regularly meet with Finance to review financial performance of services within their remit. Where there are changes within the service (e.g. legislative or staffing) these meetings involve challenging the way the service is delivered. This may involve reviewing the service to determine whether the focus should be on reducing costs or identifying opportunities to invest to improve or increase efficiency in service delivery.

## How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The nature of the services provided by the Council means it is required to work closely with a range of partners and partnership working is a key theme running through the Corporate Plan (especially within healthcare, safeguarding and community safety). The Council’s key partnership is with the Health sector in Leicester, Leicestershire and Rutland (LLR).

The health partnership performance is monitored as part of the quarterly performance reports and is based upon the four strategic priorities set out in the Council Plan. Performance against the Corporate Plan is reported to Cabinet and the Rutland Health and Wellbeing Board, along with oversight from the Adult and Health Scrutiny Committee.

# Improving economy, efficiency and effectiveness

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council's Contract Procedure Rules are set out in part 10 of the Constitution and are kept under a rolling programme of review. These Contract Procedure Rules Strategy details the Council's approach to procurement and sets out the stages by which the Council procures goods or services. The Strategy has key objectives which are:

- to protect the Council's reputation by minimising the risk of allegations of corruption, dishonesty and failure to meet legal obligations
- to realise value for money through the optimum combination of whole life costs and quality of outcome.

Each contract has a named contract manager from the procuring service line that is responsible for managing and monitoring performance of the contract. They are supported by the Finance team who liaise with service managers to monitor financial performance as part of regular budget monitoring meetings. The performance of major contracts has been a key topic for the Growth, Infrastructure and Resources Scrutiny Committee. Internal Audit and Audit & Risk Committee have overseen work in relation to the Highways Maintenance Contract.

We found no evidence that appropriate procurement processes were not followed during 2020/21.

## Summary

We found no evidence or indication of risks of significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness, and as such no further risk-based work has been undertaken in this area.

# Covid-19 arrangements



Since March 2020, Covid-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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## Financial sustainability

Covid-19 has had a significant impact on the services councils have been required to provide. At the same time the Council has had to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

A specific cost centre was set up to allow for accurate recording of Covid-19 related costs and reporting on the impact was incorporated into the quarterly budget monitoring reports.

The impact on finances to date has ultimately been limited due to government support but, as we have set out earlier in this report, there were periods of uncertainty when it was unclear what support would be available. The Council was able to deliver a budget that required minimal use of reserves in 2021/22 but as government support has reduced whilst the country has re-opened the Council has continued to find the financial landscape challenging with its income streams still being impacted.

There is potential for there to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately the Council is in a good financial position with reasonable levels of reserves for its size, but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

## Governance

As soon as it was lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and be involved in decision making throughout the course of the pandemic. Many corporate support staff began working from home and the Council was required to transition to IT-enabled home working away from the office.

Governance arrangements were amended to meet the challenges of the pandemic. The Council enacted its Civil Emergency powers, delegating authority to the Chief Executive to plan the Council's responses in March

2020, which ensured that support to local residents and businesses were provided, that Council services were maintained, and that the welfare of officers and was members protected.

A Decision Making Log was created to document the use of emergency powers and other delegated powers during the crisis. The log also includes details of who has been consulted when making the decisions.

During the height of the pandemic the Council held regular briefings with Cabinet and the Leaders of both Groups on events that had been occurring along with the decisions that had been made under emergency powers.

Cabinet also received regular update reports on the Covid-19 situation and the continued use of emergency powers. The financial impact of Covid-19 was incorporated into quarterly financial reports.

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be 'Covid Secure'. To maintain essential services, the Council procured and supplied necessary personal protective equipment.

## Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2019-24. Despite the obvious impact of Covid-19 on performance the Council managed to meet 38 of its 53 performance targets (72%). A number of these indicators were not achieved because the teams responsible were re-deployed or working on other priority areas.

## Summary

We found no evidence or indication of risks of significant weaknesses in the Council's arrangements relating to Covid-19, and as such no further risk-based work has been undertaken in this area.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 23 November 2021.

## Other opinion/key findings

We issued unmodified opinions in respect of other information.

26 We did not report any matters by exception.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 8 November 2021.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts:

The key issues were:

- Incorrect netting off of Collection Fund payments on account against Collection Fund Debtors. This also affected the balances for 2019/20 and a prior period adjustment was made to correct these balances.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Strategic Director of Resources (s151 Officer):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Strategic Director of Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director of Resources is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Strategic Director of Resources is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory 29	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Governance page 10

# Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required
<p><b>Public interest report</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required
<p><b>Application to the Court</b></p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required
<p><b>Advisory notice</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	Not required
<p><b>Judicial review</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required



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**AUDIT AND RISK COMMITTEE**

26 April 22

**EXTERNAL AUDIT PLAN 21/22**

**Report of the Strategic Director for Resources**

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Head of Finance	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

**DECISION RECOMMENDATIONS**

That Members:

1. Approve the proposed external audit plan for 21/22.
2. consider whether it wishes to make any comments in relation to responses to the risk assessment in Appendix B.

**1 PURPOSE OF THE REPORT**

- 1.1 To outline the approach to the external audit for 21/22.

**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.
- 2.2 The key risks pertaining to the accounts are covered in pages 7 to 9 and are fairly standard for local authorities.
- 2.3 The auditor’s plan is informed by a risk assessment and Appendix B includes our responses to their questions. The Audit and Risk Committee should consider

whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

### **3 CONSULTATION**

3.1 No formal consultation is required.

### **4 ALTERNATIVE OPTIONS**

4.1 The Committee is asked to approve the report. The Committee could also ask for changes to our responses to the risk assessment questions in Appendix B.

### **5 FINANCIAL IMPLICATIONS**

5.1 The Committee should note that audit fees are increasing to £82,420 from £77,420 in 21/22 but the Council has received additional funding from Government in 21/22 of £25,992. It appears as though this is one off funding only.

### **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 A – Audit Plan 2021/22

13.2 Appendix B - Informing the audit risk assessment

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

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# Rutland County Council audit plan

**Year ending 31 March 2022**

Rutland County Council  
31 April 2022



# 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 Council 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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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AOR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of Covid-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Key matters

## Factors

### Council developments

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Despite these pressures the Council finished the 2020/21 financial year with a surplus of £2.245m against budget., which is predominantly due to the additional Covid-19 funding received from the Government. There were a number of adverse variances, but these were offset by the additional funding and underspends in other service areas. For 2021/22, as at period 9 the Council is reporting a £2.2m surplus which is of which £497k relates to the impact of Covid-19 and a reduction in demand led services in particular adult and children's services .

The Council has developed a 5 Year Medium Term Financial Strategy for the General Fund which was approved in February 2022 for 2022/23 to 2026/27. This shows that the Council will come under increasing financial pressure in the next few years with the MTFS showing recurring funding gaps. Officers are currently working on addressing these funding pressures.

We recognise that it is an uncertain environment for the Council. Given the uncertainty regarding both future funding and expenditure the Council will need to maintain its focus on its finance

### Impact of Covid-19 pandemic

As a result of the Covid-19 pandemic the Council has had to put on hold some of the corporate projects which it had originally anticipated to take place in 2020/21.

The pandemic has also affected the Council 's service provision. This includes lost income from services such as parking, licencing & registration services and additional cost pressures in adult social care and staffing costs . The Council has received additional grant funding as a result of the Covid-19 pandemic in order to cover the losses incurred by service closures. We note that the grants do not fully offset all of the losses incurred. Additional grants have also been provided to the Council so that it can support individuals and businesses.

We will consider the impact on Council services as part of our VfM audit work and the ability of the Council to re-establish service provision once the impact of the pandemic lessens.

### Financial Statements

We have commenced our detailed planning for 2021/22 and have started the process of meeting with officers. We have started initial discussion around key risk areas including valuation of property, plant and equipment, estimates, and value for money.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rutland County Council ('the Council') 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 agreed 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.

## 42 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 Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Risk Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Risk Committee of your responsibilities. It is the responsibility of the Council 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 Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council'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 over-ride of controls
- Valuation of land and buildings
- Valuation of the pension fund net 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 £1.3m (PY £1.25m) for the Council, 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 £65k (PY £62.5k).

## Value for Money arrangements

Our Value for Money risk assessment remains in progress. However, based on the assessment completed to date we do not anticipate any significant VFM audit risks that will impact the audit for 2021/22.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our key auditor's report.

## Audit logistics

Our interim visit took place in March and our final visit will take place in July - September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £82,420 (PY: £77,420) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

# 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
Fraudulent revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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 Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are limited</li> <li>• the culture and ethical frameworks of local authorities, including Rutland County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	We will continue to review revenue transactions as part of our audit ensuring that it remains appropriate to rebut the presumed risk of revenue recognition for the Council.
Fraudulent expenditure recognition (rebutted)	<p>Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the risk factors set out in Practice Note 10 and the nature of the expenditure at the Council, we have determined that there is not a significant risk of misstatement arising from fraud in expenditure recognition, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition</li> <li>• opportunities to manipulate expenditure recognition are limited</li> <li>• the culture and ethical frameworks of local authorities, including Rutland County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	We will continue to review material expenditure transactions as part of our audit ensuring that it remains appropriate to rebut the risk of expenditure recognition for the Council.

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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 Council 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"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	<p>The Council 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 and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) 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"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly</li> <li>• evaluate 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.</li> </ul>

# 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 Council'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 and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council'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"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul>

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# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- 47 • Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- 48 How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have made enquiries with officers about material accounting estimates and are awaiting their response. A copy of their responses are included on the Audit & Risk Committee agenda as a separate paper for your consideration.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# 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 to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set 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 legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - 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.

# Materiality

## The concept of materiality

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 Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,300k (PY £1,250k) for the Council, which equates to 2% of your forecast 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 £15k for the disclosure of Senior officer remuneration.

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.

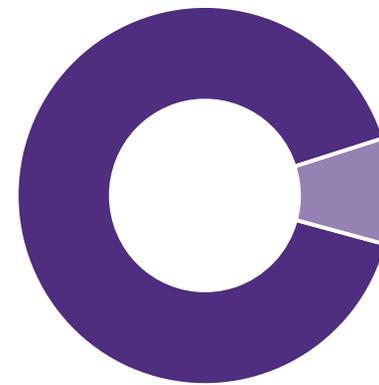
## Matters we will report to the Audit Committee

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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £65k (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.

## Prior year gross operating costs

£65.777m  
(PY: £62.711m)



■ Prior year gross operating costs

## Materiality

£1,300k  
Council financial statements materiality  
(PY: £1,250k)



£65k  
Misstatements reported to the Audit & Risk Committee  
(PY: £62.5k)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	Streamlined ITGC design assessment
Civica	Council Tax, Business Rates, Housing Benefits	Streamlined ITGC design assessment

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Audit logistics and team



Laurelin Griffiths, Key Audit Partner

Laurelin's role will be to:

- be the key contact for the Chief Executive, s151 Officer, 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 Council;
- review work performed by the audit team to ensure high audit quality; and
- ensure that our reports are clear, concise and understandable.

Peter Rought, Audit Incharge

Peter's role will be to:

- take responsibility as the day to day contact for the Council Finance Staff and running of the audit;
- Oversee the audit team on a day-to-day basis; and
- ensure effective communication and understanding by the Finance team of audit requirements.

## Audited body responsibilities

Where audited bodies 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 audits. 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 agreed timetable 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 items for testing
- 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.

# Audit fees

In 2018, PSAA awarded a contract of audit for Rutland County Council to begin with effect from 2018/19. The fee agreed in the contract was £50,420. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

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, as detailed on page 11 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, has been agreed with the Executive Director of Resources.

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	Actual Fee 2020/21	Proposed fee 2021/22
Rutland County Council Audit	£77,420	£82,420
<b>Total audit fees (excluding VAT)</b>	<b>£77,420</b>	<b>£82,420</b>

## Assumptions

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

- prepare a good quality set of financial statements, 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 \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and 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 (Revised 2019) 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified. 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 Council's policy on the allotment of non-audit work to your auditors. 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 member Firms will be included in our Audit Findings report at the conclusion of the audit.

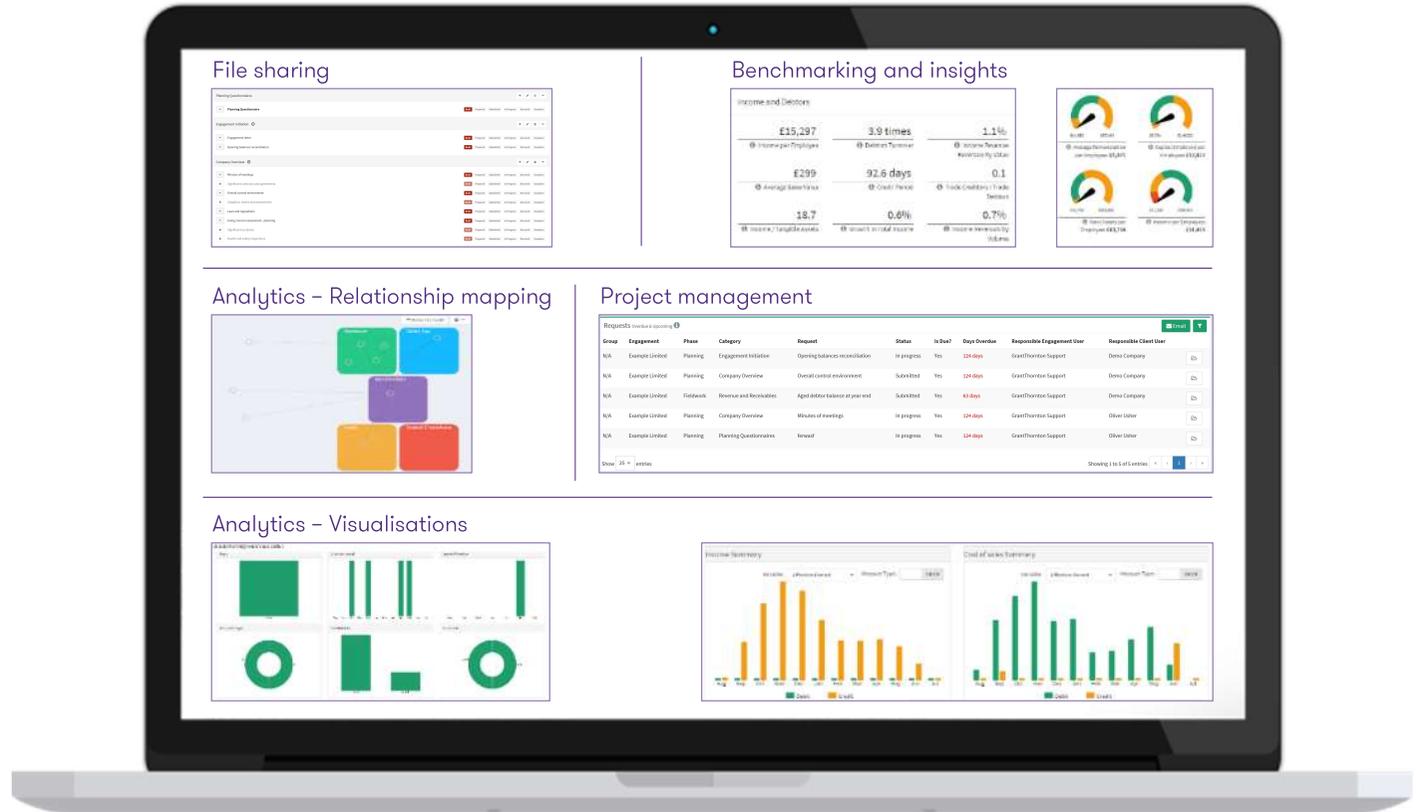
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Housing Benefit (Subsidy) Assurance Process 20/21 (June – November 2021)	10,950	For these two audit-related services. We consider that the following perceived threats may apply:	The level of this recurring fee taken on their own are not considered a significant in comparison to the to the total fee for the audit of £82,420 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level.  Our team have no involvement in the preparation of the for which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed.  The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management
Housing Benefit (Subsidy) Assurance Process 21/22 (June 2022 – January 2023)	12,000	<ul style="list-style-type: none"> <li>Self-Interest (because this is a recurring fee)</li> <li>Self Review</li> <li>Management</li> </ul>	
Certification of Teachers Pension Return 20/21 (October – December 2021)	4,500		
Certification of Teachers Pension Return 20/21 (October – December 2022)	7,500		
<b>Non-audit related</b>			
None			

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

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## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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# Informing the audit risk assessment for Rutland County Council 2021/22

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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 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 your business or any 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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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Rutland County Council's external auditors and Rutland County Council's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Rutland County Council's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Ongoing effects of Covid 19 Pandemic -particularly affecting certainty of asset valuations, pension fund figures, increased costs in social care and levels of provisions.
2. Have you considered the appropriateness of the accounting policies adopted by Rutland County Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	An analysis of accounting policies has been carried out with reference to the Code of Practice, but with consideration of the Council's individual arrangements. Consideration was given to whether any changes were needed due to the impact of the pandemic, particularly relating to expected credit losses but the existing policies are considered appropriate.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The council's financial instruments only include "straight-forward" borrowing, investment, debtors and creditors. All financial instruments used are covered within the TMS
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Receipt of government funding relating to the pandemic. The largest amount relates to Business Grants – however, these are on an agent basis and will not be included in the Statement of Accounts. Oakham School is in the process Academy transfer. No date has been confirmed but it is expected to be in the first quarter of 2022/23

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Possible asset value impairments due to the pandemic and general global uncertainty relating to the situation in Ukraine
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Rutland County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	39 Essex Chambers LLP; Landmark Chambers; LGSS Law Ltd; Weightmans LLP, Bevan Brittan; Anthony Collins Solicitors LLP; Shakespeare Martineau. Not aware of any open litigation at this time.

## General Enquiries of Management

Question	Management response
9. Have any of the Rutland County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Resource Futures Ltd – new Waste Management Contract Programme Officer Solutions Ltd – Local Plan
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The amount of debt written off in the year is reviewed to inform expected credit losses needed at the current year end. Bad debts are under constant review. Investments are considered based on environment scanning and advice from treasury advisers. No specific assets have been identified.

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Rutland County Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Rutland County Council's management.

## Fraud risk assessment

Question	Management response
<p>1. Has Rutland County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p>	<p>Yes. The risk of material mis-statement of the accounts is low</p> <p>Controls are in place to prevent and detect fraud. See Counter Fraud &amp; Corruption Policy. Strategic Risk Register, Fraud Risk Register, and Head of Internal Audit Annual Report, - all are reported to Audit &amp; Risk Committee. No material instances of fraud have been reported in 2021/22.</p> <p>All financial reports to Council from the S151 officer contain reference to risks. There are strong controls over the sales and purchase ledgers to prevent fraud – these are assessed regularly by internal audit with reports going to the Chair of the Audit &amp; Risk Committee. The Committee also receive a summary of the outcome of all internal audits</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Grants &amp; welfare payments.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rutland County Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>None identified at the time of writing.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Regular reports on Risk Management Policy, Strategic Risk Register, Counter Fraud Strategy, Fraud Risk Register and internal audit reports to Audit & Risk Committee
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Rutland County Council where fraud is more likely to occur?	None in 2021/22 other than identified at question 2 of this section. No. See Fraud Risk Register No. See Fraud Risk register
6. What processes do Rutland County Council have in place to identify and respond to risks of fraud?	See Counter-Fraud Strategy, Fraud Risk Register, Risk Management Policy, Financial Procedure Rules and response to question 1 of this section. Internal audit review of controls

## Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Rutland County Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>See Financial Procedure Rules, previous year's Annual Governance Statement, Internal Audit Plan.</p> <p>Regular internal audit reviews of processes. Head of Internal Audit Annual report.</p> <p>See previous year's Annual Governance Statement. Annual internal audit of key financial systems with reports going to the Chair of the Audit &amp; Risk Committee</p> <p>See Head of Internal Audit Annual report.</p> <p>Whistle Blowing Policy, Codes of Conduct for Members and Officers, information on staff Intranet, Money Laundering protocol and guidance, Gifts &amp; Hospitality Policy, training, segregation of duties, access controls, authorisation levels</p> <p>No. Regular reviews of controls and their operation by internal audit. Whistleblowing Policy</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No specific areas</p>

## Fraud risk assessment

Question	Management response
<p>9. How does Rutland County Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Codes of Conduct on website and staff Intranet. Induction process for new starters, training for new members, ongoing training.. Other policies and procedures</p> <p>Whistleblowing Policy, training</p> <p>See Counter Fraud Strategy</p> <p>Not aware of any at this time</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Strategic Director – Resources – overall control of fraud and risks Finance Manager – responsibility for the overall financial systems Head of HR – false employees</p> <p>Controls in place regularly assessed by internal audit Fraud Risk Register</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Any significant related party transactions are disclosed within the accounts</p> <p>Members submit an annual return declaring conflicts of interest and any related parties. Members are also required to declare any interest in agenda items during meetings and on an ad hoc basis throughout the year.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>See responses to previous questions Any frauds identified are reported to the Audit &amp; Risk Committee</p> <p>The Committee can request internal audit to review systems or processes where reports have identified concerns.</p> <p>No identified instances of fraud to date in 2021/22</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Not aware of any at this time</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>Not aware of any at this time</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that Rutland County Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Rutland County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p>	<p>Directors &amp; Heads of Service are responsible for ensuring compliance within their areas and make annual declarations. The Monitoring Officer is responsible for identifying and evaluating claims – external solicitors are contacted if necessary. The Monitoring officer raises awareness of legal requirements at meetings. The Monitoring Officer's responsibilities are set out in the Constitution. Internal audit reviews consider compliance with laws and regulations where appropriate.</p> <p>None that would impact on the financial statements for 2021/22</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer attends Audit &amp; Risk Committee meetings to advise on any areas of concern. Assurance is also gained through the work of internal audit. The S151 Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the relevant legal and regulatory requirements. A signed statement of responsibility is included with the financial statement..</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>Not aware of any at this time</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not aware of any at this time</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Rutland County Council have in place to identify, evaluate and account for litigation or claims?	See response to question 1 in this section. If known claims or litigation are in process at year-end, this would be disclosed as a provision or contingent liability
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Not aware of any at this time.

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## Related Parties

### Matters in relation to Related Parties

Rutland County Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Rutland County Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

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A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Rutland County Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Rutland County Council</li> <li>• whether Rutland County Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>Some changes to post holders and councillors – no disclosures expected</p>
<p>2. What controls does Rutland County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Register of Interest for Members Annual declarations of related parties for members and officers, reviewed for completeness by senior finance officers. Requirement to disclose interest before items are discussed at meetings</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>If any potential transactions are identified, they would be reported to the S151 and Monitoring Officers for authorisation and approval.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Emergency delegation set out in the Constitution and provisions in the Financial Procedure Rules. Significant transactions reported retrospectively to relevant Committee or Council.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Rutland County Council will no longer continue?	See response to question 1 under section "Law & Regulations" Regular budget monitoring reports including forecasts to Cabinet/Council. MTFP and risks reported S151 review of adequacy of reserves in budget setting report (S25 report) Ongoing cashflow monitoring Treasury advisers provide details of any restrictions on borrowing
2. Are management aware of any factors which may mean for Rutland County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Not aware of any at this time.
3. With regard to the statutory services currently provided by Rutland County Council, does Rutland County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Rutland County Council to cease to exist?	Rutland County Council expects to continue to provide the current statutory services for the foreseeable future. There are no plans for RCC to cease to exist.
4. Are management satisfied that the financial reporting framework permits Rutland County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Non-current asset valuations</p> <p>Pension Fund liability</p> <p>NDR Appeals</p>
2. How does the council's risk management process identify and address risks relating to accounting estimates?	<p>Any significant amounts in the accounts that are estimated are considered to be those at risk. Any figures that have changed significantly year on year are also considered.</p> <p>Estimates are made in line with accounting standards by suitably experienced and trained staff within the Finance team, using experts to advise where appropriate. Challenges are made where the figures reveal unexpected results or large changes from the previous year</p> <p>Where uncertainties exist a sensitivity analysis is provided</p> <p>Disclosures are made within the accounts setting out the risks, the uncertainties and sensitivity analysis</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Past practice, knowledge, experience and environment scanning.</p> <p>Methods used calculate the most likely outcome</p> <p>A range of assumptions are considered, those selected being the most appropriate to the Council's situation</p> <p>Most up to date source data considered when preparing the accounts</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Accounting estimates are updated each year for the financial statements. If significant changes have occurred in valuation data these are disclosed in the notes to the accounts. For property sales, outcomes can be determined by the profit or loss achieved. For NDR Appeals the amount paid out during the year is assessed by experts and used to inform the provision needed at the current year end. The amount of debt written off in the year is reviewed to inform the expected credit losses needed at the current year end.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Whether skills/knowledge exist within the Council, or where unusual circumstances exist
7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Materiality of numbers in the accounts and the impact of those numbers on the reader
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Results of estimates reviewed against previous years figures

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Accounts are reviewed at various points throughout the production process and by different levels of management. Meeting is held with the Chair of the Audit &amp; Risk Committee to explain the significant figures in the accounts and how assumptions or estimates may have changed. Draft accounts presented to Audit &amp; Risk Committee for review/challenge. Key changes are highlighted. Final sign-off by S151 Officer and Chair of committee.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement? If so, what are they?</p>	<p>Not aware of any at the time of writing.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates are reasonable?</p>	<p>Monitoring of the results of previous years estimates confirm reasonability</p>
<p>12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Meeting is held with the Chair of the Audit &amp; Risk Committee to explain the significant figures in the accounts and how assumptions or estimates may have changed. Draft accounts presented to Audit &amp; Risk Committee for review/challenge. Key changes from previous year are highlighted and explained verbally. Where necessary explanations added to the financial statements. S151 Officer provides final assurance before sign-off .</p>



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**AUDIT AND RISK COMMITTEE**

26 April 2022

**STRATEGIC RISK REGISTER**

**Report of the Strategic Director for Resources**

Strategic Aim:	All		
Exempt Information	No		
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation		
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159	sdrocca@rutland.gov.uk
Ward Councillors	N/A		

**DECISION RECOMMENDATIONS**

That the Committee:

- 1) Notes the content of the Strategic Risk Register (Appendices A and B) 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 has been reviewed and updated. The dashboard at Appendix A summarises the key movements since it was last presented at Audit and Risk in November 2021. The full register is included in Appendix B. The Risk Register was taken to Cabinet in April alongside the new Risk Management Policy and was approved.
- 2.2 The risk identification exercise for Directorate risk registers was facilitated by Zurich Municipal. Draft registers are in place but need review and further work is required in terms of controls and actions. The most common risk raised was around the gap between workload/commitments and available resources required to deliver. This issue has been escalated into Risk 73 and one of the key mitigations will be to revisit resource requirements as part of the financial outturn report.

2.3 SMT intends to do some work on Directorate risk registers before they are finalised with support from Internal Audit.

### **3 CONSULTATION**

3.1 None required.

### **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 for this recommendation.

### **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.

5.2 The Committee should also note that addressing risk issues may require investment of resources.

### **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: Risk Dashboard

13.2 Appendix B: Strategic Risk Register

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

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## APPENDIX A – RISK DASHBOARD

Number of Risks <b>11</b>	<ul style="list-style-type: none"> <li>No new risks have been since the last review.</li> <li>The Data Breach risk has been removed given current performance.</li> <li>The Brexit risk and risk around Long term Covid impacts were removed in November and there has been no reason to reinstate them.</li> <li>Risk 73 has been revised to reflect the key issue emerging from Directorate risk registers. “There is a risk we cannot deliver key/new priorities due to a lack of resources caused by retention/recruitment issues, budget or too big a corporate workload (including additional requirements from Government)”. </li> <li>The two highest risks relate to Risk 73 (above) and financial risk (Risk 74). The financial risk score has been increased because of risks relating to inflation and future funding.</li> </ul>
Risks added since last review <b>0</b>	
Risks removed since last review <b>1</b>	
Number of open actions <b>20</b>	<ul style="list-style-type: none"> <li>8 new actions have been added but the 3 key ones relate to Risk 73 above. Project/Service teams are considering resource needs for upcoming projects and pressures for consideration at financial outturn.</li> <li>Six actions have been closed covering Risk 3, Risk 4, Risk 76, Risk 73, Risk 74 and Risk 78.</li> <li>Updates and progress are provided in Appendix B.</li> </ul>
Actions added since last review <b>8</b>	
Actions completed since last review <b>6</b>	

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# APPENDIX B – 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: <b>3</b>	Risk Title: Failure to deliver key services should a significant business interruption occur	
Owner: Director – Places	Actions	Controls
Inherent Score: <b>16</b>	<ul style="list-style-type: none"> <li>• <b>[PRE] REVISED</b> – Implementation of Cyber Security Resilience Action Plan <ul style="list-style-type: none"> <li>○ Added – March 2022</li> <li>○ Further to securing additional finding (see below), action plan to be implemented by December 2022. Interim updates to be given in next iteration of Risk Register.</li> </ul> </li> <li>• <b>[IMP] NEW</b> – Testing of BCP <ul style="list-style-type: none"> <li>○ Added – March 2022</li> <li>○ To be arranged with Resilience Partnership pre September 2022</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• A Major Incident Plan has been prepared</li> <li>• Specific recovery plans are in place and have been updated</li> <li>• Business Continuity documents have been uploaded to a secure website (Resilience Direct)</li> <li>• Contract procedure rules include the requirement for managers to consider the impact of contractor failure and mitigate the risks appropriately</li> <li>• Business Continuity arrangements audited by Internal Audit and more recently by Resilience Partnership and new plan addresses key learnings</li> <li>• Preparations completed for dealing with concurrent events</li> </ul>
Residual Score: <b>12</b> ↔		
Date Risk Added: September 2016		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>		
<b>CLOSED</b> - BCP plans have been updated and signed off by Directors and SMT. There is a corporate plan and plans at each service level detailing with loss of suppliers, staff and IT.		
<b>Comments:</b>		
Now BCP plans are complete there is work to do to test the plans we have hence that new action is recorded. Supplier failure was an issue identified in Directorate registers. Supplier failure has been covered as part of BCP plans.		
As reported in the Quarter 3 Finance report, the Council has applied for funding from DLUHC for Cyber resilience and been notified that it has been successful with an award of £150k. A cyber threat is now one of the biggest business continuity risks so		

Risk ID: <b>3</b>	Risk Title: Failure to deliver key services should a significant business interruption occur
the Council structured its bid in a way that would allow it to invest and upgrade the Council's network infrastructure, back up arrangements and security systems towards best in class.	

Risk ID: 4	Risk Title: Failure to Safeguard (Children) and a child is significantly abused, hurt, or dies.	
Owner: Director - People	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> Embed Signs of Safety model of practice through the delivery of 2 year implementation plan: <ul style="list-style-type: none"> <li>○ Added Jan 21</li> <li>○ Due to be completed 2022</li> <li>○ UPDATE: All on track, May go live date</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Processes and procedures in place to protect the most vulnerable</li> <li>• Ensuring we have sufficient competent, trained staff to safeguard children and there is no unallocated work</li> <li>• Clear practice standards in place so staff know what is expected of them and effective training to allow them to deliver high quality practice.</li> <li>• Children's services improvement plan in place and subject to monthly scrutiny by the Improvement Board.</li> <li>• High quality management oversight of all Children's Social Care practice.</li> <li>• Comprehensive Performance Management and Quality Assurance framework in place.</li> </ul>
Inherent Score: 20		
Residual Score: 12 ↔		
Date Risk Added: September 2016		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>		
<b>CLOSED</b> - Complete permanent recruitment to all key management and social work roles		
<p><b>Comments:</b> The OFSTED inspection in March 2020 graded Rutland County Council Children's Services as 'Requires Improvement to be Good'. An improvement plan has been in place since then, strengthened by improved governance arrangements.</p> <p>In January Ofsted undertook a focused visit to review children's services. In a formal letter detailing the inspectors' findings, Ofsted confirmed that Rutland County Council is maintaining a clear focus on protecting children and improving the quality of social work practice in the county. Inspectors also noted that senior leaders within Rutland's Children's Services know their</p>		

Risk ID: 4	Risk Title: Failure to Safeguard (Children) and a child is significantly abused, hurt, or dies.
services well and have succeeded in improving care for children and young people despite the challenges of the COVID-19 pandemic.	

Risk ID: <b>5</b>	Risk Title: Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.	
Owner: Director - People	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[PRE] NEW</b> Preparing for Care Quality Commission Inspection of Local Authority Social Care. Completion of Self-Assessment tool when available. <ul style="list-style-type: none"> <li>○ Added: 21 March 2022</li> <li>○ Target date: 31 March 2022</li> </ul> </li> <li>• <b>[PRE] NEW</b> Implement changes to Liberty Protection Safeguards (issued in March) for implementation in 2023 (April or October) <ul style="list-style-type: none"> <li>○ Added: 21 March 2022</li> <li>○ Target date: End September 2022</li> </ul> </li> <li>• <b>[PRE] NEW</b> Refresh LLR Safeguarding Adults Board Business Plan <ul style="list-style-type: none"> <li>○ Added: 21 March 2022</li> <li>○ Target date: End April</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Processes and procedures in place to protect the most vulnerable.</li> <li>• Scrutiny and overview from the Safeguarding Boards.</li> <li>• Monthly performance and financial monitoring by senior offices and updates to Cabinet.</li> <li>• High quality, timely information contained within case files.</li> <li>• Clear practice standards in place so staff know what is expected of them.</li> <li>• Management oversight recorded on file alongside regular supervision.</li> <li>• Effective training of staff.</li> <li>• Comprehensive Performance Management and Quality Assurance framework in place.</li> <li>• Annual audits now in place on an ongoing basis to ensure quality and effectiveness of service is maintained.</li> <li>• Workforce changes to provide a complex lives worker, across teams, providing further resilience and professionalism to safeguarding</li> <li>• Extra social worker added to P&amp;S to support increased safeguarding referrals/duty work, on a fixed one-year contract</li> </ul>
Inherent Score: <b>15</b>		
Residual Score: <b>9 ▲</b>		
Date Risk Added:  September 2016		
Last Review Date:  March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b> None		

Risk ID: 5	Risk Title: Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.
<p><b>Comments:</b> *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.</p>	
<p>There will be Care Quality Commission (CQC) oversight of Local Authorities' commissioning of adult social care, which will be introduced through the Health and Care Bill. We are expecting this to apply from 1 April 2023.</p>	
<p>The Liberty Protection Safeguards will provide protection for people aged 16 and above who are or who need to be deprived of their liberty in order to enable their care or treatment and lack the mental capacity to consent to their arrangements. The Liberty Protection Safeguards were introduced in the Mental Capacity (Amendment) Act 2019 and will replace the Deprivation of Liberty Safeguards (DoLS) system.</p>	

Risk ID: <b>76</b>	Risk Title: Failure to address increasing SEND costs and provide an inclusive learning offer	
Owner: Director - People	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> Continue to embed primary inclusion partnership and develop secondary school model of inclusion partnership <ul style="list-style-type: none"> <li>○ Added Jan 21</li> <li>○ Due for completion June 2022</li> <li>○ Report to Cabinet in July on extension of inclusion partnership provision</li> </ul> </li> <li>• <b>[IMP]</b> Address emerging secondary special provision needs <ul style="list-style-type: none"> <li>○ Added June 2021</li> <li>○ Due for completion September 2022</li> <li>○ UPDATE: Project started and feasibility study has been completed. Service model being implemented.</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• SEND recovery plan in place and actioned.</li> <li>• Monitoring by officers – regular scrutiny of performance data, finance and outcomes.</li> <li>• SEND Programme Board scrutinises progress of SEND recovery plan.</li> <li>• Continue to expand our In-County special education options (UCC provision is now open) for children with SEND so more children are educated closer to home.</li> <li>• 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.</li> </ul>
Inherent Score: <b>15</b>		
Residual Score: <b>12 ↔</b>		
Date Risk Added: October 2019		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>		
<b>None</b>		
<b>Comments:</b> 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. We have seen outcomes from meetings had between other LA's and DfE and the areas targeted for improvement are already central to our plan. We are refreshing our own Recovery Plan and will be reporting shortly. We have not received any feedback on process but are interested in what can be achieved without extra funding. Without policy changes nationally, the SEND recovery plan in Rutland is unlikely to fully address the current and long term budget pressures. This will be discussed at the SEND Schools Summit in November.		

Risk ID: <b>76</b>	Risk Title: Failure to address increasing SEND costs and provide an inclusive learning offer
<p>The Council is joining the Delivering Better Value in SEND programme. The programme provides dedicated support and funding to help a further local authorities with substantial, but less severe, deficit issues to reform their high needs systems; we fit this profile. The programme will see the Department provide project management and change management capacity, alongside SEND financial and practice advisers, to support Rutland in engaging with its key stakeholders and conduct a comprehensive diagnostic process to identify the underlying cost drivers of our high needs system and potential reforms to manage/mitigate these cost drivers more effectively. We will be working with the programme to develop our own action plan.</p>	

Risk ID: 7	Risk Title: Failure to put in place plans to support growth with appropriate infrastructure	
Owner: Director - Places	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> New IDP to be developed alongside new Local Plan <ul style="list-style-type: none"> <li>○ Added October 2021</li> <li>○ Due for completion December 2024</li> <li>○ UPDATE – working group is overseeing all Local Plan work</li> </ul> </li> <li>• <b>[IMP]</b> Governance framework for CIL spending to be developed. <ul style="list-style-type: none"> <li>○ Added June 21</li> <li>○ Due for completion December 2021</li> <li>○ UPDATE – Refreshed anticipated CIL trajectory and draft governance framework reviewed by Scrutiny</li> </ul> </li> <li>• <b>[IMP]</b> Infrastructure priorities to be agreed for spending <ul style="list-style-type: none"> <li>○ Added October 2021</li> <li>○ Due for completion March 2022</li> <li>○ Revised – March 2023 – intention is to go create a 10 year capital plan which goes beyond infrastructure for development purposes but also whatever else Members may want to achieve. A process for this needs to be developed and additional resource may be needed.</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Existing plan in place – Infrastructure Delivery Plan</li> <li>• Infrastructure requirements identified linked to CIL.</li> <li>• Key infrastructure requirements are monitored on a regular basis e.g. School Places.</li> <li>• Specific projects in place to meet specific need including; <ul style="list-style-type: none"> <li>○ Digital Rutland – Broadband.</li> <li>○ OEP – Employment/business growth.</li> <li>○ Schools – expansion of Catmose planned</li> </ul> </li> <li>• Balances of s106 and CIL being held until used</li> <li>• Infrastructure funding statement published annually in December</li> </ul>
Inherent Score: 12		
Residual Score: 8 ↔		
Date Risk Added: November 2016		
Last Review Date: March 2022		

**PREVIOUS ACTIONS (REMOVED OR CLOSED)**

**CLOSED** – Previous IDP actions closed following Council decision not to proceed with Local Plan

**Comments:** Council, through Director of People, is in discussion with Health (Rutland Hub project) to assess future health needs. Health holding monthly Rutland strategic growth meeting specifically to identify health requirements for the future. Discussions ongoing with Melton in respect of bid for Levelling Up Fund.

Risk ID: <b>78</b>	Risk Title: Failure to achieve expectations of customers across key service areas.	
Owner: SMT	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> Customer Services strategy to be refreshed as part of Corporate Plan work (including review of current arrangements) <ul style="list-style-type: none"> <li>○ Added October 2021</li> <li>○ Due for completion March 2022</li> <li>○ IN PROGRESS – new arrangement in place following re-opening of Customer Services following lifting of restrictions. Further actions to be driven by Corporate Plan.</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Customer KPIs in place across key service areas.</li> <li>• External feedback in areas like Better Care Fund/Social Care.</li> <li>• Customer Service Standards in place.</li> <li>• Complaints, compliments and comments recorded and analysed.</li> <li>• Access to Council services available through various channels.</li> <li>• Website team in place.</li> <li>• NEW: MyAccount is now launched</li> </ul>
Inherent Score: <b>6</b>		
Residual Score: <b>4 ↔</b>		
Date Risk Added: October 2019		
Last Review Date: April 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>  <b>CLOSED</b> - Monthly Performance reporting on CST, Fix My Street and MyAccount to be designed. Various reports are available that show performance against requests. A new basket of Customer Service KPIs to be included in Corporate Plan performance report.		
<b>Comments:</b> New arrangements for CST were implemented in February. The vast majority of Customers are contacting us via email, telephone or MyAccount/FMS. The use of MyAccount continues to be well received with over 3,500 registered users.		

Risk ID: <b>77</b>	Risk Title: Changes to LLR Health system may reduce our ability to shape services to meet needs	
Owner: Director - People	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> Develop a Rutland Health Plan in partnership with CCG, PCN and other Stakeholders <ul style="list-style-type: none"> <li>○ Added January 21</li> <li>○ Due for completion: End June 2021</li> <li>○ Revised date: March 2022</li> <li>○ This is now in draft and has gone to both Scrutiny and Health and Wellbeing Board. To be finalised in January 2022.</li> <li>○ Update: This will be signed off at Health and WellBeing Board in April</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Excellent relations with CCG/Community Health and GP's.</li> <li>• Delivering strong integrated health and social care offers with partners via BCF.</li> <li>• Significant integration already achieved proven by data.</li> <li>• Rutland integrated service is a nationally recognised success.</li> <li>• Services continue to develop such as with the Primary Care Network consolidating the Rutland approach.</li> </ul>
Inherent Score: <b>8</b>		
Residual Score: <b>6 ↔</b>		
Date Risk Added: October 2019		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>		
None		
<b>Comments:</b>		
None		

Risk ID: <b>10</b>	Risk Title: Failure to protect the health and safety of employees and members of the public	
Owner: Director - Places	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> H&amp;S Corporate framework to be implemented <ul style="list-style-type: none"> <li>○ Added November 2020</li> <li>○ Due for completion 31<sup>st</sup> March 2022</li> <li>○ Update: Corporate H&amp;S Group to assess implementation status</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Joint safety committee in place that reviews internal risk reports such as RIDDOR.</li> <li>• Contract procedure rules require contract managers to take due regard of health and safety when procuring contracts.</li> <li>• Managers complete risk assessments for service activities and review annually.</li> <li>• Mandatory health and safety training for all staff</li> <li>• Rolling programme of audits ongoing.</li> <li>• Internal H&amp;S group set up and working</li> <li>• Annual report to Council on Health and Safety</li> </ul>
Inherent Score: <b>20</b>		
Residual Score: <b>6 ↔</b>		
Date Risk Added: September 2016		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>		
None		
<b>Comments:</b> H&S framework includes various aspects such as training, performance reporting, risk assessments, display screen equipment (DSE) assessments. Various elements have been completed such as DSE assessments, reporting to Joint Safety Committee. Internal Audit undertook a review of H&S framework (Satisfactory opinion).		

Risk ID: <b>73</b>	Risk Title: <b>[REVISED]</b> There is a risk we cannot deliver key/new priorities due to a lack of resources caused by retention/recruitment issues, budget or too big a corporate workload (including additional requirements from Government).	
Owner: SMT	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[PRE] NEW</b> Project teams to consider Resource needs for upcoming projects and pressures (NB: new burdens funding could be received) for financial outturn <ul style="list-style-type: none"> <li>○ Added March 2022</li> <li>○ Target: for Outturn</li> </ul> </li> <li>• <b>[PRE] NEW</b> Corporate plan and service commitments to be tested for deliverability and workload issues <ul style="list-style-type: none"> <li>○ Added March 2022</li> <li>○ Dates linked to Corporate Plan approval process</li> </ul> </li> <li>• <b>[IMP] NEW</b> Consideration to be given for Corporate mechanism/dashboard for understanding capacity. <ul style="list-style-type: none"> <li>○ Added March 2022</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Specific recruitment plans in place.</li> <li>• Provision for supplements in place.</li> <li>• Use of external agencies as approved by SMT</li> <li>• Applicant Tracking System in use, allowing Human Resources to manage the recruitment process better.</li> <li>• Awareness of where there are issues</li> <li>• Review of Retention and Recruitment completed by HR</li> <li>• Business Continuity arrangements</li> <li>• NEW Request for Resources from Cabinet/Council</li> </ul>
Inherent Score: <b>18 ▲</b>		
Residual Score: <b>15 ▲</b>		
Date Risk Added: September 2019		
Last Review Date: March 2022		
<b>PREVIOUS ACTIONS (CLOSED OR REMOVED)</b>  <b>CLOSED</b> - Line by Line budget reviews is exploring opportunities for alternative service delivery models. Steer on service areas will inform future delivery and this issue will be a driver for Transformation.		

**CLOSED** - Status of staffing issues is being highlighted via Finance report and Director briefings (and necessary action e.g. prioritisation if required)

**Comments:**

The original recommendation focused on recruitment and resilience. Following Zurich Municipal workshops with Directorates the risk has been extended beyond that for two reasons: 1) recruitment remains challenging and bringing in additional support for short term projects is also very difficult. 2) Additional workload arising from Government agenda (£150 energy) rebate, social care charging reform, Liberty Protection Safeguards, SEND Delivering Better Value programmes, Schools Reforms etc) coupled with local projects (Local Plan, Leisure, Waste Management) will put too much pressure on existing resources.

NB: During the pandemic, the Council has tried to absorb additional work but this is becoming increasingly difficulty.

Introduction of CQC of local authority social care, charging reforms and liberty protection safeguards will require social workers at a time when there is a national shortage.

Risk ID: <b>74</b>	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	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP]</b> Agree financial objectives and priorities and implications as part of budget setting. <ul style="list-style-type: none"> <li>○ Added October 2021</li> <li>○ Due for completion – February 2022</li> <li>○ UPDATE - financial objectives re dates for reducing deficits to be assessed once further savings discussions held in April (and corporate workload)</li> </ul> </li> <li>• <b>[PRE] NEW</b> Agree plan for Budget Savings (including a decision to proceed re Transformation) including how it can be resourced. <ul style="list-style-type: none"> <li>○ Added March 2022</li> <li>○ Due for completion – End June 2022</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Medium Term Financial Plan (MTFP) in place</li> <li>• Members adhering to minimum General Fund balances in budget setting</li> <li>• Members understand the need to raise Council Tax</li> <li>• All increases in budget scrutinised to ensure they are legitimate.</li> <li>• Lobbying for additional funding ongoing including meeting with Minister and MP</li> <li>• Various controls strengthened in light of action opposite (e.g. review of recruitment, agency staff etc)</li> <li>• Strong management of the ongoing Revenue budget</li> <li>• <b>NEW</b> Ongoing project work to assess financial impact of reforms</li> </ul>
Inherent Score: <b>24</b>		
Residual Score: <b>20 ▲</b>		
Date Risk Added: September 2019		
Last Review Date: April 2022		
<b>PREVIOUS ACTIONS (CLOSED OR REMOVED)</b>		
<b>CLOSED</b> – Budget deficit for 22/23 was well below £1m target with new savings of over £800k delivered as part of 22/23 budget.		
<b>Comments:</b>		
There are still some project areas previously identified that have not progressed primarily due to capacity. Work to be undertaken with Members will allow further ideas to be added to the list.		

Risk ID: <b>74</b>	Risk Title: There is a risk that the Council is not financially stable in the medium term (as evidenced by the gap in MTFP)
<p>A delivery plan will then be identified taking into account workload commitments as capacity is a big corporate risk. Ideally, all resources would be focused on budget savings but this is not possible given business as usual, local projects and workload from Government policy. We cannot expect to deliver a big savings project with the existing resources we have, hence the need to consider carefully resources rather than just assume we can deliver whatever is agreed.</p> <p>There are also concerns about whether delivering a series of long term projects will realistically deliver the type of transformational change programme that the Council needs and whether the Council has capacity to do this. The Council has given authority for a Transformation project to be commissioned and a decision will be made in April.</p> <p>Inflation impact issues to be considered in financial outturn report. Work ongoing with social care providers driven by energy cost crisis.</p>	

Risk ID: <b>79</b>	Risk Title: Risk that the Council does not have procurement and commissioning capacity and capability to secure the best possible financial and other outcomes	
Owner: Director - People	<b>Actions</b> <ul style="list-style-type: none"> <li>• <b>[IMP] NEW:</b> Review of internal arrangements in medium term <ul style="list-style-type: none"> <li>○ Added: January 2021</li> <li>○ Completion date: No date set (focus for now on individual procurement exercises)</li> <li>○ Update: This is now linked to the Social Care end to end reviews so expecting some options for end of March.</li> <li>○ UPDATE – On Hold linked to Transformation and Adult Social Care charging reforms (see update below)</li> </ul> </li> </ul>	<b>Controls</b> <ul style="list-style-type: none"> <li>• Council has access and support from Welland Procurement</li> <li>• Commissioning team in place covering Peoples</li> <li>• Other external support is being brought in to supplement in house resource on key procurements e.g. waste management</li> <li>• External reviews of commissioning have indicated the Council does obtain good results e.g. adult placements</li> <li>• Project Teams are in place with all key procurement activity e.g. Leisure, Waste Management, Highways</li> <li>• Lessons learnt include investing in understanding needs and therefore commissioning intentions rather than the process of contracting/procurement</li> </ul>
Inherent Score: <b>12</b>		
Residual Score: <b>8 ↔</b>		
Date Risk Added: January 2021		
Last Review Date: April 2022		
<b>PREVIOUS ACTIONS (CLOSED OR REMOVED)</b>		
None		
<b>Comments:</b>		
The implementation of new Adult Social Care charging reforms will have a significant impact on the work of the Commissioning Team. The specialist resourcing of individual projects has also brought into question what the Council may need from a future team and there may be opportunities to work differently which will be picked up in Transformation work.		

**Inherent Risk plotted on Risk Matrix**

<b>IMPACT</b>	Most Severe 4			3	4, 10	74	
	Major 3			7, 79	5, 76	73	
	Moderate 2		78	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**

<b>IMPACT</b>	Most Severe 4		4		74		
	Major 3		5	76, 3,	73		
	Moderate 2	78	10, 77	79, 7			
	Minor 1						
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6



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## AUDIT AND RISK COMMITTEE

26 April 2022

### INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Rachel Ashley-Caunt, Chief Internal Auditor	Tel: 07824 537900 <a href="mailto:rashley-caunt@rutland.gov.uk">rashley-caunt@rutland.gov.uk</a>
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

1. That the Committee notes the Internal Audit update report (Appendix A).

## 1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2021/22 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### 2.1 Update on Delivery of Internal Audit Plan

- 2.1.1 The progress made to date in delivering the 2021/22 audit plan is set out in Appendix A. At the time of reporting, 95% of the audit plan is at either draft or final reporting stages.

### 2.2 Implementation of Recommendations

- 2.2.1 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.2.2 There are currently no actions rated as 'Medium' or 'High' priority which are overdue

for implementation.

- 2.2.3 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 2021/22 Audit Plan.

### **3 CONSULTATION**

- 3.1 No formal consultation required.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Committee is asked to note the report. No alternative options are proposed.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications directly 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 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**

- 7.1 A Data Protection Impact Assessment (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

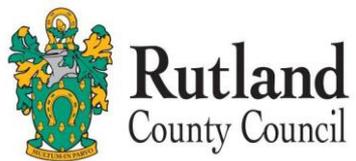
13.2 Appendix B: Implementation of Audit Recommendations

13.3 Appendix C: Customer satisfaction statistics

13.4 Appendix D: Limitations and responsibilities

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





**Rutland County Council**

**Internal Audit Update**

**April 2022**

## ***Introduction***

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2021/22 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 2021/22 be delivered?**

Internal Audit is set the objective of delivering at least 90% of the plan to draft report stage by the end of March 2022. At the time of reporting, 95% of the audit plan is completed to either draft or final reporting stage. The fieldwork on the remaining assignment is nearing completion at the time of reporting.

The outcomes of all audits will be reported in the Annual Internal Audit Report at the next meeting of the Audit and Risk Committee.

### **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 typically managed within the overall budget.

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

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

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

Customer satisfaction questionnaires are issued on completion of audits. Scores given by audit clients during the year to date are shown in Appendix C and all have been rated as 'Good' or 'Outstanding'.

### **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, reports on **Lifetime Offer, Cyber Security, Payroll and Adult Safeguarding** have been finalised and all resulted in audit opinions of Satisfactory or above. The report on Cyber Security resulted in an organisational impact rating of Moderate, reflecting the current risk environment. There is an action plan in place relating to pro-active work underway in this area, with support from the Department for Levelling Up, Housing and Communities (DLUHC) and the National Cyber Security Centre (NCSC). An update on the implementation of this action plan

will be reported to the Audit and Risk Committee at the end of the 2022/23 financial year, as part of risk management reporting.

The status of each planned assignment, as at the time of reporting, is provided in Table 1.

**2.6 Are clients progressing audit recommendations with appropriate urgency?**

At the date of reporting, there are five audit actions which remain overdue for implementation – all outstanding actions are of a ‘low priority’ rating. See Appendix B 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	15	12										
Payroll	12	12							<b>Substantial</b> 	<b>Good</b> 	<b>Minor</b> 	
Local taxation	15	14										
Contract Procedure Rules compliance	10	10										
Contract management	15	15							<b>Good</b> 	<b>Good</b> 	<b>Minor</b> 	
Health and safety	12	12							<b>Good</b> 	<b>Satisfactory</b> 	<b>Minor</b> 	
Cyber security	15	11							<b>Satisfactory</b> 	<b>Good</b> 	<b>Moderate</b> 	
Service requests (consultancy review)	10	10							<b>Consultancy</b>			

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Governance and Counter Fraud												
Risk management	10	10						●	Satisfactory ●	Good ●	Minor ●	
Corporate Objective: Sustainable growth												
Waste contract procurement	15	14					●					
Development management	12	12						●	Good ●	Good ●	Minor ●	
Planning income	10	15					●					
Corporate Objective: Safeguarding and Health and Wellbeing												
Adult safeguarding	15	14						●	Substantial ●	Good ●	Minor ●	
Integrated LD (Learning Disability) and ASD (Autistic Spectrum Disorders) Lifetime Offer	15	15						●	Satisfactory ●	Good ●	Minor ●	
Payments to Early Years providers	12	12						●	Good ●	Good ●	Minor ●	
Corporate Objective: Sound financial and workforce planning												
Asset management	12	12					●					

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Reaching our potential												
COVID-19 Recovery	15	15						●	●	●	●	
Other Assurances												
Grant Claims	40	38						●	N/A – certification			
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	32										
Contingency	30	19										
Internal Audit Management & Development	35	28										
<b>TOTAL</b>	<b>360</b>	<b>332</b>										

## Notes

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

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

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

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### Category of Recommendations

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

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

**Appendix B: Implementation of Audit Recommendations**

	High priority recommendations		Medium priority recommendations		Low priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and <b>implemented</b> since last Committee meeting	-	-	1	100%	1	17%	2	<b>29%</b>
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	-	-	-	-	-	-
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	-	-	-	-	5	83%	5	<b>71%</b>
Totals	-	-	1	100%	6	100%	7	100%

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### **Appendix C: Customer Satisfaction**

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

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	1	6	-	-
Communication during Assignments	-	3	4	-	-
Quality of Reporting	-	1	6	-	-
Quality of Recommendations	3	2	2	-	-
<b>Total</b>	<b>3</b>	<b>7</b>	<b>18</b>	<b>-</b>	<b>-</b>

## ***Appendix D: 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

26 APRIL 2022

### INTERNAL AUDIT PLAN 22/23

**Report of the Head of Internal Audit**

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Rachel Ashley-Caunt, Chief Internal Auditor	Tel: 07824 537900 <a href="mailto:rashley-caunt@rutland.gov.uk">rashley-caunt@rutland.gov.uk</a>
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Committee:

1. Approves the proposed audit plan allocations for 2022/23 and the Internal Audit Charter and Strategy.
2. Approves delegated authority for the Strategic Director of Resources, in consultation with the Chair of the Audit and Risk Committee, to agree amendments to the plan during the financial year, if required.

## 1 PURPOSE OF THE REPORT

- 1.1 To provide Members with a proposed plan of Internal Audit work for the new financial year, and the Internal Audit Charter, for formal review and approval.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### Internal Audit Plan

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

- 2.2 Appendix A provides details on the process followed to develop the Internal Audit Plan for 2022/23 and a copy of the draft plan is provided in Table 1.
- 2.3 At the November 2021 and February 2022 meetings, Members of the Audit and Risk Committee were invited to highlight any areas where assurance from Internal Audit is sought during 2022/23 for inclusion and prioritisation in the development of the Audit Plan. The areas raised by the Committee have been considered and risk assessed in the development of the plan and assurances in the areas highlighted have been included in the plan. The plan will remain subject to ongoing review during the year and amendments to reflect any changes in the risk environment can be made accordingly.
- 2.4 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Chief Internal Auditor throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Risk Committee meetings. Any such amendments could be subject to formal approval by the Strategic Director - Resources and the Chair of the Audit and Risk Committee and would be reported at the subsequent Audit and Risk Committee meeting.

#### Internal Audit Charter

- 2.5 The Public Sector Internal Audit Standards (PSIAS), define the Internal Audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit charter establishes the Internal Audit activity's position within the organisation, including the nature of the chief audit executive's functional monitoring relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.
- 2.6 The Chief Internal Auditor has undertaken an annual review of the Charter for the new financial year to confirm that this remains fit for purpose and compliant with good practice and the Public Sector Internal Audit Standards. Whilst no amendments have been proposed to the audit approach or strategy, the content of the document has been reviewed to ensure that it aligns with best practice and is presented in a clear format. Key amendments include the addition of an executive summary, inclusion of the Core Principles of Professional Practice and confirmation that all members of the Internal Audit service sign acceptance of the Internal Auditor's Code of Ethics on an annual basis.

### **3 CONSULTATION**

- 3.1 The Chief Internal Auditor has consulted with the s151 Officer and the Chair of the Audit & Risk Committee on key proposals within this report.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Committee may consider alternative priorities for inclusion on the plan.

### **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**

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 2022/23 was developed using a risk based approach, with input from senior management and the Audit and Risk Committee. The plan has been agreed with the s151 Officer and Chair of the Audit and Risk Committee pending formal committee approval. The Internal Audit Charter remains consistent with previous years and requires annual Committee approval, in line with the Public Sector Internal Audit Standards.

## **12 BACKGROUND PAPERS**

12.1 There are no additional background papers to the report

## **13 APPENDICES**

13.1 Appendix A: Internal Audit plan 2022/23

13.2 Appendix B: Internal Audit Charter

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

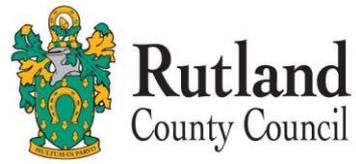
**Table 1: Internal Audit Plan 2022/23**

Assurance Areas	Internal Audit Assignments (including assurance sought)	Risk ref / source	Audit days	Initial timing
<b>Corporate governance and counter fraud</b>	<b>Risk management</b> To provide support on maintenance of the Council's risk registers and quarterly testing on a sample of controls within the registers to inform real time assurances to the committee on the assumptions underpinning the risk scoring.	Internal Audit assurances	16	Q1-4
	<b>Fraud risk register</b> 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.	Internal Audit assurances	15	Q2
	<b>Contract Procedure Rule Compliance</b> To provide annual assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance and strengthening of controls following previous audit recommendations.	SR79	10	Q4
<b>Key corporate controls and policies</b>	<b>Financial Systems</b> <ul style="list-style-type: none"> <li>• Debtors</li> <li>• Main accounting system</li> <li>• Housing benefits</li> </ul>	Fraud risk register  s151 assurances	45	Q3/4
	<b>Treasury management</b> To provide assurance over the Council's compliance with the Treasury Management strategy and procedures.	SR74	12	Q3
	<b>Social care debt recovery</b> To provide assurance over the handling of social care debts owed to the Council to ensure effective and timely recovery of these monies, in line with approved policy.	SR74	12	Q2
	<b>IT asset management</b> To provide assurances over the effective management and recording of hardware issued to staff and Members, particularly following the issuing of high number of assets to facilitate home working.	Internal Audit assurances	12	Q4
<b>Corporate Objective: Protecting the vulnerable</b>	<b>Corporate parenting</b> To provide assurance over the understanding, and effective discharging, of corporate parent principles and responsibilities for children looked after by the Council (as set out in section 1 of the Children and Social Work Act 2017).	SR04	15	Q1
	<b>Children missing from care</b> To provide assurance over mechanisms for recording and tracking children missing from care, following recent focused Ofsted inspection activity.	SR04	10	Q3

Assurance Areas	Internal Audit Assignments (including assurance sought)	Risk ref / source	Audit days	Initial timing
	<b>Adult social care reforms</b> To provide pro-active support and assurance over the design phase for implementation of the care cap and charging regimes arising from the reforms.	SR05	15	Q3
	<b>Readiness for CQC inspection regime</b> To provide real time assurances over the Council's readiness and preparation for the new inspection regimes, expected to be implemented from April 2023. To include a review of infrastructure and preparation in relation to data extraction and analysis.	SR05	12	Q3
	<b>MiCare services</b> To review the processes applied and resilience of these services (including enablement, urgent response and 'safety net' services) and inform service development in this area.	SR05	12	Q1
<b>Corporate Objective: Vibrant communities</b>	<b>Safer recruitment in Schools</b> To provide assurance over controls exercised in the recruitment of staff at maintained schools. Local independent/academy schools will be invited to participate on a cost recovery basis.	SR04	5	Q1
	<b>Special educational needs and disabilities (SEND)</b> To provide assurance over compliance with expected timeframes for assessment and review of Education, Health and Care Plans. To include benchmarking against comparator authorities.	SR76	12	Q3
<b>Corporate Objective: Delivering sustainable development</b>	<b>Waste contract</b> To engage with this key procurement process and provide ongoing, independent, real time audit support during 2022/23.	SR79	17	Q1-4
	<b>Highways maintenance contract</b> To follow up on effective embedding of improved controls, following implementation of audit recommendations from 2016/17 audit work. To provide assurance that this contract is being managed robustly.	SR79	15	Q3
<b>Corporate Objective: Customer focussed services</b>	<b>Home to school transport</b> To provide assurance over the commissioning of home to school transport provision in order to maximise value for money, whilst also ensuring due diligence in relation to safeguarding checks and controls.	SR78	15	Q2
	<b>Taxi licensing</b> To provide assurance over the consistent compliance with key controls in the awarding of taxi/private hire licenses – including safeguarding and right to work checks on drivers and operators.	SR78	14	Q2
<b>Other Assurances</b>	<b>Grant claim verification</b> Changing Lives, Pot Hole Grant, Bus Service Operator Grant etc.	Grant requirements	25	As req'd
	<b>Grants – counter fraud support</b>	Grant requirements	5	As req'd

**Table 2: Reserve list**

Area of assurance	Comments – reason for lower risk/priority for coverage and plan for seeking assurances
Performance management	Considered lower risk than other cross cutting reviews i.e. fraud risk register and note that an element of performance management relating to specific services is covered in relevant audit work. Include on reserve list for 2022/23 and audit planning for 2023/24.
Covid-19 grant monies	Given the external scrutiny already in place from government, assessed as lower risk. Include on reserve list for 2022/23.
Street works co-ordination	There is an intention to move to a permit scheme which may make a review of current controls less valuable from an assurance perspective – making this more suited to consultancy work. Consultancy support could be commissioned during the year if considered of value.
Reactive Highways Maintenance	Potential to seek assurances as part of the Highways Maintenance contract audit – rather than an additional specific audit at this point.
Highways Transport Working Group	Proposed scope would be more suited to consultancy work which was assessed as lower priority than the assurance work proposed for inclusion. Consultancy support could be commissioned during the year if considered of value.
Grounds maintenance	Given re-procurement of this contract is underway, there may be greater value in postponing to 2023/24.
Children’s services development planning	Assurances to be sought outside the audit plan on the governance arrangements. With the audit plan, targeted assurances sought on issues arising – i.e. children missing from care audit.
Care assessments	Adult Social Care have a plan of priorities for 2022/23 which includes the new Care assessment, this was the result of extensive review work. Timescales for the new assessment introduction are not confirmed but in order to audit their effectiveness and compliance, there will need to be a period of embedding and application prior to testing. No specific risks have been flagged by management requiring prioritisation of audit in this area and assurances to be sought regarding preparing for CQC inspection regime, including prevention work, in 2022/23. Proposed to include this in 2023/24 audit planning for testing of new processes.
Equalities, diversity and inclusion	Incorporate in planning for 2023/24 to provide opportunity for embedding of policies and controls.



Internal Audit  
Charter & Strategy

## Executive summary

The Internal Audit Charter defines the purpose, authority and responsibility of Rutland County Council's Internal Audit service. It establishes the scope of the Internal Audit service and outlines how the service complies with statutory requirements and professional standards.

The key principles of Rutland County Council's Internal Audit service are as follows:

- Internal Audit provides an Annual Internal Audit Opinion based on an objective and comprehensive assessment of the Council's framework of governance, risk management and control.
- Internal Audit provides advice and consultancy services with the aim of adding value and improving organisational governance, risk management and control.
- All the Council's activities fall within the scope of Internal Audit, and the Internal Audit service has a complete right of access to all records and property held by Rutland County Council and to all officers of the Council.
- Internal Audit operates in compliance with Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors' Code of Ethics.
- Internal Audit is independent and may report directly to the Chief Executive and the Chair of the Audit & Risk Committee. Regular reporting on audit activity is provided to the Section 151 Officer, Senior Management Team and the Audit & Risk Committee.
- Internal Audit team consists of qualified and part-qualified professionals in assurance and accounting. The service is committed to professional development and continuous quality assurance and improvement.
- Internal Audit staff have a professional duty to operate in ethical way; be honest; and demonstrate integrity at all times, working in line with the Council's Code of Conduct.
- The Internal Audit Charter is regularly reviewed and approved annually by the Audit & Risk Committee and senior management.

**1 PURPOSE, MISSION STATEMENT AND DEFINITION****Purpose of the Charter and Strategy**

1.1 The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes the Internal Audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. The Charter and Strategy should enable Internal Audit to deliver a modern and effective service that:

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

**Internal Audit Mission Statement**

1.2 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

**Definition of Internal Audit**

1.3 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 CONTEXT

- 2.1 The Council's Internal Audit service is delegated to North Northamptonshire Council's Internal Audit service, led by the Chief Internal Auditor.
- 2.2 The core governance context for Internal Audit is summarised as follows:

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

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

*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

*(b) ensures that the financial and operational management of the authority is effective; and*

*(c) includes effective arrangements for the management of risk.*

And that:

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

*A relevant authority must, each financial year—*

*conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement.*

**The Public Sector Internal Audit Standards (PSIAS)** issued in 2017 include the need for risk-based plans to be developed for Internal Audit and to receive input from management and the 'Board' (usually discharged by the Council's Audit Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

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

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

2.3 The following definitions have been applied to the PSIAS terminology throughout this document:

Terminology	Definition for Rutland County Council
'Board', as per PSIAS	The Audit & Risk Committee
'Chief Audit Executive', as per PSIAS	The Chief Internal Auditor
'Senior management'	Senior Management Team
'Assurance services'	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include financial, performance, compliance, system security and due diligence.
'Consultancy services'	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management and control processes without the Internal Auditor assuming management responsibility. Such examples would include advice, facilitation and training.

### 3 STRATEGY

- 3.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed.
- 3.2 Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.
- 3.3 Internal Audit will provide a robust, high quality audit service that delivers honest, evidenced assurance, by:
- **Focusing on what is important**  
Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
  - **Being flexible and responsive to the needs of the Council**  
The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board
  - **Being outward looking and forward focused**  
The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
  - **Providing Assurance**  
There is value in providing assurance to senior managers and Members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
  - **Balancing independent support and challenge**  
Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.
  - **Having impact**  
Delivering work which has buy-in and which leads to sustained change.
  - **Strengthening the governance of the Council**  
Being ambassadors for, and encouraging the Council towards, best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.
  - **Enjoying a positive relationship with and being welcomed by the 'top table'**  
Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

- 3.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:
- Local Government / Public Sector issues;
  - The Council and its community; and
  - Professional Audit and Corporate Governance standards.
- 3.5 All staff within the Internal Audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.
- 3.6 The mandatory core principles for the Professional Practice of Internal Auditing underpin the way in which the service is delivered and are embedded in ways of working, as detailed in this Charter. The principles ensure Internal Audit:
- Demonstrates integrity;
  - Demonstrates competence and due professional care;
  - Is objective and free from undue influence (independent);
  - Aligns with the strategies, objectives, and risks of the organisation;
  - Is appropriately positioned and adequately resourced;
  - Demonstrates quality and continuous improvement;
  - Communicates effectively;
  - Provides risk-based assurance;
  - Is insightful, proactive, and future-focused; and
  - Promotes organisational improvement.

**4 AUTHORITY**

- 4.1 In accordance with the PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit & Risk Committee, and the senior management team.
- 4.2 Internal Audit's remit extends across the entire control environment of the Council.
- 4.3 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.
- 4.4 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.
- 4.5 All employees are required to assist the Internal Audit activity in fulfilling its roles and responsibilities.
- 4.6 The Audit & Risk Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of Internal Audit functions.
- 4.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 4.8 To provide for independence, the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor who reports to the Audit & Risk Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 4.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and Audit & Risk Committee at their discretion, including private meetings with the Chair of the Audit & Risk Committee.

**5 ETHICS, INDEPENDENCE & OBJECTIVITY**

- 5.1 Independence is essential to the effectiveness of the Internal Audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 5.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 5.3 Internal Audit are commissioned to provide Risk Management support. Responsibility for implementing risk management activity is retained by the relevant officers at the Council, and the role of Internal Audit is to provide advice, support and facilitation for this process rather than to undertake risk management activity directly. Internal Audit reviews of risk management focus on actual risk management activity undertaken by management, not the facilitation work of the Internal Audit team, thus avoiding potential conflicts of interest. This ensures that there is no impairment to Internal Audit's independence and objectivity, as well as ensuring that Internal Auditors have a high degree of familiarity with the principles of risk management within the organisation to inform their assurance work.
- 5.4 The Internal Audit service also assists with counter fraud work for the Council. Internal Audit lead on investigating whistleblowing referrals relating to fraud and corruption, and financial impropriety.
- 5.5 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.
- 5.6 Internal Auditors also sign acceptance of the Internal Auditor's Code of Ethics on an annual basis.
- 5.7 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least two years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 5.8 The Chief Internal Auditor will confirm to the Audit & Risk Committee, at least annually, the organisational independence of the Internal Audit service.

## 6 HOW THE SERVICE WILL BE DELIVERED

### Audit Planning

- 6.1 The audit plan guides the work of the service during the year. The planning principles are:
- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
  - Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
  - Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
  - Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
  - Being flexible so that the plan evolves through the year in response to emerging risks and issues;
  - Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and antifraud responsibilities; and
  - Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice.
- 6.2 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.
- 6.3 In order to deliver the Annual Audit Plan at the required quality and professionalism, Internal Audit strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.
- 6.4 The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:
- Risk based system audit
  - Compliance audit
  - IT audit
  - Procurement and contract management audit
  - Project and programme audits
  - Fraud/investigation work
  - Consultancy and advice

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

### **Internal Audit Annual Opinion**

- 6.6 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

### **Conduct of work**

- 6.7 The principles of how the Internal Audit work is conducted are:
- Focusing on what is important to the Council and in the ultimate interests of the public;
  - Ensuring that risks identified in planning are followed through into audit work;
  - Agreeing the scope, objectives and any limitations of audit coverage at the outset of every assignment;
  - Ensuring that the right skills and right approaches are in place for individual assignments;
  - Striving continuously to foster buy-in and engagement with the audit process;
  - Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from other stakeholders where appropriate;
  - Informing management of key findings at the earliest, appropriate opportunity;
  - Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
  - Focusing, as a rule, on ensuring compliance with existing/expected processes and systems and reducing bureaucracy rather than introducing additional, unnecessary layers of control;
  - Being resolute in challenging; taking account of views, escalating issues and holding position when appropriate;
  - Driving the audit process by agreeing, and delivering to, deadlines and escalating non-response promptly in order to complete assignments; and
  - Maintaining high standards of behaviour at all times.

### **Reporting**

- 6.8 The reports produced by the service are its key output. The reporting principles are:
- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
  - Reporting in a timely, brief, clear and professional manner;
  - Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
  - Always seeking management's response to reports so that the final report includes a commitment to action;
  - Sharing reports with senior management and Members, identifying key themes and potential future risks so that audit work has impact at the highest levels; and
  - Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

6.9 A written report will be prepared and issued following the conclusion of each Internal Audit engagement, including follow up audits; unless in the opinion of the Chief Internal Auditor a written report is unnecessary.

6.10 Each report will:

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

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

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

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

- 1) Assess and test the **control environment**;
- 2) Test **compliance** with those control systems; and
- 3) Assess the **organisational impact** of the area being audited.

### **Actions / Recommendations**

6.14 Actions are categorised dependent on the risk as follows:

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

### **Follow up**

6.15 All High and Medium actions are followed up in accordance with the agreed action

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

### Quality Assurance

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

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

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

- An audit manual documenting methods of working
- Supervision and review arrangements
- Customer feedback arrangements
- Quality Standards
- Annual Internal review
- Periodic external reviews
- Performance measures, including:
  - Proportion of audit plan completed
  - Productive/direct time as a % of total time
  - Customer satisfaction levels

6.18 The completion of every assignment shall be monitored against:

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

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

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

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public

Sector Internal Audit Standards (PSIAS);

- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIPFA) and being suitably experienced; and
- encouraging, and where appropriate acting upon, customer feedback.

## **7 AUDIT & RISK COMMITTEE OVERSIGHT**

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

## **8 ANTI-FRAUD AND ASSOCIATED ISSUES**

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

## Annex A

**INTERNAL CONTROL ASSESSMENT**

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

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

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the 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.

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

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