

Rutland County Council

Catmose, Oakham, Rutland, LE15 6HP

Telephone 01572 722577

Email democraticservices@rutland.gov.uk

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Catmose, Oakham, LE15 6HP on **Wednesday, 27th March, 2024** commencing at 7.00 pm when it is hoped you will be able to attend. The meeting will also be available to view via Zoom at <https://tinyurl.com/ARC270324>

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/

A G E N D A

1. WELCOME & APOLOGIES

2. MINUTES

To confirm the minutes of the Audit and Risk Committee held on 5th December 2023 and to receive an update on actions agreed in the minutes of the previous meeting.

No.	Ref.	Action	Person
1.	7	Update on outstanding actions for Property Services.	Kirsty Nutton
2.	7	Feedback on overdue actions raised to Cabinet.	Kirsty Nutton & Cllr A Johnson
3.	12	Self-assessment meeting to be set up by Democratic Services.	David Ebbage

(Pages 5 - 10)

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. HIGHWAYS UPDATE

To receive a verbal update from the Strategic Director for Places.

8. PROGRESS UPDATE REPORT FOR IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

To receive Report No.47/2024 from the Strategic Director for Resources.
(Pages 11 - 16)

9. INTERNAL AUDIT PROGRESS UPDATE

To receive Report No.48/2024 from the Chief Internal Auditor.
(Pages 17 - 32)

10. INTERNAL AUDIT PLAN 2024/25 AND INTERNAL AUDIT CHARTER AND STRATEGY

To receive Report No.49/2024 from the Chief Internal Auditor.
(Pages 33 - 62)

11. ANNUAL GOVERNANCE STATEMENT (AGS) REPORT

To receive Report No.50/2024 from the Strategic Director for Resources.
(Pages 63 - 76)

12. AUDITOR'S ANNUAL REPORT ON RUTLAND COUNTY COUNCIL 2021/22 AND 2022/23

To receive Report No.51/2024 from the Strategic Director for Resources.
(Pages 77 - 116)

13. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

To receive a verbal update from the Strategic Director for Resources.

14. 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 K Payne (Chair)

Councillor R Ross (Vice-Chair)

Councillor S Lambert

Councillor R Payne

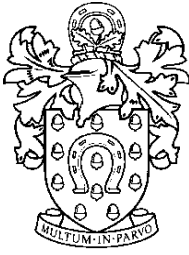
Councillor R Powell

Councillor L Stephenson

Councillor A West

Quorum: 3

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Rutland County Council

Catmose Oakham Rutland LE15 6HP

Telephone 01572 722577 Email governance@rutland.gov.uk

Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held in the Council Chamber, Catmose, Oakham, LE15 6HP on Tuesday, 5th December, 2023 at 7.00 pm

PRESENT: Councillor K Payne (Chair) Councillor R Ross (Vice-Chair)
Councillor S Lambert Councillor R Payne
Councillor R Powell Councillor M Chatfield

ABSENT: Councillor A West Councillor L Stephenson

OFFICERS PRESENT: Kirsty Nutton Strategic Director for Resources
Andrew Merry Head of Finance
Rachel Ashley-Caunt Chief Internal Auditor
David Ebbage Democratic Services Officer

IN ATTENDANCE: Councillor A Johnson Portfolio Holder

1 WELCOME & APOLOGIES

Apologies were received from Councillor L Stephenson. Councillor M Chatfield attended the meeting as the representative for Councillor A West.

2 MINUTES

Consideration was given to the minutes of the meetings held on 26 September and 31st October 2023.

It was moved by Councillor K Payne and seconded that the minutes of the 26 September and 31st October 2023 meetings be approved.

RESOLVED

- a) That the minutes of the meetings held on 26 September and 31st October 2023 be **APPROVED**.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions deputations or 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 INTERNAL AUDIT PROGRESS REPORT

Report No.174/2023 was introduced by Rachel Ashley Caunt, Chief Internal Auditor.

Since the last Audit and Risk Committee meeting, 22 audit actions had been closed as implemented. At the date of reporting, there were 18 audit actions which remained overdue for implementation – two of the overdue actions were of a ‘high priority’ rating and over three months overdue.

Finalised Audit reports had been issued in relation to the following audits from the 2023/24 Audit Plan: Commissioning of Leisure Services; and verification of Disabled Facilities Grant and Bus Subsidy Grants for 2022/23. None of the audit reviews had resulted in assurance opinions of less than Moderate Assurance and none have been assessed a ‘High’ organisational risk.

Members were informed that Property Services had moved directorates to be under Strategic Director for Resources. It was agreed by officers for a more comprehensive update be brought to the next meeting around the outstanding actions for that service.

Action: Kirsty Nutton

Members were updated on the outstanding actions recommendation raised at the September meeting. Cabinet now looked at the implementation of Audit Actions on a quarterly basis through the Joint Leadership Team meetings and a further update on this issue to come to the next meeting.

Action: Kirsty Nutton and Cllr A Johnson

RESOLVED

That Committee:

- a) **NOTED** the Internal Audit update report (Appendix A).

8 INTERNAL AUDIT PLAN DEVELOPMENT 2024/25

Report No.175/2023 was introduced by Rachel Ashley Caunt, Chief Internal Auditor.

The Committee was informed on the process to be followed in developing the Internal Audit Plan for 2024/25 and invited the Committee to highlight any areas where assurance was required from the Internal Audit team during the next financial year.

Members asked for highways to be an area of consideration with there being a new contractor from 1st April 2024. The current Internal Audit Plan was undertaking work around the procurement of the new highways contract, this would follow through to see how that contract was being applied in practice. This would be put towards the end of the next financial year to make sure there was enough to audit.

Levelling Up was another area for consideration Members wanted to be looked at. Currently, joint work with Melton was being carried out around the governance review, next year would be more focussed on Rutland specific areas and the delivery of those projects.

The Chair asked for an an additional area to be considered and that was the Local Lead Flood Authority needed to be added onto the Audit Plan. Climate Change had impacted local areas recently with recent storms and floods. The council hadn't dealt with the recent issues effectively under their statutory duties.

RESOLVED

That Committee:

- a) **NOTED** the process to be followed to develop the risk-based Audit Plan for 2024/25.
- b) **HIGHLIGHTED** areas for consideration for the 2024/25 for the Audit Plan to the Chair of the Audit and Risk Committee and the Chief Internal Auditor by 31st January 2024.

9 STATEMENT OF ACCOUNTS 2021/22 AND 2022/23

Andrew Merry, Head of Finance verbally updated the Committee on the Statement of Accounts for 2021/22 and 2022/23.

Due to recent capacity issues within the Finance Department, the 2021/22 accounts had not been finalised and signed. Head of Finance hoped for the issues to be resolved by the beginning of 2024 for then to be signed.

For the 2022/23 Statement of Accounts, the Council had responded to 105 audit requests and 56 requests currently with the finance team. He informed Members that budget setting at this time of the year was priority over responding to audit requests, but the finance team had been out to recruitment and would hopefully be back to full capacity within in the new year to increase workflow.

10 STRATEGIC RISK REGISTER

Report No.175/2023 was introduced by Kirsty Nutton, Strategic Director for Resources.

The Committee undertook further training in September 2023 through attendance at a training session run by Zurich Resilience Solutions. Members were briefed on the management of risk in Council activities and considered what information is required to evaluate and ensure effective risk management is adopted.

In September 2023 the Council approved a new Reserves Strategy and Policy. As part of this Strategy an assessment was undertaken as to the possible risk exposure for the Council alongside the likelihood of occurrence. The assessment by the S151 had enabled the Council to identify balances to mitigate risk and provide investment opportunities for future savings proposals and / or enhanced service.

The Chair asked for some further clarification on Risk ID: 76 where the actions didn't relate to financial statements so asked for them to be made clearer and for some controls to be added around the retention issues in Risk ID: 73. Officers agreed and reassured the Chair that those points would be actioned.

The Committee congratulated everyone involved with the most recent OFSTED inspection in July and the positive outcome which came from it.

RESOLVED

That Committee:

- a) **CONSIDERED** the content of the updated Strategic Risk Register (Appendix A) and the actions underway to address the risks.

11 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Kirsty Nutton, Strategic Director for Resources verbally confirmed to the Committee that there had been no use of the provisions of the Regulation of Investigatory Powers Act since the last update.

12 COMMITTEE TRAINING

Rachel Ashley-Caunt, Chief Internal Auditor gave Members a brief introduction to a self-assessment process for the Committee to see how the Committee performed. Would benefit the Committee to see what areas that potentially could be improved. The self-assessment was a good starting point to develop a training plan for the Committee, the training plan would then feed into an annual report to Council.

It was agreed that a meeting would be set up through Democratic Services in January for the self-assessment to begin and then bring something to the next Committee in March to then take to Council in the new financial year.

Action: David Ebbage

Members felt it was a valuable opportunity and for preferred a group meeting to be arranged with all Members rather than individually.

13 ANY OTHER URGENT BUSINESS

There were no items of urgent business.

14 DATE OF NEXT MEETING

Tuesday, 5th March 2024.

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The Chair declared the meeting closed at 8.07pm.

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No.	Ref.	Action	Person
1.	7	Update on outstanding actions for Property Services.	Kirsty Nutton
2.	7	Feedback on overdue actions raised to Cabinet.	Kirsty Nutton Cllr A Johnson
3.	3	Self-assessment meeting to be set up by Democratic Services.	David Ebbage

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AUDIT & RISK COMMITTEE

27 March 2024

**PROGRESS UPDATE REPORT FOR IMPLEMENTATION OF
INTERNAL AUDIT RECOMMENDATIONS**

Report of the Strategic Director for Resources

Strategic Aim	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr P Browne , Portfolio Holder for Planning, Property and Economic Development	
Contact Officer(s):	Kirsty Nutton, Strategic Director for Resources (s.151) Andrew Gordon, Head of Property Services	Tel: 01572 758159 Email: KNutton@Rutland.gov.uk Tel: 01572 758246 Email:AGordon@Rutland.gov.uk
Ward Councillors	N/A	

1 SUMMARY AND RECOMMENDATIONS

1.1 Summary

1.1.1 This report provides the Committee with an update on the Internal Audit Recommendations that had been outstanding as at the last meeting. It details the work completed against the recommendation and where progress remains outstanding the approach to be adopted to complete the task.

1.2 Recommendations

1. To consider and gain assurance to the progress of the completion of recommendations made by Internal Audit.

1.3 Reasons for Recommendations

1.3.1 This report is for the Committee to consider under its Terms of Reference

6.1 b) to ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk

6.2 e) to consider a report from Internal Audit on agreed recommendations not

implemented within a reasonable timescale.

2 REPORT

2.1 Background

- 2.1.1 Local authorities have a duty to ensure that buildings and land under their control comply with all relevant statutory, regulatory and corporate standards. This entails ensuring effective compliance arrangements for operational buildings and common areas under Council control; property inspection regime and documentation; maintenance regimes; and contractor management processes. The Council's property portfolio should also provide a source of income and the tenant management processes should be robust to manage associated risks.
- 2.1.2 In June 2022 Internal Audit issued the Asset Management 2021/22 report which made nine recommendations: two as high, six as medium and one as low.
- 2.1.3 In September and December 2023 Internal Audit provided an update report on progress made in delivering the 2023/24 Internal Audit plan. It was noted that there were 21 and 18 actions that were overdue for completion respectively, with two actions rated as 'High' priority that had outstanding for greater than three months for each update. On both occasions the two high priority actions related to the Asset Management 2021/22 Audit.
- 2.1.4 Committee asked for an update on progress to be made at the next meeting. This report fulfils that request. This report considers the two high recommendations where 'High' priority is noted as being 'Action is imperative to ensure that the objectives for the area under review are met'. All other recommendations have been completed.
- 2.1.5 At the time of the audit the Property function had been within the Places Directorate, and since the 1 January 2024 the function has successfully transferred to the Resources Directorate in recognition of the corporate nature of Council assets for all service functions.
- 2.1.6 A further factor in the management of the function during this period was the resignation of the former Head of Property services. Since November 2023 the role is fulfilled by use of an interim agency arrangement. This enables the Council to procure a specific skill set that can lead and manage the Asset Review linked with the transformation programme, ensure the Council's assets remain fit for purpose during any transition phase, and linked to these objectives complete a review of the structure of the function so that the right skill sets in the team are present for the immediate term and into the future operating state.
- 2.1.7 Progress against the recommendations is detailed in Appendix A.

3 IMPLICATIONS OF THE RECOMMENDATION

3.1 FINANCIAL IMPLICATIONS

- 3.1.1 This section has been approved by member of Finance Team
- 3.1.2 There are costs associated with the system of £5,000, and the data migration one-off costs of £5,000. These costs are included within the budget for Property

Services.

3.2 LEGAL IMPLICATIONS

3.2.1 This section has been approved by Sarah Khawaja, Head of Legal & Democratic Services

3.2.2 There are no legal implications.

3.3 Risk Management Implications

3.3.1 The main risks to this Report and the Council achieving its objectives are as follows:

Risk 1	Risk
Resourcing issues with the right skill sets prevent the ability to complete the work.	Medium
Mitigation 1	Residual Risk
Mangement resources have been brought into the team from November 2023. Skill sets for data migration have been addressed through agreement of overtime payments to existing team members. This enables existing knowledge to be utilised to populate the correct information to the system and spot errors quickly.	Low
Record of risk 1	Directorate Risk Register

3.4 DATA PROTECTION IMPLICATIONS

3.4.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

3.5 EQUALITY IMPLICATIONS

3.5.1 An Equality Impact Assessment (EqIA) has not been completed as this report considers the Council's approach to securing economy, efficiency and effectiveness in the way activities are undertaken.

3.6 COMMUNITY SAFETY IMPLICATIONS

3.6.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).

3.6.2 This duty has been considered and there are no community safety implications relating to the recommendations.

3.7 HEALTH AND WELLBEING IMPLICATIONS

3.7.1 There are no direct health and wellbeing implications of the Recommendations.

3.8 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

3.8.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.

3.8.2 There are no direct environmental and climate change implications of this report.

3.9 PROCUREMENT IMPLICATIONS

3.9.1 There are the no direct procurement implications from this report.

3.10 HR IMPLICATIONS

3.10.1 There are no HR implications.

4 BACKGROUND PAPERS

4.1 [Internal Audit Update, Audit & Risk Committee, 26 September 2023, Item 10](#)

4.2 [Internal Audit Update, Audit & Risk Committee, 5 December 2023](#)

5 APPENDICES

5.1 Appendix A – Progress against the internal audit recommendations

An Accessible Version of this Report is available upon request – Contact 01572 722577.

Appendix A – Progress against the internal audit recommendations

Audit Title and Year	Service Area	Officer	Outstanding Action	Status Update	Original Date	Revised Date (if provided)
Asset Management 2021/22	Places 1 January 2024 - Resources	Head of Property Services	<p>Tenancy schedule</p> <p>An up-to-date record of all properties, current tenants and terms should be consistently maintained. This should enable:</p> <ul style="list-style-type: none"> • Forward planning for tenancies reaching the end of their term; • Budget forecasting of expected income reflecting exact details of current leases / licences and income due; • Consistent information in the case of changes in personnel or planned absence of key officers. <p>It is acknowledged that manual spreadsheet records introduce an element of risk and a bespoke system for maintained all property records may assist in this, subject to a cost benefit analysis.</p>	<p>As at 11 March 2024:</p> <p>Tenancy Records: 67 leases uploaded of which 90% - 95% of all elements located and recorded. To note:</p> <ul style="list-style-type: none"> • Several incomplete filing records identified necessitating use of multiple software systems and lateral thought investigation. • Missing workflow elements within some lease arrangements such as dates and activity records. • Most errors are associated with legacy lease contracts and will require further work potentially at lease review points etc. <p>Directory: This is 95% completed for stage one mobilisation and will be issued to contractor by the mid March to enable beta testing of intelligence.</p> <p>Compliance Data: Catmose House intelligence is 90% completed just supplier information and sub 6 month workflow activity dates to be uploaded (target end February) to enable migration and test protocols to be undertaken during March 2024 in preparation for wider intelligence upload before final mobilisation target date May 2024.</p> <p>Assets Schedule: 40% completed, ongoing clarification on non-core assets, occupancy use of asset and primary contact details. Additional query relating to formatting awaiting direction from software engineers.</p> <p>Sites Schedule:</p>	30/09/2022	<p>System populated with data – wb 18 March 2024</p> <p>Testing of the system wb 25 March 2024</p> <p>New system live wb 1 April 2024</p> <p>Training for team throughout April 2024</p> <p>Full mobilisation wb 29 April 2024</p>
Asset Management 2021/22	Places 1 January 2024 - Resources	Head of Property Services	<p>Remedial actions</p> <p>The central record should link to a clear action tracker for all remedial actions arising from inspections. This should be subject to monitoring and review as part of staff supervisions/team meetings, as appropriate, or automate the generation of works orders.</p>	<p>Assets Schedule: 40% completed, ongoing clarification on non-core assets, occupancy use of asset and primary contact details. Additional query relating to formatting awaiting direction from software engineers.</p> <p>Sites Schedule:</p>	31/03/2023	

Audit Title and Year	Service Area	Officer	Outstanding Action	Status Update	Original Date	Revised Date (if provided)
				<p>60% completed, address detail upload progressing. Clarification on non-core assets awaiting audit confirmation.</p> <p>Supplier Information: 10% completed workflow ongoing priority 3 item</p>		

AUDIT AND RISK COMMITTEE

27 March 2024

INTERNAL AUDIT PROGRESS REPORT

Report of the Chief Internal Auditor

Strategic Aim	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Governance and Resources	
Contact Officer(s): Name/Job Title	Rachel Ashley-Caunt, Chief Internal Auditor	07799 217378 Rashley-caunt@rutland.gov.uk
Ward Councillors	N/A	

1 SUMMARY AND RECOMMENDATIONS

1.1 Summary

1.2 To provide an update on the progress made in delivering the 2023/24 Internal Audit plan.

1.3 Recommendations

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

1.4 Reasons for Recommendations

1.4.1 The latest update report, provided in Appendix A, includes the 2023/24 Internal Audit plan and progress made to date. The Committee plays an important role in the oversight of Internal Audit work.

2 REPORT

2.1 Delivery of Internal Audit plan

2.1.1 The 2023/24 Internal Audit plan was approved by the Audit and Risk Committee in March 2023, in line with the Public Sector Internal Audit Standards. The development of the plan was informed by consultation with the Committee and senior management and was designed to provide risk-based coverage.

2.1.2 The progress made to date in delivering the 2023/24 audit plan is set out in Appendix A. At the time of reporting, 100% of the planned assignments are underway or complete. The outcomes of completed audits are reported to the Audit and Risk Committee throughout the financial year.

2.2 Implementation of Recommendations

2.1.3 2.2.1 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.

2.2.2 There are 29 actions which are overdue for completion. There is currently one action rated as 'High' priority which has been overdue for implementation by more than three months – as such, full details of this action is provided in Appendix C.

2.3 Options Considered

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

2.4 Background

2.4.1 The 2023/24 Internal Audit plan was approved by the Audit and Risk Committee in March 2023.

2.5 Consultation

2.5.1 No formal consultation required.

3 IMPLICATIONS OF THE RECOMMENDATION

3.1 FINANCIAL IMPLICATIONS

3.1.1 This section has been approved by (member of Finance Team)

3.1.2 There are no financial issues arising directly from this Report.

3.2 LEGAL IMPLICATIONS

3.2.1 This section has been approved by (member of Legal Services)

3.2.2 There are no legal implications arising directly from this Report.

3.3 Risk Management Implications

3.3.1 The Internal Audit plan should provide assurance over the Council's management of risk and its internal control framework.

3.4 DATA PROTECTION IMPLICATIONS

3.4.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

3.5 EQUALITY IMPLICATIONS

3.5.1 An Equality Impact Assessment (EqIA) has not been completed as this is not required for this Report.

3.6 COMMUNITY SAFETY IMPLICATIONS

- 3.6.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).
- 3.6.2 This duty has been considered and there are no community safety implications relating to the recommendations.

3.7 HEALTH AND WELLBEING IMPLICATIONS

- 3.7.1 There are no health and wellbeing implications.

3.8 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

- 3.8.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.
- 3.8.2 There are no environmental and climate change implications of the Recommendations.

3.9 PROCUREMENT IMPLICATIONS

- 3.9.1 There are no procurement implications.

3.10 HR IMPLICATIONS

- 3.10.1 There are no HR implications.

4 BACKGROUND PAPERS

- 4.1 None.

5 APPENDICES

- 5.1 Appendix A: Internal Audit Update Report
- 5.2 Appendix B: Implementation of Audit Recommendations
- 5.3 Appendix C: 'High' priority recommendations overdue by more than three months
- 5.4 Appendix D: Customer satisfaction
- 5.5 Appendix E: Limitations and responsibilities

An Accessible Version of this Report is available upon request – Contact 01572 722577.

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Rutland County Council

Internal Audit Update

March 2024

Introduction

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2023/24 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 2023/24 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 2024. At the time of reporting, work is underway or complete on 100% of planned assignments and 80% is complete to at least draft report stage.

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 Are clients satisfied with the quality of the Internal Audit assignments?

Customer satisfaction questionnaires are issued on completion of audits. Four feedback forms have been received during the year to date and these are summarised in Appendix D.

2.4 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 meeting of the Audit and Risk Committee, final reports have been issued in relation to the following audits from the 2023/24 Audit Plan: **Information Governance, Early years providers and Continuing Healthcare Funding.**

Of the audit reviews finalised, two have resulted in assurance opinions of less than Moderate Assurance – Information Governance and Continuing Healthcare Funding. These will need to be reflected on in the development of the Internal Audit opinion for 2023/24. Action plans have been agreed in relation to all areas of identified weakness and progress will be subject to regular follow up review.

2.5 Are clients progressing audit recommendations with appropriate urgency?

Since the last Audit and Risk Committee meeting, 18 audit actions have been closed as implemented. At the date of reporting, there are 29 audit actions which remain

overdue for implementation – one of the overdue actions is of a 'high priority' rating and over three months overdue. See Appendix B and Appendix C for further details.

Table 1: Progressing the annual audit plan

KEY
Current status of assignments is shown by ●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Financial systems												
Creditors	15	10			●							Q4
Payroll	15	3			●							Q4
Local taxation	15	1			●							Q4
Corporate governance and counter fraud												
Risk management (consultancy support and real time assurances)	18	15						●	Reported to committee			
Ethical governance – advisory support	10	3	As required						Advisory			
Contract Procedure Rules compliance	8	3			●							Q4
Key corporate controls and policies												
Information governance	15	15						●	Moderate	Limited	Medium	
Cyber security – action plan	15	15					●					
Budgetary control	10	8					●					
Grant claim verification	17	15						●	Certified			




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Protecting the vulnerable												
Quality assurance in Children's Social Care	12	11						●	Moderate	Moderate	Low	
Early years providers	15	14						●	Moderate	Moderate	Medium	
Continuing healthcare funding	15	15						●	Limited	Moderate	High	
Home to school transport	12	15					●					
Fostering	12	15					●					
Adult safeguarding	12	12						●	Good	Moderate	Low	
Corporate Objective: Vibrant communities												
Private sector housing enforcement	12	14					●					
Levelling Up Fund (LUF)	12	12					●					
Corporate Objective: Delivering sustainable development												
Local plan development	15	10					●					
Highways maintenance contract procurement	12	12					●					
Corporate Objective: Customer focused services												
Transformation – advisory support	15	-								Advisory		As required

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Commissioning of leisure services	12	10						●	Good	Good	Low	
Other Assurances												
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	31										
Internal Audit Management & Development	31	26										
TOTAL	360	285										

Notes




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

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Category of Recommendations

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

Priority	Impact & Timescale
High	 Requires actions to avoid exposure to substantial risks in achieving objectives for the area.
Medium	 Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low	 Action recommended to enhance control or improve operational efficiency.

Appendix B: Implementation of Audit Recommendations

	High priority recommendations		Medium priority recommendations		Low priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	3	33%	13	41%	2	33%	18	38%
Actions due within last 3 months, but <u>not implemented</u>	5	56%	16	50%	1	17%	22	47%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	11%	3	9%	3	50%	7	15%
Totals	9	100%	32	100%	6	100%	47	100%

Appendix C: High priority audit recommendations overdue by more than three months

Audit Title and Year	Directorate	Outstanding Action	Status Update	Officer	Original Date	Revised Date (if provided)
Asset Management 2021/22	Places	<p>Tenancy schedule</p> <p>An up to date record of all properties, current tenants and terms should be consistently maintained. This should enable:</p> <ul style="list-style-type: none"> • Forward planning for tenancies reaching the end of their term; • Budget forecasting of expected income reflecting exact details of current leases/licences and income due; • Consistent information in the case of changes in personnel or planned absence of key officers. <p>It is acknowledged that manual spreadsheet records introduce an element of risk and a bespoke system for maintained all property records may assist in this, subject to a cost benefit analysis.</p>	<p>Due to staff vacancies and other work priorities this work had to be delayed.</p> <p>In February 2024, following a weekend's work by the team to upload Property Services data onto the new estate management system, it was reported that good progress has been made on uploading the data and identifying any gaps. This is work is ongoing and the target for completion is end May 2024.</p>	Head of Property Services	30/09/2022	December 2023

Appendix D: Customer Satisfaction

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

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	2	2	-	-
Communication during Assignments	-	4	-	-	-
Quality of Reporting	-	2	2	-	-
Quality of Recommendations	-	2	2	-	-
Total	-	10	6	-	-

Appendix E: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit and 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 and 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.

AUDIT AND RISK COMMITTEE

27 March 2024

INTERNAL AUDIT PLAN 2024/2025 AND INTERNAL AUDIT CHARTER AND STRATEGY

Report of the Chief Internal Auditor

Strategic Aim	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Governance and Resources	
Contact Officer(s):	Rachel Ashley-Caunt, Chief Internal Auditor	07799 217378 Rashley-caunt@rutland.gov.uk
Ward Councillors	N/A	

1 SUMMARY AND RECOMMENDATIONS

1.1 Summary

1.1.1 This report provides the Committee with a proposed plan of Internal Audit work for the 2024/25 financial year, and the Internal Audit Charter, for review and approval. This is in line with the Public Sector Internal Audit Standards and the Committee’s terms of reference.

1.2 Recommendations

1. To approve the Internal Audit Plan for 2024/25, at Appendix A.
2. To approve the Internal Audit Charter and Strategy, at Appendix B.
3. To approve 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.

Reasons for Recommendations

- 1.2.1 The Audit Plan for 2024/25 was developed using a risk-based approach, with input from senior management and the Audit and Risk Committee.
- 1.2.2 The Internal Audit Charter remains consistent with previous years and requires

annual Committee approval, in line with the Public Sector Internal Audit Standards.

2 REPORT

2.1 Delivery of Internal Audit plan

2.1.1 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.

2.1.2 Appendix A provides details on the process followed to develop the Internal Audit Plan for 2024/25 and a copy of the draft plan is provided in Table 1.

2.1.3 At the December 2023 meeting, members of the Audit and Risk Committee were invited to highlight any areas where assurance from Internal Audit was sought during 2024/25 for inclusion and prioritisation in the development of the Audit Plan. Those areas have been reflected on in the development of the planned coverage. Areas highlighted by the Committee included the new highways maintenance contract and flood authority statutory duties – both of which are included for audit coverage.

2.2 Internal Audit Charter and Strategy

2.2.1 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’.

2.2.2 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. No amendments have been proposed for 2024/25. A copy is provided as Appendix B.

2.3 Options Considered

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

2.4 Background

2.4.1 In setting the annual Internal Audit Plan, the Public Sector Internal Audit Standards require:

- The audit plan should be developed taking into account the organisation’s risk management framework and based upon a risk assessment process undertaken with senior management and the Audit & Risk Committee;
- The audit plan should be reviewed and approved by an effective and engaged Audit & Risk Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
- The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value and improve the organisation’s operations.

2.5 Consultation

- 2.5.1 Chief Internal Auditor has consulted with Corporate Leadership Team and the Audit & Risk Committee on coverage for the 2024/25 audit plan.

3 IMPLICATIONS OF THE RECOMMENDATION

3.1 FINANCIAL IMPLICATIONS

- 3.1.1 This section has been approved by Head of Finance.
- 3.1.2 There are no financial implications directly arising from this report. The Audit Plan is based upon the number of days commissioned by the Council on an annual basis (360 days) under the Delegation Agreement.
- 3.1.3 The contract is directly linked to the staff pay awards and as a result the cost of the contract (£108,015 2023/24) is likely to exceed the available budget (£103,500) in 2024/25. The Council are considering what steps can be taken to mitigate any increases in cost above the budget. The cost increase for 2023/24 was £5,728 with a similar uplift expected for 2024/25 will result in c£10,000 needing to be found to support the current Audit Plan.

3.2 LEGAL IMPLICATIONS

- 3.2.1 This section has been approved by Sarah Khawaja, Head of Legal & Democratic Services
- 3.2.2 There are no legal implications directly arising from this report.

3.3 Risk Management Implications

- 3.3.1 The Internal Audit Plan should be risk based and provide the Council with assurance over its governance, risk and control framework. Each assignment within the Audit Plan is mapped to related entries on the Council's Risk Register, as appropriate.

3.4 DATA PROTECTION IMPLICATIONS

- 3.4.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

3.5 EQUALITY IMPLICATIONS

- 3.5.1 An Equality Impact Assessment (EqIA) has not been completed as it is not relevant to this report.

3.6 COMMUNITY SAFETY IMPLICATIONS

- 3.6.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).
- 3.6.2 This duty has been considered and there are no implications relating to the recommendations.

3.7 HEALTH AND WELLBEING IMPLICATIONS

3.7.1 There are no health and wellbeing implications arising directly from this report.

3.8 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

3.8.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.

3.8.2 There are no direct environmental and climate change implications of the Recommendations. The Internal Audit Plan for 2024/25 includes seeking assurance over the Council's approach to reaching Net Zero.

3.9 PROCUREMENT IMPLICATIONS

3.9.1 There are no procurement implications arising directly from this report.

3.10 HR IMPLICATIONS

3.10.1 There are no HR implications arising directly from this report.

4 BACKGROUND PAPERS

4.1 None

5 APPENDICES

5.1 Appendix A: Internal Audit Plan 2024/25

5.2 Appendix B: Internal Audit Charter and Strategy

An Accessible Version of this Report is available upon request – Contact 01572 722577.



**Internal Audit Plan
2024/25
Rutland County Council**

Chief Internal Auditor: Rachel Ashley-Caunt CPFA

Internal Audit Plan 2024/25

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Rutland County Council for 2024/25 for review and approval by the Audit & Risk Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Rutland County Council commissions 360 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the public sector. This role requires the Chief Internal Auditor to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy/advisory work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit & Risk Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit & Risk Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

2. The Audit Plan

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer and the Audit & Risk Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements. Such assignments are marked as 'advisory support' and will not result in an assurance opinion.
- 2.2 Central to the organisation, is the core delivery of the Council's objectives and corporate plan. The risk-based audits are focused upon providing independent assurance over the controls in place to support delivery of those objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies cover both financial and non-financial systems and processes. These policies and controls must be complied with by all service areas to secure the Council's ongoing stability and service delivery.

- 2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.
- 2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services.

Value for money

- 2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.
- 2.7 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements.

Fraud risks

- 2.8 In the scoping of every audit assignment, consideration is given to any fraud risks associated with the processes under review. These are specifically considered for any relevant audit coverage.
- 2.9 In addition, the Internal Audit team also support with pro-active counter fraud work and are available to provide ad-hoc advice and assistance should any concerns be raised. The Council's whistleblowing policy provides Internal Audit as a point of contact for raising concerns and, should any investigation work be required, the team includes officers with the skillset and experience to deliver fact finding investigation work.

3. Planning process

- 2.10 In order to ensure that the Audit Plan for 2024/25 addresses the Council's key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:
- Reviewing the Council's Risk Registers and Corporate Plan;
 - Considering the sources of assurance listed against each of the Council's risk entries, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - Horizon scanning for changes in legislation/regulations and emerging risks for the year ahead;
 - Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
 - Considering latest performance reporting for areas of underperformance;
 - Paper on the planning process for 2024/25 to Audit & Risk Committee in December 2023 to consult the Committee on any areas where assurance was specifically sought; and
 - Meeting with members of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

- 2.11 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from all councils with whom North Northamptonshire Council's Internal Audit team works.
- 2.12 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1.
- 2.13 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit & Risk Committee meetings, involving consultation between the Chief Internal Auditor, the S151 Officer and Chair of the Audit & Risk Committee.

Resources

- 2.14 The audit assignments are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider team, providing the resilience and stability of the delegated service.
- 2.15 Efforts are constantly made to ensure all clients benefit from the delegated arrangement and this work with multiple local authorities. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 2.16 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments. As such, the Chief Internal Auditor can confirm the service's independence. The delegated service model also enables the Chief Internal Auditor to allocate audits to various officers over time, to avoid risks associated with over familiarity.
- 2.17 On an annual basis, the Chief Internal Auditor completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Chief Internal Auditor must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Audit & Risk Committee if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2024/25

Assurance Areas	Internal Audit Assignments (including assurance sought)	Risk ref / source	Audit days	Initial timing
Corporate governance and counter fraud	Risk management 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 assurance on risk management	12	Q1-4
	Contract Procedure Rule compliance 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	8	Q4
Key corporate controls and policies	Financial Systems <ul style="list-style-type: none"> • Accounts receivable and debt recovery • Main accounting system 	Internal Audit assurance on internal controls	30	Q3/4
	Information governance To provide assurance over compliance with the General Data Protection Regulation (GDPR) requirements and data protection legislation. To follow up on actions from the 2023/24 audit report and include wider testing on data retention.	Resources 04 Internal Audit assurance on internal controls	12	Q3
	Savings and transformation To seek assurances over the Council's delivery against transformation and associated savings plans.	SR73 SR74	16	Q4
	Cyber security – vulnerability management To provide assurance over the Council's preventative and detective controls to manage the risk of cyber attacks – to conduct thematic reviews, starting with vulnerability management.	SR03	12	Q3
Corporate Objective: Protecting the vulnerable	Continuing health care funding (Children's) To provide assurance that appropriate controls are in place to ensure the completeness and accuracy of the invoicing process to clinical commissioning groups (CCGs). To include sample testing of jointly funded care packages and a review of current systems and processes involved in the recharging/invoicing process, to ensure full and timely recovery of monies due.	SR74	15	Q1
	Adult social care data quality To provide assurance over the quality of data being generated and reported in respect of adult social care. This is expected to inform the work of Care Quality Commission inspections.	SR05	12	Q1

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Assurance Areas	Internal Audit Assignments (including assurance sought)	Risk ref / source	Audit days	Initial timing
	Children's social care data quality To provide assurance over the quality of data being generated and reported in respect of children's social care.	SR04	12	Q1
	Early years providers – Free Early Education Entitlement (FEEE) compliance To follow up on progress made in relation to actions arising from the 2023/24 audit in this area and support engagement with local providers to ensure consistent compliance with requirements for claims and invoicing. Also in light of changes to funded hours offered during 2024/25.	Follow up	12	Q2
	Service user monies - appointeeships/deputyships Public Authority Deputyship or appointeeship is intended to protect the financial interests of people aged 18 and over who lack the mental capacity to manage their own finances and for whom no valid Lasting Power of Attorney is in place. To provide assurance over the compliance with requirements to safeguard the monies of service users under these schemes, where the Council is the appointee/deputy.	SR05	12	Q2
	Adults – information and advice Under Section 4 of the Care Act the Local Authority must establish, co-ordinate and maintain a service (or services) that provide accessible, up-to-date, accurate, comprehensive but proportionate advice and local information relating to Care and Support for people and Support for carers. To provide assurance over the Council's information and advice services – including how this fits with digital agenda.	Directorate risk	12	Q2
	Ofsted inspection response Full Ofsted reinspection expected - to include days in audit plan to look at any actions arising from this and provide assurances on next steps.	SR04	10	TBC
	Continuing health care funding (Adults) – follow up To follow up on progress made in relation to the 2023/24 audit, which received an opinion of Limited Assurance for the control environment.	SR74	10	Q4
	Adult safeguarding To provide assurance over arrangements for handling safeguarding concerns efficiently and effectively, both in the community and with registered providers.	SR05	15	Q4
Corporate Objective: Vibrant communities	Levelling Up Fund (LUF) To provide assurances over the management of the LUF programme and projects, to deliver against expected benefits and ensure compliance with funding terms.	SR07	20	All year
	Flood authority statutory duties To provide assurances over the Council's compliance with its statutory duties as a flood authority.	Directorate risk	12	Q3
Corporate Objective: Delivering	Local plan development project To provide assurance over the delivery of the Local Plan project, including compliance with Regulation 18 of the Town and Country Planning (Local Planning) Regulations 2012.	SR07	12	TBC

Assurance Areas	Internal Audit Assignments (including assurance sought)	Risk ref / source	Audit days	Initial timing
sustainable development	Carbon Net Zero To provide assurance over the Council's arrangements to support Carbon Net Zero. To include assurances over the implementation of the Biodiversity Net Gain requirements.	Corporate objectives	11	Q4
	Highways maintenance contract To provide assurance over the management of the new highways maintenance contract including assurance over payments, delivery against expected standards and	SR79	12	Q4
Corporate Objective: Customer focussed services	Registration services To provide assurance over the financial control environment and certificate stock management. An area that has not been subject to internal audit coverage in recent years.	Internal Audit assurance on internal controls / fraud risks	12	Q3
Other Assurances	Grant claim verification Changing Lives, Pot Hole Grant, Bus Service Operator Grant etc.	Grant requirements	15	As req'd

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Table 2: Reserve list 2024/25

Risk area	Comments and action if not covered in 2024/25
Recruitment and retention of Children's services workforce	High risk but potentially less value to be added from audit work than other areas proposed above. To consider in audit planning for 2025/26.
Asset transformation	To consider in audit planning for 2025/26.
Communities and Prevention Service	To consider in audit planning for 2025/26.
Financial Management Code	To consider in audit planning for 2025/26.
Corporate health and safety	To consider in audit planning for 2025/26.
Council tax reduction scheme	To consider in audit planning for 2025/26. Area subject to internal review in 2024/25.



Internal Audit
Charter and 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, ethical 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 Council 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 and Risk Committee. Regular reporting on audit activity is provided to the Section 151 Officer, Corporate Leadership Team and the Audit and 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 an ethical way, be honest and professional and demonstrate integrity at all times.
- The Internal Audit Charter is regularly reviewed and approved annually by the Audit and 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 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 Section 151 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. The delegated service is led by North Northamptonshire Council's Chief Internal Auditor, who fulfils the role of the Chief Audit Executive.

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 and Risk Committee).

The work of Internal Audit therefore derives directly from these responsibilities, including:

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

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

- 2.3 The definitions applied to the PSIAS terminology throughout this document are provided in Table 1.

Table 1: Definitions

Terminology	Definition for Rutland County Council
'Board', as per PSIAS	The Audit and Risk Committee
'Chief Audit Executive', as per PSIAS	The Chief Internal Auditor
'Senior management'	Corporate Leadership 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. Areas for assurance include financial controls, performance, policy 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 organisation's 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 of the Council. Directors and Service Leads 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:
- **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.
 - **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 their potential impact on the Council's governance, risk management and control arrangements. The Chief Internal Auditor leads on the internal audit provision for five local authorities, thereby providing opportunities to share good practice, lessons learned and emerging risks.
 - **Having impact**
Delivering work which has support from management and 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 and 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 should contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.
- 4.5 All Council employees are required to assist the Internal Audit service in fulfilling its roles and responsibilities.
- 4.6 The Audit and 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 prevents 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 and 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 Auditor and Audit and Risk Committee at their discretion, including private meetings with the Chair of the Audit and Risk Committee.

5 Ethics, independence & Objectivity

- 5.1 Independence is essential to the effectiveness of the Internal Audit service; as such, 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 The Chief Internal Auditor's role includes providing 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 independent advice and support for this process rather than to undertake risk management activity directly or influence risk scoring. Internal Audit reviews of risk management focus on actual risk management activity undertaken by management, not the support 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 supports with corporate counter fraud activity for the Council. Internal Audit would often be best placed to lead on investigating whistleblowing referrals relating to fraud and corruption or 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 and managed by the Chief Internal Auditor.
- 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 and 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 work 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;
 - 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 any work that can be delivered in support of the external auditor thus reducing the external audit fee, and to deliver governance and counter fraud 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.
- 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
 - Data protection 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 and any other sources of assurance that the Chief Internal Auditor can place reliance upon.

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, which will be documented in an audit planning record. This record will be approved by the relevant Director, and will set out the risks which will be covered within the audit fieldwork;
- Ensuring that the right skills and suitable approaches are in place for individual assignments;
- Applying an informed, unbiased approach to sample selection and audit testing;
- 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 to address findings which are pragmatic and proportionate to risk, tailored for the best result and taking 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 and operating in line with the Council's Code of Conduct and Equality and Diversity policies.

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, 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 outcomes 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 Each draft audit report will be issued to the lead officer and Service Lead for initial comments, responses to recommendations and agreement of accuracy. A final draft will be issued to the Director for agreement and sign off. Alternative reporting arrangements can be agreed to incorporate specific officers and/or additional senior management leads, as appropriate, where agreed in the scoping of the audit and audit planning record.
- 6.12 Senior Management shall ensure that agreed corrective actions are introduced.
- 6.13 Periodic summary reports are issued to the Audit and Risk Committee. In consultation with the Audit and Risk Committee Chair, senior management from the respective service area may be invited to attend the Audit and Risk Committee meeting in respect of any reports receiving an opinion of Limited Assurance or below.
- 6.14 To assist the 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 matters arising.

Actions / Recommendations

6.15 Recommendations made by Internal Audit are categorised dependent on the associated risk. The definitions are as provided in Annex B. For each recommendation made, a management response is sought, and an agreed action plan is finalised within the audit report. This must include owners and dates for implementation.

Follow up

6.16 All actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. Management are asked to provide evidence when a High or Medium category action has been fully implemented.

Quality assurance

6.17 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.

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

- An audit manual - documenting ways of working and expected standards
- Staff supervision and review arrangements
- Customer feedback arrangements
- Quality standards and performance measures, including:
 - Proportion of audit plan completed
 - Productive/direct time as a % of total time
 - Customer satisfaction levels
- Annual internal review
- Periodic external reviews

6.19 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

6.20 The Audit and 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 and Risk Committee.

6.21 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 and Risk Committee oversight

- 7.1 The Chief Internal Auditor will provide regular progress reports to the Audit and Risk Committee to advise on the delivery of 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 and Risk Committee will:
- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
 - approve, but not direct, changes to the audit plan;
 - be informed of results from the quality assurance and improvement programme; and
 - be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

8 Counter 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 strategy
 - Bribery Act policy statement
 - Whistleblowing policy
 - Anti-Money Laundering Policy
- 8.2 All Internal Audit staff will be alert to the possibility of fraud during assignments, but auditors are not responsible for identifying fraud.

Annex A
Internal control assessment

Control Environment Assurance	
Level	Definitions
Substantial	There is a sound system of internal control to support delivery of the objectives.
Good	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.
Moderate	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.
Limited	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.
No	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.

Compliance Assurance	
Level	Definitions
Substantial	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact	
Level	Definitions
High	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Audit recommendation categories

Category	Definition
High	Requires actions to avoid exposure to substantial risks in achieving objectives for the area.
Medium	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low	Action recommended to enhance control or improve operational efficiency.

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AUDIT & RISK COMMITTEE

27 March 2024

ANNUAL GOVERNANCE STATEMENT (AGS) REPORT

Report of the Strategic Director for Resources

Strategic Aim	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Governance and Resources	
Contact Officer(s):	Kirsty Nutton, Strategic Director for Resources (s.151) Andrew Merry, Head of Finance (ds.151)	Tel: 01572 758159 Email: KNutton@rutland.gov.uk Tel: 01572 758152 Email: AMerry@Rutland.gov.uk
Ward Councillors	N/A	

1 SUMMARY AND RECOMMENDATIONS

1.1 Summary

1.1.1 This report is submitted to the Committee following referral from the S151 Finance Officer as part of the annual closure of accounts process.

1.2 Recommendations

1. To note the arrangement for compiling, reporting on and signing the Annual Governance Statement.
2. Review and comment on the Annual Governance Statement including any areas which should be amended.
3. Subject to changes identified above, agree, and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

1.3 Reasons for Recommendations

1.3.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but represents a corporate overview of the processes and procedures adopted, ie its governance,

by the Council to manage its affairs.

1.3.2 This report is for the Committee to consider under its Terms of Reference no.s:

1.3.3 The AGS is contained in Appendix B to this report.

2 REPORT

2.1 Background

2.1.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2022/23 reporting year.

2.1.2 This report includes the AGS for Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

2.1.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities, and includes those designed to ensure that:

- The Council's policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The Council's values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Its financial statements and published information are accurate and reliable
- Human, financial and other resources are managed efficiently and effectively.

2.1.4 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. The assurance gathering process to support the AGS is set out in Appendix A.

2.1.5 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

Internal Audit: Annual Internal Audit Opinion 2022/23

- 2.1.6 The annual report from Internal Audit was reported to this Committee in June 2023. The table below provides an overview of the types of audit opinion issued during the year and is compared with previous year data.

Audit opinion	2022/23	2021/22
Substantial	7	8
Good	12	18
Satisfactory	13	6
Limited	2	0
No	0	0
Total	34	32

- 2.1.7 The Annual Audit Opinion provides a satisfactory assurance on the overall adequacy and effectiveness of governance, risk management and internal control for 2022/23. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above which is in full compliance with the Public Sector Internal Audit Standards.

External Audit: Auditor's Annual Report on Rutland Council 2021/22 & 2022/23

- 2.1.8 Grant Thornton provides an annual report giving an overall evaluation of the Council. The report which covers the two years of 2021/22 and 2022/23 is on the same Committee as this report. Overall, the letter is positive in nature with respect to performance of the Council as summarised in the table below:

Criteria	Risk Assessment	Recommendations for improvement
Financial Sustainability	No risks of significant weakness identified	3
Governance		2
Improving economy, efficiency, & effectiveness		2

Risk Management

- 2.1.9 Risk management encompasses areas such as projects and performance. In addition, there is a Strategic Risk Register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's Corporate Strategy and priorities ([the latest update to this Committee was in December 2023](#)).

Corporate Governance

- 2.1.10 Regular updates on governance arrangements are reported through Corporate Leadership Team (CLT), Cabinet, Audit & Risk Committee and ultimately to Full Council. This covers all aspects of governance; from constitutional changes, operational procedures such as Financial or Contract regulations or standards items of business. Significant governance issues established in the AGS are reported to the Audit & Risk Committee.

3 IMPLICATIONS OF THE RECOMMENDATION

3.1 FINANCIAL IMPLICATIONS

3.1.1 This section has been approved by a member of Finance Team

3.1.2 This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications. However, in order to maintain financial control and address risks as identified within the Statement, Directorates may need to allocate resources from within their existing budgets.

3.2 LEGAL IMPLICATIONS

3.2.1 This section has been approved by (member of Legal Services)

3.2.2 In accordance with the Accounts and Audit Regulations 2015, the Annual Governance Statement should be approved by members of the Council meeting as a whole, or by a committee, at the same time as the statement of accounts is approved.

3.3 RISK MANAGEMENT IMPLICATIONS

The main risks to this Report and the Council achieving its objectives are as follows:

Risk 1	Risk
That this Committee does not approve the AGS	Low
Mitigation 1	Residual Risk
The Committee are kept informed of all relevant matters throughout the year as part of its work programme and ability for the Committee to add further consideration of areas of interest.	Low
Record of risk 1	Completion of the Statement of Accounts

3.4 DATA PROTECTION IMPLICATIONS

3.4.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

3.5 EQUALITY IMPLICATIONS

3.5.1 This report contains no specific equalities implications.

3.6 COMMUNITY SAFETY IMPLICATIONS

3.6.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).

3.6.2 This duty has been considered and there are no community safety implications relating to the recommendations.

3.7 HEALTH AND WELLBEING IMPLICATIONS

3.7.1 There are no direct health and wellbeing implications of the Recommendations.

3.8 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

3.8.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.

3.8.2 There are no direct environmental and climate change implications of this report.

3.9 PROCUREMENT IMPLICATIONS

3.9.1 There are the no direct procurement implications from this report.

3.10 HR IMPLICATIONS

3.10.1 There are no HR implications.

4 BACKGROUND PAPERS

- [Annual internal audit report and opinion 2022/23, Audit & Risk Committee, 27 June 2023, Item 9](#)
- [Draft Statement of Accounts 2022/23](#)
- [Strategic Risk Register, Audit & Risk Committee, 5 December 2023, Item 10](#)

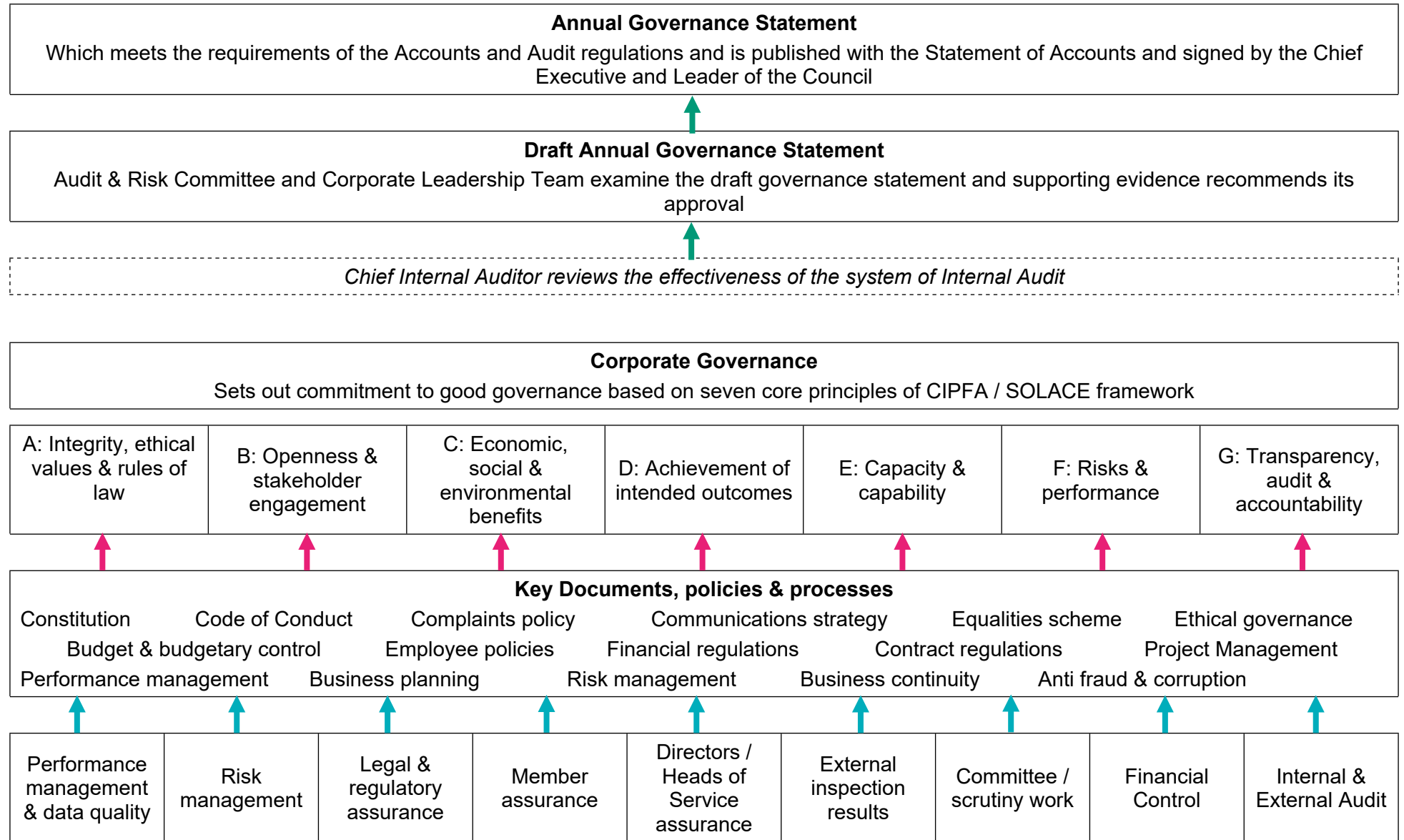
5 APPENDICES

5.1 Appendix A – Framework for the Annual Governance Statement

5.2 Appendix B – Annual Governance Statement 2022/23

An Accessible Version of this Report is available upon request – Contact 01572 722577.

Appendix A - Framework for the Annual Governance Statement



Annual Governance Statement 2022/23



Annual Governance Statement

Scope of Responsibility

Rutland County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities and the Councils ongoing Financial Sustainability workstreams.

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

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the

preparation and publication of an Annual Governance Statement. It is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Strategic Director of Resources and s.151 Officer):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management.
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Leadership Team

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the

Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1997. Its strategic vision and corporate priorities are set out in the Corporate Strategy 2022–2027. It lists a total of 25 commitments covering everything from sustainable development and carbon reduction, to reducing health inequalities and supporting vulnerable people. Each of our 25 commitments will help to achieve the aspirations voiced by residents throughout the Conversation and then captured in the final [Future Rutland Vision](#).

Key Elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government (2016) as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Council approved in July 2023, a revised Member Officer protocol. The revised protocol provides guidance on how Members and Officers should work together effectively to deliver positive outcomes for Rutland's residents, businesses, and communities. It seeks to apply the Nolan principles (the seven principles of public life) into practice and provides guidance on the best practice means of meeting those standards.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved to the Strategic Director.
- Confidential concerns can be raised through the Council's Whistleblowing Policy.
- The Council have a Counter Fraud Strategy in place to provide proactive solutions to minimise the risks of fraud.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the Council's Constitution, which shows the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers' proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.

- The Chief Executive is the Head of Paid Service and is supported by the Corporate Leadership Team. Cabinet portfolios are assigned on a function basis, rather than directorate and subject to appropriate officer support.
- The Strategic Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit provided by LGSS work in line with the Public Sector Internal Audit Standards.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability as defined in the Councils Financial Procedure Rules within the constitution.
- The Strategic Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.
- Other members of the Corporate Leadership Team include Strategic Director for Adults and Health, Strategic Director for Children and Families, & Strategic for Director Places

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives through its Corporate Plan. This was developed with considerable input from the Future Rutland Conversation.
- Council meetings are open, to every citizen, are sound recorded and made available online, for example on YouTube.

- The Council works in partnership with Leicestershire County Council and a number of services and senior management are shared for example the Director of Public Health.
- In order to demonstrate its openness, the Council follows the Transparency Code and makes documents publicly available such as the Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Budget considerations of the final budget took place at Full Council on 28 February 2022. The Council Tax increase for the year was 4.99% (1.99% General Increase and 3.00% Adult Social Care).

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- The Medium-Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to provide environmental and economic benefits to the citizens of Rutland.
- The Council recognises the need for urgent action to address climate change and has declared a Climate Crisis and Ecological Emergency. The Corporate Strategy 2022-27 recognises the objective of making Rutland a truly green county that is net zero carbon, with the challenge of reducing high levels of waste and our carbon footprint.
- The Councils Committee reports all have a mandatory sections detailing the impacts of decisions on environmental, equality and financial implications

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Regular Performance Reports produced and presented to Cabinet.
- The Council produced a financial sustainability strategy which was approved by the Council in July 2022.
- The Council has been subject to a number of external reviews in 2022/23 including a focused visit by Ofsted on 24 and 25 January 2023. This looked specifically at professional practice relating to child protection and children in need as well as the normal inspections by our External Auditors – Grant Thornton LLP.
- The Council, in order to discharge its functions on Health, operated a dedicated Health & Wellbeing Board.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- To ensure independent reviews of its systems, the Council operates an Internal Audit service regular reports are taken to the Audit & Risk Committee. The 2022/23 Internal Audit Opinion provided a satisfactory assurance over the Council's control environment.
- The Constitution is reviewed regularly with the Constitution Working Party to ensure the constitution is fit for purpose.
- Regular meetings and 1:1's are held at all levels. As part of these meetings performance is discussed. The performance review process has been reviewed and "Conversations" approach established.

- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff.

Principle F: Managing risks and performance through robust internal control and strong public management

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit & Risk Committee and the Corporate Leadership Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Risks are escalated through to the Corporate Leadership Team on a monthly basis as part of a wider remit to review performance across the Council.
- New Members receive induction with separate training provided for specific Committee needs.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by the key risks within the budget.
- The final accounts are prepared in accordance with professional standards and subject to External Audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.
- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities' interests.

Review of Effectiveness

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk registers, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed by Audit and Risk Committee. In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Internal Audit produced an [Annual Report](#) each year and for 2022/23 gave the opinion of Satisfactory Assurance. The Annual Report contains the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed and a statement on the extent of conformance with the Standards.

For the audits completed by the Internal Audit service in 2022/23 and finalised at the time of reporting, 94% of the opinions given

in relation to the control environment and compliance have been of at least Satisfactory Assurance.

The audit plan coverage had targeted areas of known risk and was informed through consultation with senior management and the Audit and Risk Committee. Based on the audit findings, an opinion of Limited Assurance was given on compliance with controls for:

- Home to School Transport - this reflected that the controls had not been consistently applied during the 2022/23 financial year, primarily due to staff vacancies. The organisational risk associated with this was assessed as Major, given the potential safeguarding risks associated with this service. Management agreed an action plan to address the findings and this will be subject to follow up work in 2023/24 – at the time of producing the 2022/23 annual report, a key 'High' priority action has been completed and progress has been made in relation to all actions.
- Highways Maintenance Contract, as controls agreed following previous audits have yet to be fully embedded in some areas of the contract management. This, again, has been attributed to changes in staff and covering for vacancies/periods of maternity leave. Actions arising from these audits will be subject to ongoing follow up by Internal Audit in 203/24.

Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders.

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Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit and Risk Committee and Cabinet. The overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

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Signed:

Date:

Mark Andrews, Chief Executive
Post 27 March 2024

Signed:

Date:

Councillor Gale Waller, Leader of the Council
Post 27 March 2024

A large print version of this document is available on request



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AUDIT & RISK COMMITTEE

27 March 2024

**AUDITOR’S ANNUAL REPORT ON RUTLAND COUNTY
COUNCIL 2021/22 & 2022/23**

Report of the Strategic Director for Resources

Strategic Aim	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Governance and Resources	
Contact Officer(s):	Kirsty Nutton, Strategic Director for Resources (s.151) Andrew Merry, Head of Finance (ds.151)	Tel: 01572 758159 Email: KNutton@rutland.gov.uk Tel: 01572 758152 Email: AMerry@Rutland.gov.uk
Ward Councillors	N/A	

1 SUMMARY AND RECOMMENDATIONS

1.1 Summary

1.1.1 In accordance with regulations the Council’s external auditor the Committee receives the Auditor’s Annual Report on Rutland County Council for 2021/22 and 2022/23 which provides an assessment of the Council’s proper arrangements for securing economy, efficiency and effectiveness and makes recommendations for improvements.

1.2 Recommendations

1. To consider the findings of the external audit report and resulting recommendations for improvements.

1.3 Reasons for Recommendations

1.3.1 This report is for the Committee to consider under its Terms of Reference no.s:

6.1 ‘to undertake the County Council’s responsibilities under the Accounts and Audit Regulations’

6.2 g) *to consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance*

6.2 i) *to comment on the scope and depth of external audit work and to ensure it gives value for money*

6.4 b) *to consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.*

1.3.2 The Grant Thornton report is contained in Appendix A to this report.

2 REPORT

2.1 Background

2.1.1 The external auditors are required under Section 20[1][c] of the Local Audit and Accountability act 2014 to satisfy themselves that the Council has made proper arrangement for securing economy, efficiency, and effectiveness in its use of resources. The Code of Audit Practice requires that the external auditors report to the Council their commentary relating to proper arrangements.

2.1.2 Auditors are required to report their commentary on the Council's arrangements under specified criteria, with 2020/21 the first year that their findings were reported in this way. The auditors can report this commentary relating to more than one financial year where it is more efficient to and effective to do so. For this reason, the report from the Council's external auditors considers both 2021/22 and 2022/23.

2.1.3 It should be noted the timings involved with this report, in that the GT work timeframe covers the Summer of 2023, with a first draft of the report provided to the S151 Officer in January 2024. At the time of drafting this report, the final version is being drafted by GT to take into account the latest position of the 2021/22 and 2022/23 Accounts audits. The timing has meant limited opportunity for the implementation of the Recommendations during 2023/24 and where any additional actions are required, to those noted as part of the 'Management Response', will be implemented during 2024/25.

2.1.4 All Councils are responsible for putting in place 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 three areas that are assessed are:

- a) **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)
- b) **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
- c) **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

2.1.5 A summary table for 2021/22 and 2022/23 of the external auditor’s assessment follows:

Criteria	Risk Assessment	Recommendations for improvement
Financial Sustainability	No risks of significant weakness identified	3
Governance		2
Improving economy, efficiency, & effectiveness		2

3 IMPLICATIONS OF THE RECOMMENDATION

3.1 FINANCIAL IMPLICATIONS

3.1.1 There are no direct financial issues arising from this Report. The work is undertaken within the external audit as commissioned through the PSAA procurement arrangement and set audit fees. For 2021/22 and 2022/23 estimated fees outlined in the Audit Plan, reported to Committee 26 September 2023 were £88.9k and £86.2k respectively. These fees are contained within the budget.

3.2 LEGAL IMPLICATIONS

3.2.1 This section has been approved by a member of Legal Services.

3.2.2 There are no legal implications.

Risk Management Implications

3.2.3 The main risks to this Report and the Council achieving its objectives are as follows:

Risk 1	Risk
Recommendations from the report are not able to be implemented in a timely manner	Low
Mitigation 1	Residual Risk
To ensure that the recommendations form part of the Service work programmes and for activities to be incorporated as ‘business as usual’	Low
Record of risk 1	Directorate Risk Register

Recommendation 4 of the attached report from the external auditors recommends that “Cabinet and Audit & Risk Committee should be presented with the strategic risk register for review, at least twice-annually as part of the corporate performance reporting, as stated in the Risk Management Policy.

3.3 DATA PROTECTION IMPLICATIONS

3.3.1 A Data Protection Impact Assessments (DPIA) has not been completed because

there are no identified risks or issues to the rights and freedoms of individuals.

3.4 EQUALITY IMPLICATIONS

3.4.1 An Equality Impact Assessment (EqIA) has not been completed as this report considers the Council's approach to securing economy, efficiency and effectiveness in the way activities are undertaken.

3.5 COMMUNITY SAFETY IMPLICATIONS

3.5.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).

3.5.2 This duty has been considered and there are no community safety implications relating to the recommendations.

3.6 HEALTH AND WELLBEING IMPLICATIONS

3.6.1 There are no direct health and wellbeing implications of the Recommendations.

3.7 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

3.7.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.

3.7.2 There are no direct environmental and climate change implications of this report. However, Recommendation 5 of the attached report from the external auditors recommends:

a) The financial implications of carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change

b) The Council should ensure that it develops arrangements to monitor and comply with legislative changes relating to climate change / net zero

3.8 PROCUREMENT IMPLICATIONS

3.8.1 There are the no direct procurement implications from this report. However, recommendation 7 of the attached report from the external auditors recommends that "corporate Council oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

3.9 HR IMPLICATIONS

3.9.1 There are no HR implications.

4 BACKGROUND PAPERS

- [2021/22 External Audit Plan, Audit & Risk Committee, 26 April 2022, Item 8](#)

- [2022/23 External Audit Plan, Audit & Risk Committee, 26 September 2023, Item 12](#)

5 APPENDICES

- 5.1 Appendix A – Auditor’s Annual Report on Rutland County Council 2021/22 & 2022/23

An Accessible Version of this Report is available upon request – Contact 01572 722577.

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Auditor's Annual Report on Rutland County Council

2021/22 and 2022/23

March 2024

Provisional Report



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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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 for this reason. 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. Our conclusions are summarised in the table below.

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Overall, we have identified a small number of improvement recommendations to further improve the Council's governance and performance arrangements.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but an improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning for the short and medium term is on a sound footing based on prudent financial assumptions. The Council will need to continue to take a structured and disciplined approach to managing finances and reserves. We note that the outturn for 2021/22 was a surplus of £3.062m and for 2022/23 was a £0.4m surplus which indicates that the Council has managed its finances within budget for the years under review.

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

We assessed the arrangements concerning Financial Sustainability and found no indication of potential significant weakness. However, we have made a recommendation relating to the Council's Medium Term Financial Strategy which needs to reduce the current reliance on use of reserves and to rebuild them where necessary to strengthen financial sustainability beyond 2023-24. Alongside this we have recommended the development of longer-term savings plans to address the forecast financial challenges beyond 2024/25. The impact of carbon reduction is also recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change.

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Governance

The Council's governance arrangements are on a sound footing. We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. However, we have made improvement recommendations to review of the corporate risk register and to develop arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. We assessed the arrangements concerning economy, efficiency and effectiveness and found no indications of significant weaknesses. We have raised two improvement recommendations. Firstly, the Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements. In addition, increased corporate oversight is needed over the maintenance and record-keeping of the contracts register to enhance the Council's ability to monitor compliance, breaches and waivers, in anticipation of the new procurement bill requirements in October 2024.



2021/22

We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion during April 2024.

2022/23

Our audit of your financial statements is ongoing at the time of issuing this report. We currently anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 27 March 2024.



Securing economy, efficiency and effectiveness in the Council's 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:



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).



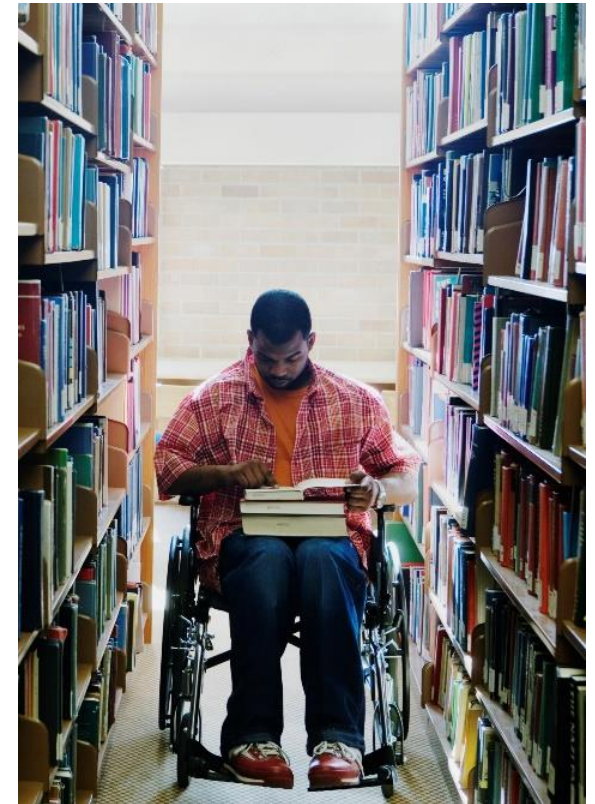
Governance

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 the Council's arrangements in each of these three areas, is set out on pages 6 to 25. 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 that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Planning and Managing Pressures

The years 2021-22 and 2022-23 have represented a challenging period for the Council in terms of its medium-term financial planning. During 2021-22 the Council continued to experience the financial impact of Covid, most significantly a loss of income due to suspended or significantly reduced services. In 2022-23 a number of new financial pressures have arisen, because of, a sharp downturn in economic conditions in both in the UK and globally, that significantly increased the scale of inflationary pressures from the early part of 2021-22, beyond what had been projected when the budget was set.

The budget-setting process each year involves the SLT and heads of service ensuring that their budgets align with current staff structures. The Workforce strategy, however, needs to be formally updated as the previous version pre-dates COVID-19 and a lot has changed in terms of ways of working, working environments and protocols.

Improvement recommendation: The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.

Assumptions underpinning revenue budgets for 2022-23 and over the medium term, which were agreed in February 2022, had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices. Some of the most significant levels of inflation were experienced in construction on other costs and this has impacted the capital programme.

In our discussions with the senior finance team, it has become clear that they are aware of these pressures and have responded well to manage them. The Council positioned itself to manage the financial pressures by taking steps to control in year expenditure in 2022-23 and identify within its medium term planning an approach to managing future funding challenges.

Inflation and other factors led to significant increases in the Council’s projected medium-term funding gaps for 2023/24 and beyond. The Council submitted its initial 2023-24 budget proposal and revised its MTFP in the light of the Local government funding settlement in December 2022 with the final version approved in February 2023. The budget was balanced via the use of £0.589m of General Fund reserves to balance the main budget and £0.900m to meet future liabilities for the Local Plan, High Needs and Leisure.

This position takes into account the reserves consumed to support the position in 2022-23. The MTFP is kept under regular review and the latest position is shown in the table below.

5 YEAR MTFP (23/24 – 27/28)						
		23/24	24/25	25/26	26/27	27/28
General Fund	Opening value of General Fund Balances* (provisional subject to 22/23 outturn)	(14,611)	(13,172)	(11,791)	(11,310)	(11,045)
Net Service expenditure	Service expenditure, borrowing costs and contingencies	46,549	50,645	53,215	55,733	58,474
Less: Additional Savings	Additional savings to achieve the FSS	0	(1,485)	(1,820)	(2,877)	(4,000)
Equals: Net Expenditure		46,549	49,160	51,395	52,856	54,474
Less: Government funding	Social care grants, Share of Business rates, Other grants	(13,698)	(13,896)	(15,086)	(14,708)	(14,273)
Less: Council tax	Council tax	(32,074)	(33,882)	(35,828)	(37,883)	(40,054)
Less: Earmarked reserves	Use of set aside funds to offset expenditure	(188)	0	0	0	0
Equals: (Surplus)/deficit	Deficit means Council is not living within its means	589	1,381	482	265	148
Add: Transfer to Reserves	Additional transfer to reserves (see 7.1.4)	900	0	0	0	0
General Fund	Closing value of General Fund Balances	(13,172)	(11,791)	(11,310)	(11,045)	(10,900)

Local Government Settlement (4.2) - The Government funding settlement and value of other Government grants drive Government funding figures.	Risk/uncertainties (5) - Issues that can influence the level of income, expenditure and funding but not all are built into MTFP e.g. Council receives extra funding.	Reserves (7) - Planned use of earmarked reserves sustain expenditure and offset costs.
Assumptions (4.3) - Variables built into MTFP that influence the level of income, expenditure and funding. Some are known and some are not.	Savings (6) - Savings reduce expenditure or increase income.	Council Tax (8) - Assumed increases in Council Tax impact the future level of funding. The Government maximum limit is 4.99%.

The Council has been able to balance its 2023-24 budget mainly through using a small amount of its general reserve. In our view the Council has demonstrated via its financial planning that it is aware to all the prevailing pressures on its finances and has regularly updated its planning accordingly. However, the Council needs to quickly put in place plans to balance this longer-term position which indicates that it will need to use a further £2.865m of reserves to balance its finances (as shown in the table above). This also assumes it will achieve its challenging savings target rising to £4m by 2027/28 in addition to £0.9m already delivered for 2023/24.

Financial sustainability

The Council's unallocated general fund balance is sufficient to cover this without dropping below its risk assessed £3m minimum balance over the period. However, there remains a need to balance the cost of services against recurrent funding. While the use of reserves to bridge the gap while transformation takes place is a legitimate use of financial resources, it can become problematic if it starts to detract from or delay the Council's ongoing focus on driving efficiency in its services or diminishes the Council's ability to spend reserves more constructively. For example, funding short term community investment projects and/or capital programmes, or to reduce borrowing costs.

Savings plans

The Council has approved a Financial Sustainability Strategy (FSS) which it is implementing. The strategy is geared around three principles:

- Raising council tax to maximise yield – this is the biggest income source
- delivering a transformation programme and an “affordable service offer” and any other savings required
- using up to £2m of reserves to subsidise the budget to allow savings to be delivered.

To support the delivery of the challenging savings targets the Council has set itself it has established a Transformation programme which aims to identify a wide range of potential savings opportunities. The areas of focus are:

Area	Mission statement
Operating Framework	To design a new operating framework that makes decision making lean and strips out unnecessary bureaucracy making it easier to deliver services for customers.
Customer	We will simplify access to customer services and look for opportunities to enhance customers lives and lived experience by reviewing how customer access works and our model for customer services.
Community Offer	To have an integrated all-age community offer including the Voluntary Community Sector (VCS) that allows individuals and communities to help themselves, provides preventative support and targeted intervention to prevent escalation of needs.
Commissioning and Contracting	The Council manages fragile marketplaces, effectively supports services to source and secure commercially viable contracts and ensures there are skilled contract managers in place to maximise value from contract arrangements in place.
Digital, Data and Technology	Customers are able to self-serve through online interactions and integrated systems create efficiencies and give better access to data and insight, meaning evidence-led decision making is easier.
Enabling Services	The Council's support services function is reviewed, with clear consideration given to a centralised or decentralised model for each support function which will maximise the value offered by service delivery units.
Public Realm	To reorganise public realm services, rescale our revenue commitment whilst maintaining a safe public realm and develop a standardised and affordable offer across the County that is clear on the role and remit of the Council and partner organisations and who pays.

Area	Mission statement
Cultural Services	To develop an enabling cultural offer that enhances the visitor economy for reduced financial impact to the Council.
Asset Management	To optimise our estate, reduce cost and maximise revenues.
Special Educational Needs	To identify sustainable changes that can drive high quality outcomes for children and young people with SEND (within their locality) and secure a more efficient and cost effective model.
Integrated Care Organisation	To redesign and integrate health and adult social care services, utilising shared resources to secure a more efficient and cost effective model and one that improves the customer experience.
Transport	To design and implement a demand led public transport model which is sustainable and costs less and drives up passenger use and improves accessibility to services including health and education.

Managing financial risk and the use of reserves

CIPFA has commented that councils should be particularly wary about using reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium-term financial plan and should also take account of the expected need for reserves in the longer term. As noted previously, 2022-23 has been a particularly difficult year in which to plan Council finances. The Council's relatively strong opening reserves position have been used to smooth the budgeted overspend for 2022-23. Going into the 2022-23 financial year, the Council carried comparatively high levels of reserves, and this provided the main contingency against slippage on future savings plans. The Council's 2022/23 outturn reserves position is shown in the table below:

Statement of Accounts	Reserve Name	March 2023 £'000
General Fund	General Fund Minimum Balance	3,000
	Financial Sustainability Strategy Reserve	2,865
Earmarked Reserves	Departmental Reserves	4,786
	Risk Reserve	2,530
	Innovation Fund	2,500
	Process Improvement Fund	9,000
	Total	24,861

Despite the challenges and the fact that they are forecasting use of £2.865m reserves over the period of the MTFP the Council's forecast reserves position remains positive. The unallocated general fund reserves position at the end of the 2022/23 year is still within generally accepted practice in terms of a % of net revenue spend (£13.2m unallocated reserves on net 2023/24 budget of £46.5m = 29%). It is likely the Council will continue to need to use its reserves balances to help it manage the expected significant funding pressures over the medium term and the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience. It is therefore important that the Council develops plans to rebuild those reserves back such that they are able to manage future financial challenges. We note that the Council has very clearly analysed and articulated its reserves strategy which was approved by Cabinet in August 2023.

Financial sustainability

Improvement recommendation: It is important that the Council should focus its Medium-Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them where necessary to strengthen financial sustainability beyond 2023-24. The development of detailed savings plans will form a key part of this strategy, and this should lead to a plan to replenish the reserves used up in smoothing the financial position over the period of the MTFP.

Financial statements

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

Improvement recommendation: The Council needs to work to ensure that its finance team is sufficiently resourced so that the issues delaying completion of the outstanding financial statements audits can be resolved, and do not reoccur during the 2023/24 accounts and audit process.

Financial Performance in 2021/22

The Outturn was a surplus position of £3.062m compared to a budgeted deficit position of £320k. This represents an under spend of £3.382m. The overall position represents a combination of factors.

- c£1.081m of planned savings. With savings already built into the 2022/23 based on 'underspends' to be achieved in 2021/22, it was imperative that the Council delivered these planned savings of just over £1m.
- £1.5m of unexpected income – the Council received many grants and has been either been able to deliver priorities without spending them in full by using existing staff (this was often unintended but difficulties in recruitment meant it was necessary). The Council also benefited from winning a social care ordinary residence case which meant it received £551k from Cambridgeshire County Council.
- £1m of unplanned net savings – the most significant savings were from unplanned vacancy savings. Staff under spends of nearly £1m were significant and reflect the council's own local recruitment challenges mirroring the picture nationally.

Financial Performance 2022/23

The outturn, presented in July 2023, detailed a surplus position of £0.4m. Despite the surplus, the Council experienced significant additional cost pressures but these were offset by staffing vacancies, other underspends including better than expected returns on investments and income received in advance of the service activity being undertaken. We recognise that in line with councils across the UK, the economic and inflationary pressures exceeded what could reasonably have been projected when the budget was set in February 2022, so the fact that the Council delivered an underspend and contribute to reserves to help set a balanced budget for 2023/34 is indicative of robust financial management arrangements. The Council will need to continue to adapt and strengthen its financial planning processes to address the heightened level of financial challenge expected to persist over the medium term.

Financial Performance 2023/24 to date

As at Quarter 2 2023/24, the Council was forecasting a surplus of £1.6m on budget. This is attributed to higher-than-expected investment income receipts (£1.3m) due to a national context of rising interest rates to combat inflationary pressures by the Bank of England. This supports the Council's continuing track record of sound budgetary control. However, this should not detract from the need to address the MTFP deficit and reduce the planned reliance on reserves.

Borrowing Position

The Council's historic borrowing position as presented in the Treasury Management annual report (presented to cabinet in July 2023) is stable and on a declining trajectory over 2021/22 and 2022/23. There were no plans to borrow additional resources in 2022/23. The Council has no commercial activities so has not separately identified the CFR relating to commercial expenditure. We note that investment income in 2022/23 was higher than expected with surpluses contributing to the underspend on budget in year, this was attributed to the benefit of higher-than-expected interest rates.

Financial sustainability

Capital investment

In 2021/22 we note that overall, the Council underspent on its original planned capital budget of £20m by £115k. This is a significant achievement given the challenging conditions to deliver capital projects in the prevailing economic climate in the period following the COVID-19 pandemic.

The 2022/23 capital programme was agreed in February 2022, at a level of £18.3m. This comprised a mixture of approved continuing projects which spanned more than one financial year, approved projects delivered with ring fenced funding and projects in the pipeline awaiting approval. The 2022/23 capital outturn detailed an underspend of £543k which was mainly due to the Digital Rutland project to provide superfast broadband, which is now completed.

The 2023/24 budget proposal and MTFS includes a capital programme for 2023/24 of £16.4m. The programme comprises four strands:

- Approved projects: capital projects already approved that will span across more than one financial year (any projects already approved which are not yet completed will continue into 2023/24);
- Ring Fenced Grants: These grants can be awarded following a successful application process or passported by Government to support objectives. Projects will automatically be included in the existing capital programme (e.g. disabled facilities grants) if there is a project to spend the funding;
- Non-Ring-Fenced Grants: New projects to be approved in the budget or in-year;
- Funding available but not yet allocated

The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed.

The capital programme has since increased by £27.1m, from £16.4m, to a revised capital programme of £43.5m. The majority of this increase relates to the inclusion of the Levelling Up Fund programme of £24.2m.

The key projects, exceeding £500k are summarised below:

- Highways Capital Programme (Budget £2.6m - Report 52/2022 & 110/2022) - the highways capital programme is grant funded from the Department for Transport (DfT).
- Integrated Transport Capital Programme (Budget £1.3m) - the integrated transport programme is grant funded from the DfT.

- Catmose School Expansion Project (Budget £5.4m) - The capital programme commissioned Catmose college to deliver 30 additional places through development of an 8 Form Entry secondary school.
- Digital Rutland - The original project was funded by Building Digital UK (BDUK) and Rutland County Council (RCC) based on a ratio split. The funding from BDUK was paid in full during the early stages of the Project.
- Levelling Up Fund - In January 2023, it was confirmed that Rutland and Melton had successfully secured a joint Levelling Up Fund (LUF) bid of £23m to support the economic development in both Rutland and Melton. This was approved by Council in March 2023. Rutland's Levelling Up projects focus on health innovation, a new sustainable transport scheme, and growing the County's visitor's economy.

Climate Change & Net Zero

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate.

Please see the 'Climate Change & Net Zero' section later in this report for background information and Rutland County Council's progress.

Improvement recommendation: The financial implications of carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change.

Conclusion on Financial Sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning for the short and medium term is on a sound footing based on prudent financial assumptions. The Council will need to continue to take a structured and disciplined approach to managing finances and reserves. We note that the outturn for 2021/22 was a surplus of £3.062m and for 2022/23 was a £0.4m surplus which indicates that the Council is managed its finances within budget for the years under review. We assessed the arrangements concerning Financial Sustainability and found no indication of potential significant weakness. We have made two recommendations for improvement.

Improvement recommendation 1



Financial sustainability

Recommendation	The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.
Audit year	2022/23
Why/impact	The body's financial plans should be aligned to the expectations set out in the workforce plan.
Auditor judgement	The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.
Summary findings	The budget-setting process each year involves the SLT and heads of service ensuring that their budgets align with current staff structures. The Workforce strategy, however, needs to be formally updated as the previous version pre-dates COVID-19 and a lot has changed in terms of ways of working, working environments and protocols.

26 Management Comments

Agreed. A new Head of Human Resources and Organisation Development is due to start with the Council in March 2024, following the retirement of the previous post holder in December 2023. Whilst a draft Workforce Strategy has been developed, the new post holder will have their views as to how best the strategy can be developed following their own assessment of the strengths and weaknesses of the current Council position. The Council recognises that Recruitment and Retention of its workforce is a key strategic risk (risk ID 73). The aim is to have a finished draft strategy by the end of the Summer 2024 in order to feed into the 2025/26 budget setting process as outlined in this recommendation.

However, it is worth noting that the Council adopted an enhanced budget setting process for 2024/25 – 2027/28 whereby service provision was placed at the heart of the building of the budget. Heads of Service were provided with a cash limit to develop Service Ambitions for their service delivery against the Corporate Strategy priorities. This revised budget setting methodology meant that budgets and required staff structures were inherent in the formation of affordable Service Ambitions. The Service Ambitions are contained in Appendices C of the Integrated Budget Plan & Medium Term Financial Strategy, approved by Full Council 26 February 2024, and include a breakdown of expenditure and income of which employee budget costs are disclosed.

Improvement recommendation 2



Financial sustainability

Recommendation

The Council needs to work to ensure that its finance team is sufficiently resourced that the issues delaying completion of the outstanding financial statements audits can be resolved, and do not reoccur during the 2023/24 accounts and audit process.

Audit year

2021/22 and 2022/23

Why/impact

Delays in the financial statements audits have meant that both officers and auditors have been engaged in significant additional work. For officers this means that they have had to choose between focussing on the audits and focussing on other financial matters.

03 Auditor judgement

High quality, timely financial statements underpin good governance and provide stakeholders with assurance that Council finances are being managed appropriately. Delays and significant errors undermines that confidence.

Summary findings

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

Management Comments

Management notes that the delays experienced in the audits have been a combination of auditors and finance capacity demands, and therefore not completely within the gift of Council officers to resolve. The Council's finance team were 1 of only 43 upper tier councils to publish the 2022/23 accounts by the statutory deadline. Usually, the external audit would commence in the summer months, instead the original plan was to commence the audit in October, and this was further delayed until November 2023. Unfortunately, this time coincided with the detailed budget build of an enhanced budget setting process which supports the Council's number one priority of achievement financial sustainability. The delayed audit activity, extended through national issues of infrastructure valuations and triennial pension valuations, further compounded workloads for the auditors and Council finance team alike. Officers have kept the Audit & Risk Committee updated on progress throughout the period.

During the summer of 2023 a review of the finance team structure was undertaken by the Head of Finance, following the start of a new S151 officer in March 2023. This review resulted in the introduction of two new deputy head of finance roles, and permanent recruitment to some senior accountant roles following vacancies in the team and the ending of temporary agency placements. Interviews were held in November 2023 with posts being filled from February to April 2024. The Council's finance team will be in a stronger position to complete the statutory finance tasks alongside delivery of, and support to the transformation agenda across within the Resources directorate and across the Council.

Improvement recommendation 3



Financial sustainability

Recommendation

It is important that the Council should focus its Medium-Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them where necessary to strengthen financial sustainability beyond 2023-24. The development of detailed savings plans will form a key part of this strategy, and this should lead to a plan to replenish the reserves used up in smoothing the financial position over the period of the MTFP.

Audit year

2022/23

Why/impact

The reserves position at the end of the current MTFP cycle is still within CIPFA guidelines in terms of a % of net revenue spend (£) though the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience.

94 Auditor judgement

Although the Council has a moderate level of reserves, they are finite, and they will not afford the Council much protection if there were to be significant future cost pressures.

Summary findings

Whilst the council's reserves position is currently relatively strong, future pressures indicate that they will come under pressure, and they need to be refreshed to ensure continuing financial resilience.

Management Comments

As noted in the previous management responses the Council undertook an enhanced budget setting process for 2024/25 – 2027/28 whereby service provision was placed at the heart of the building of the, Integrated Budget Plan & Medium Term Financial Strategy (IBP & MTFP), which was unanimously approved by Full Council 26 February 2024. The revised MTFP uses less reserves than set out in the November 2022 Financial Sustainability Strategy of £900k compared to £2.9m forecast.

In September 2023 Council approved its Reserves Strategy and Policy to provide the context of use of the reserve balances to support the delivery of a sustainable financial position for the Council. Balances were identified in order to mitigate risk and provide investment opportunities for future savings proposals and / or enhanced service. This Strategy and Policy were reviewed and updated as part of the IBP and MTFP approved by Council in February 2024. The reserve balances have been assessed with regards to the achievement of saving plans and risks inherent in the Council's budget using the 10 CIPFA factors (as described in the S151 Robustness (S75) Statement).

As part of the IBP & MTFP the Council also considered a series of Financial Health Indicators to assess the Council's financial resilience. These 14 indicators are spread across revenue based financial sustainability indicators, fiscal indicators based on the balance sheet, and capital investment indicators. The revenue-based indicators are shown to be the greatest risk to the Council's financial sustainability and relate to income and expenditure plans which reflect reducing income from government compared to increasing pressures on expenditure from demand and inflation.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk management

Risk management is operating in the same manner as previously reported in our 2020/21 VfM report. Each risk includes a risk owner, an inherent risk score, a residual risk score, the impact, proposed treatment (prevent/improve), key controls, action plan to manage the risk. We note that the latest Strategic risk register we reviewed (June 2023) does not include any reference to how the risks impact on the delivery of corporate objectives. In our 2020/21 Auditor's Annual Report we made a recommendation to include reference to appropriate corporate objectives against each risk and we re-iterate that we feel that this would add value to the process.

The Council manages risk through its Corporate Risk Strategy/Risk Management Policy and the Audit and Risk Committee provides oversight of the process. The Corporate risk register is to be reviewed at least twice annually by this Committee. However, despite the register being presented to the recent June 2023 Committee, prior to that it was last presented in September 2022. We also note that Cabinet should review the risks especially some of the more significant, but we noted that there hasn't been any review of the risk register by the Cabinet since April 2022.

The Council's policy states that: 'The strategic risk register is presented to Cabinet at least twice annually as part of corporate performance reporting' this does not appear to have been complied with. We would encourage the Council to schedule a review of the risk register by Cabinet at least twice annually, to provide assurance that risks are being identified and appropriately managed. These arrangements are in place to enable the Cabinet to focus on the key corporate risks.

Improvement recommendation: Cabinet and Audit & Risk Committee should be presented with the strategic risk register at least twice-annually as part of corporate performance reporting, as stated in the Risk Management Policy. This policy has not been complied with. **See Improvement Recommendation 3, later in this report.**

Budget Setting

The Council has effective budget setting arrangements in place which has supported the delivery of budget surpluses over the past two financial years. Budgets are discussed with budget managers, heads of services, the Leadership team and other relevant stakeholders before Committee approval on an annual basis. The Council implemented their Financial Sustainability Strategy (FSS) which was presented to Cabinet in October 2022. This was in response to the turbulent macroeconomic environment which has prevailed over the previous twelve months.

The FSS detailed how the Council predicted that they are likely to have a financial gap of around £2.8m in 2023/24, but one that grows over the period of the strategy. The growth in the gap reflects the fact that projected increases in funding cannot keep pace with the inflation applied to existing spending plans. The increase in the gap is such that balances (non-ringfenced earmarked reserves and general fund) are projected to go below the minimum level by the end of 2026/27. This being the case, a strategy has been approved to move the Council forward with the ambition of setting a break-even budget by 2027/28.

This strategy has provided a good framework for the development of the 2023/24 budget and medium-term financial plan (MTFP) and gives it the best chance of meeting its dual objectives of a) being financially sustainable (i.e. ensuring it can live 'within its means', only spending the funding it receives and balancing the budget in any given year without using General Fund reserves) and b) maintaining reserves above the current recommended minimum limit of £3m as approved by Council.

Governance

Budgetary Control

The Council have a sufficient level of scrutiny over the budget through quarterly financial reports to cabinet. In addition, finance reports on Treasury management via a mid-year report and an end of year report. Both are comprehensive in covering the performance of the Council's treasury management and investment performance. There is also a treasury Management strategy against which performance is measured.

Quarterly revenue monitoring reports provide good evidence of variance explanations. The reports include the impact of service demand changes on the budget position as well as other non-financial factors. The reports also set out the potential financial risks that may impact on delivery to budget during the year and the measures in place to manage these risks. The budget outturn reports also set out performance against budget and action being taken to address any variances. These reports also include performance against the Council's priorities.

The Finance team produce these monitoring reports, together with a Mid-year Finance Review'. The 'Mid-year Finance Review' is a particularly informative document which summarises the budget performance to date in a helpful Question and Answer format making it clear to readers of the report exactly what the financial position is and what the implications of variances are. The Strategic Overview and Scrutiny committee also receives a mid-year Finances report (November 2022) as well as the proposed budget (January 2023).

All reporting is well presented in a way which those not familiar with Finance can understand. Capital monitoring reports are also shared twice per year, and these are similarly well presented.

Leadership and Committee Effectiveness & Informed Decision Making

Within the Governance theme we look at the mechanisms within the organisation that are in place to hold staff to account for performing their respective roles and responsibilities.

The Council operates a Leader and Cabinet governance model. Governance arrangements include a Strategic Overview and Scrutiny Committee (which hold the Cabinet to account) and the work of the Committees is governed by the Constitution. The Constitution is regularly reviewed and updated; the last version being reviewed in July 2023.

The culture around decision making and 'tone from the top' in the Council appears to be positive and constructive. Committee members have demonstrated their keenness to be informed through high rates of meeting attendance and thorough discussion of decisions reflected in the minutes.

The decision-making process allows for stakeholders to be properly informed and allows for challenge and transparency. As per the Constitution, the Strategic Overview and Scrutiny Committee is given the space to be properly informed before making decisions through professional advice from qualified consultants and public engagement as needed.

The Council's decision-making process is transparent and there is evidence of engagement with stakeholders, including the public, as part of the consultation on key decisions. A good example of this the public consultation concerning the Market Overton Neighbourhood Plan, details of which were presented to the June 2022 Cabinet meeting. Moreover, the format of Committee meetings allow space for check and challenge. The discussion of any decisions that need to be made stand as distinct agenda items and opinions are captured in the meeting minutes. In addition to this, the Strategic Overview & Scrutiny Committee hold the power to scrutinise any decision made by committees and hold decision-makers to account. We note that the 'report template' for Committee decisions facilitates consideration and input from key stakeholders necessary for informed decision-making.

Legislative and Regulatory Standards

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to decide. The Constitution is divided into 15 Articles which set out the basic rules governing the Council's business.

The Council has clear mechanisms in place to meet necessary standards including cultural, legislative and regulatory. In reference to cultural standards, the Council's Code of Conduct sets out the behaviours expected of staff members, including openness, transparency, personal ownership and engagement, which are aligned to the public sector Nolan principles. In reference to legislative and regulatory, the Constitution outlines the framework for monitoring compliance with legislation, and the Council has a Monitoring Officer who is responsible for upholding and reporting on the compliance of the Council's activities.

The Constitution also contains clear policy for staff around gifts and hospitality and guidance on what does and does not need to be disclosed or registered. Staff are responsible for their own declarations and are free to seek guidance from the Monitoring Officer. Councillor declarations are publicly available via the council website.

Governance

Assurance over the effective operation of internal controls

In developing its 2021/22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its governance framework.

The Council carried out a review of the effectiveness of its governance framework including its system of internal control. The review of the effectiveness of the system of internal control was informed by:

- the work of the internal auditors and the Head of Audit and Governance's Annual Report,
- senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and
- 97 comments made by the external auditors and other review agencies and inspectorates.

Assurance statements were received from the Leader and Chief Executive and Directors setting out their confirmation that a system of internal control is maintained. They confirmed that there were appropriate plans in place to address any significant governance issues and in particular that changes made to planning procedures should minimise the risk of a similar problem reoccurring.

This exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 year. This was corroborated by the 2021/22 financial statements audit and review of the 2021/22 Annual Governance Statement.

We note that the 2022/23 AGS had not yet been drafted at the date of writing this report but there is no evidence of pervasive and significant weaknesses in internal controls to date. We note that the Head of Internal Audit Opinion for 2022/23 did not raise any significant concerns over the system of internal control.

Internal Audit

For both 2021-22 and 2022-23 the 'Internal Audit Report & Opinions' concluded that 'Satisfactory Assurance' can be given over the adequacy and effectiveness of the Council's control environment. This control environment comprises the system of internal control, governance arrangements and risk management. There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness.

Over the two years, IA concluded that controls relating to the key financial systems which were reviewed were all concluded to be operating at a level of Satisfactory Assurance or above, with 100% receiving opinions of Good or Substantial Assurance.

The Council's structures and processes for identifying, assessing and managing risk were developed in 2021/22 and have remained generally consistent during 2022/23. An audit of Risk Management was delivered in 2021/22 and resulted in an opinion of Good Assurance for compliance. Following this audit, the Council refreshed its directorate level risk register coverage and reviewed the content and format of risk management updates for Audit and Risk Committee. Risk management training was delivered during 2021/22, for both officers and Members, to further develop and embed good practice in this area and ensure effective risk management arrangements. In 2022/23, directorate level risk registers were reviewed, with support from the Council's insurance provider, and the Strategic Risk Register was reported to the Audit and Risk Committee in June 2023. Rolling risk register reviews were introduced by Internal Audit in 2022/23 and have received positive feedback from the Audit and Risk Committee on the value of this work, in giving assurance over the effectiveness of risk management arrangements.

For the audits completed in 2021/22, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. In 2022/23, 94% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. There were a couple of limited assurance opinions given but actions resulting from these reports have received appropriate management consideration and have been progressed and are due to be followed up by IA in 2023/24.

Internal Audit did not report any further governance, risk or internal control issues which would reduce the overall opinion for 2022/23.

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.

Governance

Climate Change and Net Zero

The Council's Corporate Strategy includes the commitment to net zero carbon and details the challenge of climate change, reducing high levels of waste and the carbon footprint but these challenges have not yet been fully developed into operational activity.

The 2022-23 annual report also details how 'net zero carbon' is a Commitment of the Council. The Council has been successful as part of a joint consortium bid for Local Electric Vehicle Infrastructure (LEVI) funding. An award of £940k to the partnership will result in the installation of 30 additional electric charging points in the County, providing greater access and options in support of increases in electrical vehicle use in the County. The Council have introduced a performance indicator on 'Net Zero Carbon' and have set the baseline in 2022/23, so performance will be measured in future years.

Improvement recommendation: The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero.

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Conclusion on governance

The Council's governance arrangements are on a sound footing. We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. However, we have made improvement recommendations to review of the corporate risk register and to develop arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improvement recommendation 4



Governance

Recommendation

Cabinet and Audit & Risk Committee should be presented with the strategic risk register for review, at least twice-annually as part of corporate performance reporting, as stated in the Risk Management Policy

Audit year

2021/22 and 2022/23

Why/impact

The Council manages risk through its Corporate Risk Strategy/Risk Management Policy and the Audit and Risk Committee provides oversight of the process. The Corporate risk register is to be reviewed regularly by this committee, together with Cabinet. Cabinet need to regularly review the corporate risk register, to provide assurance that risks are being identified and appropriately managed. This enables Cabinet to focus on the key corporate risks.

Auditor judgement

Cabinet should review the key corporate risks regularly throughout the year.

Summary findings

The risk register had not been reviewed by either the Audit and Risk Committee or the Cabinet for a period of twelve months. This has recently been addressed and the risk register was presented to the June 2023 Audit Committee. April 2022 was the last time Cabinet were presented with the register and Audit and Risk Committee reviewed it back in September 2022. We would encourage the Council to schedule review of the risk register by both Audit and Risk Committee and Cabinet, at least twice annually, as detailed in the risk management policy.

Management Comments

Agreed. For future Cabinet meetings the assessment of risks to the delivery of the Corporate Strategy will be considered alongside performance reports. Following recommendations made from the Audit & Risk Committee, Cabinet are due to consider the strategic risk register.

As the Corporate Strategy refresh was approved at Full Council on 26 February 2024 Officers are undertaking a review of the risks to its delivery and will be reported to member governance forums in due course. Activity will be in line and support the implementation of this recommendation.

Improvement recommendation 5



Governance

Recommendation

The financial implications of carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change. The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero

Audit year

2022/23

Why/impact

In December 2022, the UK Government set new legally binding targets to protect the environment and in January 2023 the UK Government published the Environmental Improvement Plan 2023, making a commitment to improved mitigations for climate change. With major landowners, planning authorities and waste authorities in the LG sector, the legislation is relevant to numerous LG protocols and processes.

Climate change issues impact on consideration of decision-making, medium term financial planning, risk management, performance reporting, and (with an integrated approach) any new financial reporting factors.

Auditor judgement

Carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change. The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero

Summary findings

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate. The Council's Corporate Strategy includes the commitment to net zero carbon and details the challenge of climate change, reducing high levels of waste and the carbon footprint but these challenges have not yet been fully developed into operational activity.

Management Comments

The Council's refreshed Corporate Strategy includes a core priority of 'Tackling Climate Change'. In the IBP & MTFS the Council has agreed to an investment of £150k to develop a Carbon baseline for Rutland which will include a range of activities that the Council can consider and action where appropriate. The Council also plans to invest £200k into S19 Flooding Reviews, £75k in education programme for waste prevention for residents, £420k to fund a biodiversity net gain officer and a further £184k as part of the lead local flood authority.

Appendix K of the IBP & MTFS details the Capital Programme and shows those schemes linked with the corporate priority of Tackling Climate Change. Schemes include £257k for electric vehicle infrastructure, £92k for Active Travel, £3.0m for the Integrated Transport scheme as part of the Levelling Up Programme, along with an indication of pipeline schemes relating to Waste collection and disposal and investment in public transport.

The Council has therefore planned to invest over £4.4m for activities linked to climate change and net zero – see Integrated Budget Plan & Medium Term Financial Strategy (IBP & MTFS).

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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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Performance review, monitoring and assessment

The Council has a 5-year Corporate Plan running from 2022-27. 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 *"Improve lives by focusing quality services and expertise where they are needed most, helping the County to grow and thrive whilst remaining the special place our residents know and love"*.

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.

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The Council's approach to performance reporting is similar to others in the sector in that Cabinet and Scrutiny Committees receive six-monthly performance reports.

The 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 on the reasons for not achieving the target as well as remedial actions being taken by Directorates.

The Council liaises regularly with other local authorities in Leicestershire and has a good knowledge of what others are doing, where good practice is in place.

An audit of the Council's performance management arrangements took place between October and November 2022. The findings of the audit highlighted that, overall, an effective control environment is in place to support performance management and assist the Council to achieve its strategic objectives.

The audit found good compliance generally with both the key principles of best practice laid down in the Local Government Association Performance Management Guide and the Council's expectations in the new draft Performance Management Framework. Actions to strengthen this area further include further benchmarking of performance indicators, embedding a new performance management framework and progressing work to develop the Council's business intelligence through data warehousing.

Actions are in place to address the development areas outlined within the audit. This includes the development of a new performance management framework, supporting training being scheduled and the continuation of a pilot project looking at data warehousing and use of PowerBI to enhance reporting.

The Business Intelligence Team (BIT) attend the quarterly DMT meetings and ensure that Finance and performance data is considered together

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.

Improving economy, efficiency and effectiveness

Partnership working

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. Significant partners are set out in the Corporate Strategy, on the Council website (transparency code) and Annual Governance Statement, so there is transparency.

The Council has a number of strong partnerships these being:

- **The Local Strategic Partnership:** A new partnership we are looking to introduce which will bring together a range of public, private, voluntary and community groups providing collaborative leadership in the strategic development of services within the County, supporting the realisation of the Future Rutland Vision.
- **Health and Wellbeing Board:** Supports the Government's vision to increase integration between health and social care services. A formal committee of Rutland County Council the board brings together Children and Adult Social Care, NHS England, Public Health, Healthwatch, elected representatives and voluntary groups to plan how best to meet the needs of the population and tackle local health inequalities.
- **Integrated Delivery Group:** Is a sub-group of Rutland's Health and Wellbeing Board and leads on delivery of Rutland's Joint Health and Wellbeing Strategy (2022-27). Consisting of local health and wellbeing partners, the group provides leadership, direction and assurance to help to bring about the shared vision for health and wellbeing in Rutland.
- **Integrated Care Board and Partnership:** A statutory partnership which includes NHS England, Local Authority Public Health and GPs, responsible for developing strategy and managing resources to improve the health of residents in the County by preventing illness, tackling inequalities, variations in care, and delivering seamless services.
- **Children and Young People's Partnership:** Rutland Children's services, early years and education providers, voluntary and community groups working together to develop services which improve the lives of children and young people in the County.
- **Safer Rutland Partnership:** A statutory partnership made up of the Local Authority, Police, Probation, Health and Fire and Rescue authorities working together to prevent and tackle crime and anti-social behaviour, helping all residents to feel safe.
- **The Leicestershire and Rutland Safeguarding Children Partnership:** Brings together organisations from across the two counties to oversee the multi-agency safeguarding children's arrangements as required by the government guidance Working Together 2018.

- **Leicestershire and Rutland Safeguarding Adults Board:** Brings together organisations across Leicestershire and Rutland to oversee the multi-agency approach to safeguarding adults with care and support needs.
- **Town and Parish Council Forum:** Bring together all Parish Councils and Rutland County Council to discuss key issues and matters for the County.

The Council has a key partnership 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 LLR Health Overview and Scrutiny Committee. Reports and minutes of these meetings are available on the Council website.

The Council is being recognised nationally on their Special Education Needs and Disabilities (SEND) alternative provision. Rutland has become one of only four areas in the country to receive the highest possible inspection outcome for children's SEND services. Rutland County Council and Leicester, Leicestershire and Rutland Integrated Care Board (ICB) are jointly responsible for the planning and commissioning of services for children and young people with SEND. This Local Area Partnership was inspected by Ofsted and the Care Quality Commission (CQC) in May 2023. The purpose of the inspection was to evaluate the effectiveness of arrangements for children and young people with SEND and recommend where any improvements could be made across all education, social care and health services working in the Rutland area.

Stakeholder Engagement

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a wide range of public consultation. The Council has an Employment Committee. Senior managers are engaged through regular meetings of the Leadership Team and management development conferences. The budget is published every year on the Council's website. This lists budget holders and directorates responsible for the budgeted figures. Finance officers, budget holders and portfolio holders have been consulted on draft budgets and integrated saving plans.

Improving economy, efficiency and effectiveness

Climate Change & Net Zero

In June 2019, the UK government amended the Climate Change Act 2008 to enforce a target of 100% reduction in greenhouse gas emissions (compared with 1990 levels) in the UK by 2050. Carbon budgets set by the UK government specified seven sectors for investment and carbon reduction, none of which specifically included Local Government (LG) and the NHS but many of which were directly relevant to LG (and NHS) operations.

The NAO's July 2021 'Local government and net zero in England' report identified serious weaknesses in central government's approach to working with local authorities on decarbonisation, citing that they stemmed from a lack of clarity over roles; piecemeal funding; and diffuse accountabilities. In August 2021, the NAO published a report on Climate change risk providing a good practice guide for Audit and Risk Assurance Committees, including a complete list of questions Audit Committees should be asking. By June 2022, more than 250 Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets.

In December 2022, the UK Government set new legally binding targets to protect the environment and in January 2023 the UK Government published the Environmental Improvement Plan 2023, making a commitment to improved mitigations for climate change. With major landowners, planning authorities and waste authorities in the LG sector, the legislation is relevant to numerous LG protocols and processes.

Climate change issues impact on consideration of decision-making, medium term financial planning, risk management, performance reporting, and (with an integrated approach) any new financial reporting factors.

Following the legal changes that have occurred since June 2022, new VfM considerations have been identified, as follows:

- Are there significant changes to estimates of expected credit loss or insurance provision/arrangements linked to climate change? Are there other significant new costs or provisions or income changes disclosed?
- Is the impact of the climate change/net zero decision reflected in the medium-term financial plan?
- How are legislative changes relating to climate change/net zero monitored and complied with?

Progress at the Council

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate.

A Climate Change Action Motion was presented to Full Council on 14 October 2019. This was followed by an Ecological Emergency in November 2021. Among the measures put forward for the first motion, were commitments to:

- Make sure the Council's activities achieve a net-zero carbon footprint before 2050
- Achieve 100% clean energy across all council functions by 2050 or earlier
- Provide a climate change impact assessment on all relevant council decisions
- Request that scrutiny panels consider the impact of climate change and the environment when reviewing council policies and strategies
- Review council activities to take account of production and consumption emissions
- Set up a Climate Change Partnership Group involving councillors, residents, young people, climate experts, businesses, and other relevant groups

There was no detailed plan to support the Climate Change motion or what the Council's support for the Climate and Ecological Emergency Bill meant so the financial impact couldn't be assessed. Work however, started during 2022/23 on a baseline carbon assessment which would provide a launch point for any plans.

The 2022/23 budget made provision for a 'Climate Change Officer' but then the 2023/24 budget lists the post as a saving. This continues to explain that no proactive work will be done on Carbon Reduction plan/strategy over and above what services are already indirectly contributing through existing activities or can do through embedding environmental strategic thinking in the Local Plan, key procurement activity such as waste management, highways and transport. Community led initiatives will have to be self-managed and organised without support or co-ordination from the Council.

The Council did not have a Climate change action plan in place when there was a national scorecard exercise in September 2021. This would be a good exercise to take part in going forward, as it gives benchmarking data of how your own plan performs in comparison to plans of other councils across the UK.

Improvement recommendations have been made within the 'Financial Sustainability' and 'Governance' sections of this report.

Improving economy, efficiency and effectiveness

Benchmarking

An audit of the Councils performance management arrangements took place between October and November 2022. The findings of the audit highlighted that, overall, an effective control environment is in place to support performance management and assist the Council to achieve its strategic objectives.

The audit found good compliance generally with both the key principles of best practice laid down in the Local Government Association Performance Management Guide and the Council's expectations in the new draft Performance Management Framework. Actions to strengthen this area further include further benchmarking of performance indicators, embedding a new performance management framework and progressing work to develop the Councils business intelligence through data warehousing.

Actions are in place to address the development areas outlined within the audit. This includes the development of a new performance management framework with management training for scheduled and they continued to progress the pilot project on data warehousing and PowerBI.

The Business Intelligence Team (BIT) attend the quarterly DMT meetings and ensure that Finance and performance data is considered together.

Review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the NAO Financial Sustainability and CIPFA's Financial Resilience index tools.

Improvement recommendation: The Council should ensure it is taking full advantage of the benchmarking information it has available to measure performance.

Procurement

The Council have a small, dedicated commissioning team, together with a shared procurement service, operating across other authorities.

The management and monitoring of performance is devolved to the service where the contract is held. The onus is on the service managers to monitor performance of service providers and contracts in their department. This is applicable to waivers or 'exemptions' too.

There is central support, when required, to support service managers dealing with issues that may arise (although there is no significant instances of this occurring in 21/22 and 22/23). Finance also liaise with service managers to monitor financial performance as part of the regular budget meetings.

The Council does not have a specific procurement strategy, but they operate an equivalent via their Contract Procurement Rules within the Constitution (Part 10) which are set out on the Council's website for transparency. These are reviewed and approved on an annual basis as part of the constitution review.

For contracts over £50k the Council use an external tendering website, 'Welland Procurement', to advertise and oversee the tendering process. This is to ensure that it meets legislative and regulatory standards where it procures or commissions services. Payments exceeding £500 to suppliers or via procurement card are listed on the Council's website for transparency.

We note that during the Covid-19 pandemic, the Council approved delegation to officers (in conjunction with Portfolio Holders) to extend contracts that would normally require Council or Cabinet approval (up to £500k), these arrangements are still in place.

Our discussions with officers indicate that the Council do not hold a central contracts register that is monitored at corporate level. The management and monitoring of contract performance is devolved to the service where the contract is held. New contracts are recorded on a 'live', up-to-date database which can be logged onto via the Council's website. This is maintained by Welland Procurement. Historic contracts are not listed, and the Council confirmed that the Council does not maintain back copies of the contracts register.

Improvement recommendation: We recommend that corporate Council oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

Central Procurement Rules are in the process of being reviewed in readiness for the new procurement bill, which is anticipated to 'go-live' in October 2024.

The Council does not undertake significant commercial ventures. Where there is outsourcing, this is managed entirely at a service level. All major contracts e.g. highways, waste management etc have contract managers whose role is focused on the oversight of that contract. Where issues are identified in terms of cost or service delivery, these appear to be reported to the relevant committee on an exception basis.

The Council do not partake in any highly complex or unusual activities. Link Treasury Services are used as treasury management advisers. This approach is considered to be more cost effective than employing such staff directly and ensures resilience and that the Council has access to knowledge and skills commensurate with its risk appetite.

We found no evidence that inappropriate procurement processes were followed during 2021/22 or 2022/23.

Improving economy, efficiency and effectiveness

Leisure Centre contract procurement

We note that the Council is in the process of identifying a operator to take forward part of its Leisure service following the expiry of the existing operator's contract. A procurement exercise to secure an operator for the Catmose Sports site was undertaken in Summer and Autumn 2022 during the peak of the energy price crisis. No tenders were received that complied with the requirements of the tender invitation, which envisaged all of the utility price risk to be borne by the Operator.

A report summarising the position was provided to Cabinet on 12th January 2023. Cabinet decided not to proceed with a re-tender exercise at this meeting. However, it later emerged that there was potential market interest in operating the centre which had not been identified through the procurement process. Cabinet therefore agreed on 14th February 2023 to extend the existing operator's contract and conduct a new tender exercise.

A refreshed procurement exercise was launched with Welland Procurement on 18th May 2023. Bidding against an initial tender closed on Friday 14th July 2023. Cabinet may decide not to proceed with Stage 2 of the procurement process. Alternatively, Cabinet may authorise the Strategic Director for Places, in consultation with the Leader of the Council and the Portfolio Holder with responsibility for Finance, to issue a Final Tender for the operation of the site based on an agreed operating model to address the risk of increased utility costs. Subject to final bids being submitted that comply with the terms set out by the procurement, the Council will appoint an operator to run Catmose Sports Centre from July 2024. The award of the final contract will be a decision for Cabinet or Council in line with the Council's contract procedure rules.

We conclude that this procurement has followed due process and there has been transparent communication to Members and Cabinet of the difficulties that were encountered with the initial procurement exercise.

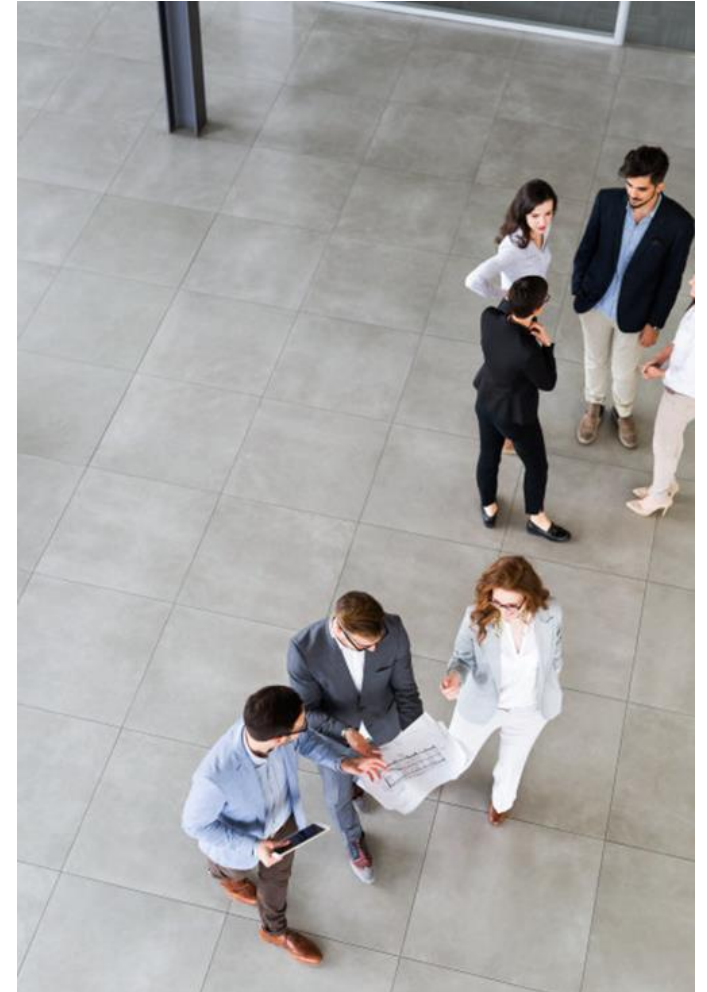
Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements; this has been raised as an improvement recommendation.

Central oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improvement recommendation 6



Improving economy, efficiency and effectiveness

Recommendation	The Council should ensure it is taking full advantage of the benchmarking information it has available to measure performance.
Audit year	2021/22 and 2022/23
Why/impact	To identify potential areas for savings and service improvements
Auditor judgement	Benchmarking could be used to measure cost efficiency as part of the Council's reporting and financial planning agenda (e.g., benchmarked unit costs to help identify areas of high cost within the services, with the potential to make savings).
Summary findings	Review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the NAO Financial Sustainability and CIPFA's Financial Resilience index tools.
Management Comments	<p>As noted in Recommendation 3 above, as part of the IBP & MTFS the Council considered a series of Financial Health Indicators to assess the Council's financial resilience. These 14 indicators are spread across revenue based financial sustainability indicators, fiscal indicators based on the balance sheet, and capital investment indicators. The revenue-based indicators are shown to be the greatest risk to the Council's financial sustainability and relate to income and expenditure plans which reflect reducing income from government compared to increasing pressures on expenditure from demand and inflation. The Council has also used benchmarking to assess its Debt to Reserves ratio as contained in the Robustness Statement and Reserves Strategy, as well as how it compares on its Core Spending Power against other Councils, Unitary Authorities, and CIPFA nearest neighbours.</p> <p>Council Officers will look to further expand on its use of benchmarking data for further development of service provision.</p>

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Improvement recommendation 7



Improving economy, efficiency and effectiveness

Recommendation

We recommend that corporate Council oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

Audit year

2021/22 or 2022/23

Why/impact

This would help the Council to:

- Keep registers of waivers and breaches up to date to monitor compliance.
- To ensure that roles and responsibilities between contract managers and service line staff are clear.
- To align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- To Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.

Auditor judgement

The Council should consider implementing monitoring of the contracts register at corporate level.

Summary findings

It is acknowledged that the Council outsource commissioning to Welland Procurement, who maintain a current contract register. However, central Council oversight is needed over the maintenance and record-keeping of the contracts register to monitor compliance, breaches and waivers, especially in preparedness for the requirements of the new procurement bill in October 2024.

Management Comments

Agreed.

- Council Officers have recently introduced an approach that embeds identification of needs against strategic priorities into the commissioning cycle. This ensures specifications are aligned to and developed to deliver against these priorities.
- Officers are developing a Contract Management Project that will capture existing best practice across the council and identify training needs. This will culminate in development of a corporate approach to contract management that will be rolled out across council teams.
- Officers will develop and agree an effective approach to monitoring the contract register at the corporate level.

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Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Within the Strategic Risk Register, we recommend that each risk is mapped to the relevant corporate objectives	Improvement Recommendation	April 2022	Management Comments: The Council reviewed the Risk Management Policy in January 2022. 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.	No	We note that the Council review took place before our recommendation was raised. We re-iterate our recommendation from 2020-21 to include reference to appropriate corporate objectives for each risk. This is covered in page 12 of this report.

Opinion on the financial statements for 2021/22 and 2022/23



Audit opinion on the financial statements

We intend to give an unqualified opinion on the Council's financial statements for the 2021/22 year during April 2024.

We currently anticipate giving an unqualified opinion on the Council's financial statements for the 2022/23 year following the Audit & Risk Committee meeting on 27 March 2024.

Audit Findings Report

More detailed findings can be found in our Audit Findings Reports, which were published and reported to the Council's Audit & Risk Committee on 31 October 2023 and 27 March 2024 respectively.

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.

We are not required to undertake detailed work at the council as the expenditure is below the de minimus level set by the NAO.

Preparation of the accounts

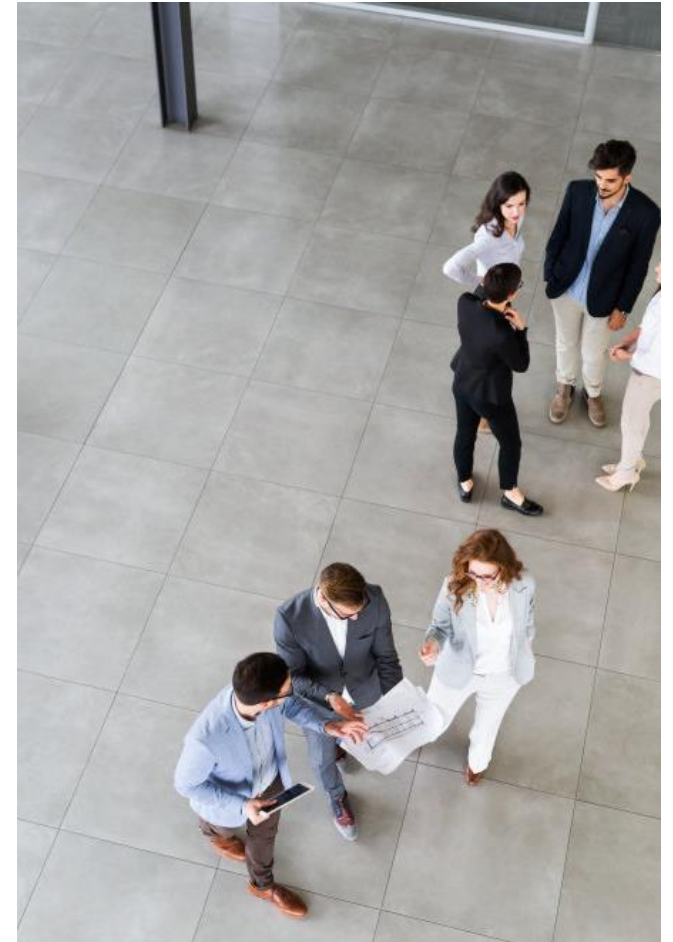
The Council provided draft accounts and supporting working papers in line with the agreed timetable for each year.

Issues arising from the accounts:

There were no significant matters arising from the audits.

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

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.

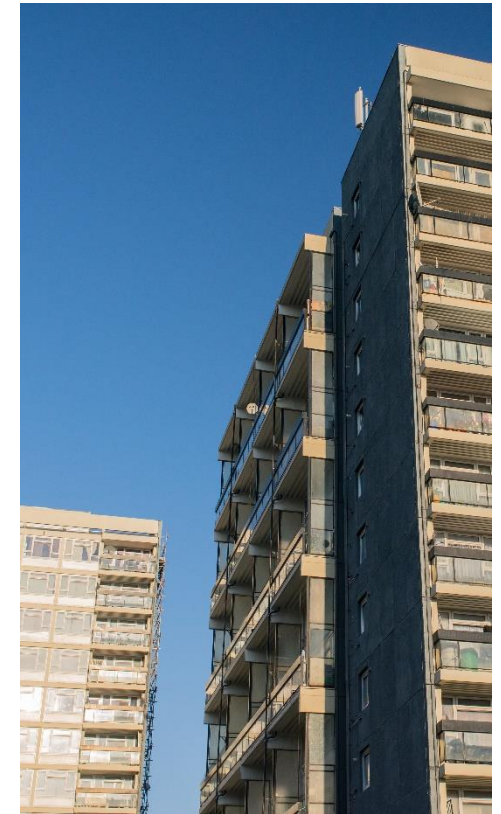
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Chief Financial Officer (or equivalent) 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 Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent 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 Chief Financial Officer (or equivalent) 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23	Financial sustainability was not identified as a potential significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.
2021/22 and 2022/23	Governance was not identified as a potential significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.
2021/22 and 2022/23	Improving economy, efficiency and effectiveness was not identified as a significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.

Appendix C – 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	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key 13	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	Financial Sustainability: Pages 10, 11, 12 Governance: 17, 18 Improving 3Es: 24, 25

Appendix D – Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue statutory recommendations in 2021/22 or 2022/23

Public Interest Report

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.

We did not issue a public interest report in 2021/22 or 2022/23

Application to the Court

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.

We did not make an application to the Court in 2021/22 or 2022/23

Advisory notice

Under Section 29 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:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- 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
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice in 2021/22 or 2022/23

Judicial review

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.

We did not apply for a judicial review in 2021/22 or 2022/23



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