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**Our reference:**  
**Your reference:**  
**Date:** 11 September 2013

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Thursday 19 September 2013 at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely



Executive Manager Operations and Corporate Governance

### **AGENDA**

1. Apologies for absence
2. Declarations of Interest
3. Notes of the Meeting held on Thursday 6 June 2013 (pages 1 - 9).
4. Approval of the Statement of Accounts 2012/13  
  
The report of the Executive Manager – Finance and Commercial is attached (pages 10 - 19).
5. External Auditor's Report to Those Charged with Governance 2012/13  
  
The report of the Executive Manager – Finance and Commercial is attached (pages 20 - 39).
6. Internal Audit Annual Report 2012/13  
  
The report of the Executive Manager – Finance and Commercial is attached (pages 40 - 60).
7. Internal Audit Progress Report 2013/14  
  
The report of the Executive Manager – Finance and Commercial is attached (pages 61 - 68).

8. Proposed Changes to Constitution - Member Champions

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 69 - 75).

9. Revenue and Capital Budget Monitoring September 2013

The report of the Executive Manager – Finance and Commercial is attached (pages 76 - 83).

10. Treasury Management Outturn Position 2012/13 and 2013/14 Update

The report of the Executive Manager – Finance and Commercial is attached (pages 84 - 91)

11. Work Programme September 2013

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 92 -93).

Membership

Chairman: Councillor G S Moore,

Vice-Chairman: Councillor E A Plant

Councillors: N A Brown, J E Cottee, A M Dickinson, R Hetherington, K A Khan, J E Thurman and H Tipton

<b>Meeting Room Guidance</b>
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**Toilets** are located opposite Committee Room 2.

**Mobile Phones:** For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

**Microphones:** When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.



**NOTES  
OF THE MEETING OF THE  
CORPORATE GOVERNANCE GROUP  
THURSDAY 6 JUNE 2013**

Held at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road  
West Bridgford

**PRESENT:**

Councillors G S Moore (Chairman), J R Bannister (Substitute for E A Plant), N A Brown, J E Cottee, G Davidson (Substitute for K A Khan), A M Dickinson, R Hetherington, J E Thurman and H Tipton

**ALSO IN ATTENDANCE:**

Councillor J A Cranswick  
C Williams            RSM Tenon

**OFFICERS PRESENT:**

R Caddy	Revenues and Benefits Manager
A Goodman	Member Support Officer
P Linfield	Service Manager - Finance and Commercial
P Steed	Executive Manager - Finance and Commercial
D Swaine	Executive Manager – Operations and Corporate Governance
J Wilkinson	Health & Safety Advisor

**APOLOGIES FOR ABSENCE:**

Councillors K A Khan and E A Plant

**1. Declarations of Interest**

There were none declared.

**2. Chairman's Remarks**

The Chairman welcomed Members and Officers to the first meeting of the municipal year.

**3. Notes of the Previous Meeting**

The notes of the meeting held on Wednesday 24 April 2013 were accepted as a true record.

**4. Health and Safety Annual Report 2012/13**

Members considered the Health and Safety Annual Report that set out the Council's occupational health and safety performance for the period 1 April 2012 to 31 March 2013. The report highlighted the key issues that elected Members needed to be aware of including details of new policies that had been implemented as part of the control measures within the corporate health and safety framework.

Furthermore, the report provided an indication of the effectiveness and success of the health and safety control measures the Council had in place, evidence of training delivered, progress towards meeting health and safety aims and objectives, and the number of accidents recorded.

The Health and Safety training needs of the Council's employees were identified in a number of ways including; Personal Development Reviews (PDR's), regular one to ones, team meetings and through the Executive Management Team. It was the role of the Health and Safety Advisor to ensure that training was consistent with the Council's duties and legal responsibilities. A rolling training programme was produced each year, which provided regular refresher training for existing employees, mandatory induction courses for new employees and significant practical on the job training. All health and safety training needs that had been identified in PDR's for this year had either been delivered or were programmed in for delivery in the first quarter of the new financial year. In January 2012 the Depot started a new initiative by developing a health and safety calendar with different safety topic for each month. Topics covered ranged from, slips, trips and falls, hand hygiene, wearing of personal protective equipment, safe reversing, mobile phone use.

In response to a question on how the effectiveness of e-learning courses was measured, the Executive Manager – Operations and Corporate Governance confirmed that all staff had to complete a test at the end of each module to demonstrate understanding.

In respect of the 69 % achievement for staff training on Legionella Awareness, Members were informed that all the appropriate staff who were involved in managing legionella at the Council's premises had been trained. However to ensure resilience, further training would be organised through the e-learning facility for additional staff to cover for in their absence. It was noted that all Legionella testing was carried out by external contractors.

The Health & Safety Advisor explained that the Council had four health and safety groups in place, the Corporate Health and Safety Group, the Employee Health and Safety Group, the One Great Depot Group and the Legionella and Asbestos Management Group, to ensure that there was a corporate approach to relevant issues.

The report stated that in line with its health and safety duties and responsibilities, the Council had a programme of policy review and implementation to support effective health and safety management. In accordance with the objectives agreed by the Group in May 2012, reviews of the hand arm vibration and management of legionellosis policies had been completed. The reviews of the Manual Handling policy and the Fire policy had also been completed and work on the Risk Assessment policy was ongoing. Initial work had also been undertaken early in the year to implement an electronic accident reporting package to record employee accidents. However, due to other priorities with the "MyHR system" further development work had been rescheduled and officers would continue to complete paper records.

The Health & Safety Advisor reported that although the number of reported accidents had slightly increased from last year, the amount remained low in comparison to the average for previous years. The amount of slip, trip and fall

incidents had more than doubled compared to last year, however it was noted that last year's figures were uncharacteristically low and 2011/12 was a milder winter with far fewer slipping accidents contributed by ice and snow.

During the twelve month period, five accidents had been reported to the Health and Safety Executive, as required by the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) legislation, as the employee had over seven days off work.

There has been a scheduled inspection of our R2Go service in February 2013 by the Health and Safety Executive (HSE), as part of their inspection program of high risk areas. The outcome of the inspection was very positive, with no suggestions for improvements, and the Inspector gave his support to the work the Council was currently doing on risk assessments. The Fire Service carried out an inspection of Hound Road Hostel in October 2012. No significant items were identified and the Fire Officer made a number of minor recommendations, all of which have been actioned.

In respect of the accident figures for the leisure centres, Members were reminded that as these facilities were privately managed, responsibility for the health and safety lay with the companies that delivered the services. However as part of the work to oversee the delivery of the leisure contracts, and the contract management process the Council continually monitored the figures.

For the twelve month period from April 2012 to the end of March 2013 there had been 428 accidents by members of the public, compared to 491 for the same period in 2011/12 against a total usage of 1,363,468. Furthermore it was recognised that the figures included injuries sustained during sporting activities such as swimming, football and racquet sports, which were often outside the control of the leisure provider. The health and safety policies and practices of the leisure providers were closely monitored and scrutinised as a part of the regular meetings at both operational and strategic level. Each Leisure provider also reported annually to the Performance Management Board which compared their performance in relation to ten strategic objectives.

Members felt that in order to compare the performance of Parkwood and Carillion it would be useful for future reports to show the previous annual accident statistics.

**Action                    The Executive Manager – Operations and Corporate Governance to include annual accident statistics by leisure provider in future reports for comparison purposes**

It was AGREED that

- a) the significant progress made against the health and safety goals and objectives previously agreed by the Group for the financial year 2012/13 be noted, and
- b) the proposed health and safety objectives for 2013/14 as set out in the report be endorsed.

## 5. **Internal Audit Progress Report 2013/14**

Mr Williams, a representative from RSM Tenon, the Council's internal auditors, informed Members that in line with the audit plan, two reports had been issued since the last meeting of the Group, for the areas of Tendering and Treasury Management. He informed Members that the assurance level for Treasury Management was amber/green with two medium risk recommendations and Tendering was amber/red with four medium risk recommendations. There were currently seven audits in progress or at the draft stage and these would be presented to the next meeting of the Group.

In respect of the recommendation that all temporary investments over three months should be appropriately certified, Mr Williams confirmed that the issue related to two investments dating back to 2011/12. It was his understanding that the investments had been appropriately authorised at the time, however due to changes with Council's email system the documentation was no longer accessible. Mr Williams confirmed that this was a historic issue and that he was comfortable with the current arrangements.

## 6. **Internal Audit Annual Report 2012/13**

The Executive Manager - Finance and Commercial informed Members that due to delays to the audit programme, which had previously been reported, it had not been possible to finalise the Annual Report, including Internal Audit's Opinion and Level of Assurance. As a result, the Annual Report would now be presented to the meeting of the next meeting of the Group on 19 September 2013.

Work on the 2012/13 work programme had been completed and there were seven audits awaiting final responses from Executive Managers.

**Action            Member Services to arrange for the Internal Audit Annual Report 2012/13 to be moved to the meeting on 19 September 2013**

It was Agreed that:

- a) the Internal Audit Annual Report 2012/13 be presented to the meeting of the Group on 19 September 2013, and
- b) the Work Programme to amended to reflect this.

## 7. **Annual Governance Statement 2012/13**

The Service Manager - Finance and Commercial presented the Annual Governance Statement which would be included in the Statement of Accounts. He stated that the principles and the framework were unchanged from the previous year. The six core principles were drawn up in line with CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidance.

The Group was informed that it was good practice for the Annual Governance Statement to be considered separately to the published accounts, which would

be presented to the Group for consideration at the meeting in September. In line with guidance, the Annual Governance statement would be based on the details set out in appendix 2 of the report.

The Group were informed that the Statement included three significant issues for the Council, these were:

- To meet the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships
- To mitigate the risks associated with the closedown of the accounts for 2011/12
- To manage a number of changes arising from the Localism Act and the Local Government Finance Acts, the welfare reform, introduction of Universal Credit, the issue of housing growth and the Cotgrave Masterplan.

In response to questions regarding the Council's Risk Management arrangements, the Executive Manager - Finance and Commercial confirmed that a full detailed report was considered by the Group last year. The Risk Register was currently being updated to reflect the new Senior Management structure and an update report was scheduled to be considered by the Group at its meeting on 7 November 2013.

It was AGREED that the details given in appendix 2 of the report be supported as the basis for the Annual Governance Statement to be included in the annual Statement of Accounts

## **8. Annual Report 2012/13**

The Chairman presented the Annual Report that provided a review of the work undertaken by the Corporate Governance Group in 2012/13. Members were informed that reports from all four scrutiny groups would be presented to Council on 26 September 2013.

The Group had considered the following topics during the year;

- Statement of Accounts
- External Auditors Annual Governance Report
- External Audit Plan
- Annual Governance Statement
- Health and Safety Annual Report
- Risk Management
- Financial Services and Treasury Management
- Revenue and Capital Budget Monitoring
- Internal Audit Strategy
- Internal Audit Progress
- Internal Audit Annual Report
- Fraud and Irregularities
- Certification of Grants and Returns Annual Report

It was AGREED that the report be approved and referred to Council for consideration.

## 9. **Fraud and Irregularities 2012/13**

The Revenues and Benefits Manager presented a report that outlined the successful detection of fraud by the Council in 2012/13. There had been no special fraud investigations during 2012/13 by Internal Audit to bring to Members attention. With regard to Council Tax and Housing Benefit Fraud there had been 72 cases investigated of which 16 cases had been found to be irregular and overpayments of £39,944 had been identified. The number of cases where sanctions had been applied had decreased from 29 in 2011/12 to 18 in 2012/13.

Members were informed that an exercise was undertaken during 2012/13 to review Council Tax Single Person Discounts. A total of 4,588 review forms were issued and this resulted in the removal of 135 discounts with an estimated value of £48,060. The Council had also participated in the Audit Commission's biennial data-matching exercise which involved reviewing Council Tax and Electoral Register data. Throughout 2012/13 a total of 863 matches were reviewed and this resulted in the removal of 89 single person discounts with an estimated value of £45,997.

It was AGREED that the update be noted.

## 10. **Finance Update**

The Executive Manager - Finance and Commercial informed the Group that the Council was on schedule to sign off the Statement of Accounts by 30 June 2013 and that there were no issues to bring to Members' attention.

The Chairman requested that the Finance Update remain as a standing item on the Agenda for the meeting on 19 September 2013.

In response to questions on whether the Finance Update should take the form of a written report, the Executive Manager - Finance and Commercial confirmed that the Group had requested verbal updates and that the need for such updates would be reviewed following the consideration of the Statement of Accounts and the external auditor's Annual Governance report at the Group's next meeting in September.

## 11. **Work Programme**

The Group considered the report of the Executive Manager – Operations and Corporate Governance that set out details of the proposed work programme for the municipal year 2013/14.

It was noted that the Internal Audit Annual Report 2012/13 had been moved to 19 September 2013, as a result of the preceding agenda item.

The Group AGREED the Work Programme as set out below:



Date of Meeting	Item
19 September 2013	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Internal Audit Annual Report 2012/13</li> <li>• Statement of Accounts 2012/13</li> <li>• External Auditors Annual Governance Report 2012/13</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Treasury Management Update</li> <li>• Work Programme</li> </ul>
7 November 2013	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Annual Audit Letter</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Health and Safety Interim report</li> <li>• Risk Management Update</li> <li>• Work Programme</li> </ul>
6 February 2014	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Treasury Management Update and Presentation</li> <li>• Risk Management Update</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Work Programme</li> </ul>

The meeting closed at 8.10 pm.

**Action Sheet****CORPORATE GOVERNANCE GROUP - THURSDAY 6 JUNE 2013**

<b>Minute Number</b>	<b>Actions</b>	<b>Officer Responsible</b>	
3	Notes of the Previous Meeting	None	
4	Health and Safety Annual Report 2012/13	Include annual accident statistics by leisure provider in future reports comparison for purposes	The Executive Manager – Operations and Corporate Governance
5	Internal Audit Progress Report 2013/14	None	
6	Internal Audit Annual Report 2013/14	Arrange for the Internal Audit Annual Report 2012/13 to be moved to the meeting on 19 September 2013	Member Services
7	Annual Governance Statement 2012/13	None	
8	Annual Report 2012/13	None	
9	Fraud and Irregularities 2012/13	None	
10	Finance Update	None	
11	Work Programme	None	

**Action Update from Corporate Governance Group  
Thursday 6 June 2013**

Minute Number	Actions	Officer Responsible	Response
4 Health and Safety Annual Report 2012/13	Include annual accident statistics by leisure provider in future reports for comparison purposes	The Executive Manager – Operations and Corporate Governance	Future reports will contain annual accident statistics by leisure provider
6 Internal Audit Annual Report 2013/14	Arrange for the Internal Audit Annual Report 2012/13 to be moved to the meeting on 19 September 2013	Member Services	Included as an item on the Agenda for 19 September 2013

## Report of the Executive Manager – Finance and Commercial

### Summary

1. This report presents the Council's statutory Statement of Accounts (**Appendix A**) for the financial year 2012/13 and any issues arising during the course of the audit for Members to recommend approval to Full Council.
2. Members will recall there have been a number of problems in recent years with the Financial Statements and pleasingly these are now resolved, with few amendments to the accounts required as a result of the audit.

### Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a. Accepts the Statement of Accounts for 2012/13 (**Appendix A**) and recommends them to Full Council for approval
- b. Agrees the Draft Management Representation Letter (**Appendix C**)

### Background

3. The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Code') and the Service Reporting Code of Practice for Local Authorities (SerCOP).
4. The Statement of Accounts 2012/13 at **Appendix A** is included as a separate document. Members will recall a number of concerns raised by the auditors regarding the closure of accounts process for 2011/12. These are highlighted for reference in the external auditors (KPMG) 'Report to those charged with governance (ISA260)2012/13' on the following agenda item to this report.
5. The key areas of addressing the year-end bank reconciliation and staff capacity have been addressed. To quote pages 2 and 4 of the KPMG report respectively:

*'The finance team has developed strong processes for the production of the accounts...the finance team presented high quality working papers to support the audit of the statements'*

*'we received a complete set of accounts for audit on 28 June, in advance of the 30 June deadline. This is a significant improvement on last year...'*

6. Members will be aware that significant work has been undertaken over time to address these issues. The success of these changes is demonstrated by the improvements in timeliness and quality which are reflected in the above comments. This is especially noteworthy given the change of staff and responsibilities just prior to and during the closedown process and bodes well for further improvements in the future.
7. Appendix 1 of the KPMG Report highlights one error in the accounts which has been amended. Appendix 2 of the report, by contrast, highlights the range of issues arising from the 2011/12 audit which have been addressed. The need for regular progress reports on Finance is no longer required given the improvements made.
8. **Appendix B** illustrates other amendments made to the Financial Statements that were identified during the audit process. These are largely presentational in nature and except for an adjustment between long and short term debtors do not impact on the core statements. As such they are not included in the *Report to those Charged with Governance* which is reported elsewhere on this agenda.
9. **Appendix C** details the draft management representation letter which confirms for the auditors that the Corporate Governance Group is satisfied with the validity of the financial statements provided by the Authority to KPMG. If agreed this letter will be signed at the conclusion of the meeting. **Appendix D** provides definitions of the issues addressed in this letter.

#### **Financial Comments**

No financial issues arising.

#### **Section 17 Crime and Disorder Act**

There are no section 17 implications.

#### **Diversity**

There are no diversity issues.

**Background Papers Available for Inspection: Nil**

## Statement of Accounts Amendments

Issue	Change to the Core Statements (ie I and E, BS, MIRS, Cash Flow Statement)	Change to the Notes in the Accounts	Management Comment
The Housing Benefit bad debt provision to be split between short and long-term debtors	Balance Sheet	Note 15 – Financial Instruments Note 16 - Debtors	This amendment did not alter the total debtor figure, it only adjusted the split of debtors between short and long term (£256,000 switch). The key point being there is sufficient provision.
The accounting policy for Investment Properties should detail the frequency of valuations as annually not bi-annually	N/A	Note 1 – XIV Investment Property	This was a drafting error.
The inclusion of the Nottinghamshire County Council Collection Fund creditor in Note 15	N/A	Note 15 – Financial Instruments	This is a disclosure note so the amendment did not impact on the Core Statements.
The split of impairment and depreciation in the notes to the Cashflow Statement	N/A	Note 22 – Cash-flow Statement – Operating Activities	This was a presentational amendment which did not impact on the Cash-flow Statement

Issue	Change to the Core Statements (ie I and E, BS, MIRS, Cash Flow Statement)	Change to the Notes in the Accounts	Management Comment
The exclusion of the remuneration paid to the Executive Manager – Communities from Note 30.	N/A	Note 30 – Officers Remuneration	This error was identified by the Authority prior to the audit commencing
Additional information to be provided on the external audit fees charged by Audit Commission and KPMG.	N/A	Note 31 – External Audit Fees	Auditor interpretation
Financial information was excluded from the NNDR3 Return.	N/A	Collection Fund Note	This error was identified by the Authority prior to the audit commencing

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 Date : 19 September 2013



John Cornett  
 KPMG LLP  
 1 Waterloo Way  
 Leicester  
 LE1 6LP

Civic Centre  
 Pavilion Road  
 West Bridgford  
 Nottingham  
 NG2 5FE

Dear John

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council ("the Authority") for the year ended 31 March 2013, **Error! Reference source not found.** for the purpose of expressing an opinion:

Rushcliffe Community  
 Contact Centre

Rectory Road  
 West Bridgford  
 Nottingham  
 NG2 6BN

By telephone  
 Monday to Friday  
 8am - 6pm  
 In person  
 Monday to Friday  
 8am - 8pm  
 Saturday  
 10am - 4pm

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
  - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

### Information provided

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. The Authority has disclosed to you all information in relation to:
  - (a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:**Error! Reference source not found.**
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - (b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - are funded or unfunded; and
  - are approved or unapproved,
- have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Council on 26 September 2013.

Yours faithfully,

Mayor of Rushcliffe

Executive Manager – Finance and Commercial

**Appendix to Draft Management Representation Letter of Rushcliffe Borough Council: Definitions**

**Financial Statements**

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund

For pension funds participating in the following pension schemes, pension fund accounts must be prepared by the local authority that administers the Pension Fund:

- a) the Local Government Pension Scheme (in England and Wales)
- b) the Local Government Pension Scheme (in Scotland).

The financial statements of a defined benefit pension fund and of police authorities and fire and rescue service authorities in England and Wales must contain:

- a) A fund account disclosing changes in net assets available for benefits.
- b) A net assets statement showing the assets available for benefits at the year end.
- c) Notes to the accounts.

## **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue, and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- a) entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (ie subsidiaries);
- b) associates;
- c) joint ventures in which the authority is a venture;
- d) an entity that has an interest in the authority that gives it significant influence over the authority;
- e) key management personnel, and close members of the family of key management personnel; and
- f) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

The following are deemed not to be related parties by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13:

- a) providers of finance in the course of their business in that regard and trade unions in the course of their normal dealings with an authority by virtue only of those dealings; and
- b) an entity with which the relationship is solely that of an agency.

### **Related party transaction**

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

## Report of the Executive Manager – Finance and Commercial

### Purpose

1. The purpose of this report is for KPMG, the Council's external auditors, to present their "*Report to those Charged with Governance*" for 2012/13. For Rushcliffe this responsibility is delegated to the Corporate Governance Group

### Recommendation

It is RECOMMENDED that the Corporate Governance Group receives the Report to those Charged with Governance and determines what comments, if any, should be referred to Council with the Statement of Accounts.

### Background

2. As part of the final accounts process KPMG as the Council's appointed auditor to provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Report to those Charged with Governance which is attached at **Appendix A**.
3. The Statement of Accounts 2011/12 will be considered as a separate agenda item at this meeting.
4. Representatives of the Audit Commission will be attending the meeting to present their report and answer Members' questions.

### The Closedown Process

5. Members will recall that historically the Council has experienced a number of issues with the accounts production process resulting in a number of recommendations being made in the Audit Commission's Annual Governance Report for 2011/12. These recommendations and progress made are detailed at pages 11 and 12 of KPMG's Report.
6. Over the past two years the Council has been taking planned actions to address these issues and, as identified in KPMG's report, this has resulted in a successful audit process. In this regard it is important to note that KPMG consider that the Council has successfully addressed the key risks in the External Audit Plan 2012/13 (page 4 of the KPMG Report) and all the recommendations in the Annual Governance Report for 2011/12 have now been fully implemented (Page 6 of the KPMG report). As such they state that:

*“The Authority now has good financial reporting arrangements in place [and] we consider that accounting practices are appropriate.”*

7. At page 10 the KPMG Report identifies one significant adjustment to the draft accounts relating to the treatment of payments received at year end. This adjustment is reflected in the statement of accounts presented elsewhere on this agenda.

**Financial Comments**

There are no financial issues arising from this report.

**Section 17 Crime and Disorder Act**

There are no Section 17 implications

**Diversity**

There are no diversity implications

**Background Papers Available for Inspection: Nil**



*cutting through complexity™*

# Report to those charged with governance (ISA 260) 2012/13

**Rushcliffe Borough Council**

19 September 2013





**The contacts at KPMG in connection with this report are:**

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 03034448330.

## This report summarises:

- the key issues identified during our audit of Rushcliffe Borough Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

## Financial statements

Our *External Audit Plan 2012/13* presented to you in March 2013 set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during April 2013 (interim audit) and August 2013 (year end audit). We carried out the following work:

Control Evaluation	<ul style="list-style-type: none"> <li>■ Evaluate and test selected controls over key financial systems</li> <li>■ Review accounts production process</li> <li>■ Review progress on critical accounting matters</li> </ul>
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Substantive Procedures	<ul style="list-style-type: none"> <li>■ Planning and performing substantive audit procedures.</li> <li>■ Concluding on critical accounting matters.</li> <li>■ Identifying audit adjustments.</li> <li>■ Reviewing the Annual Governance Statement.</li> </ul>
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We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion	<ul style="list-style-type: none"> <li>■ Declaring our independence and objectivity.</li> <li>■ Obtaining management representations.</li> <li>■ Reporting matters of governance interest.</li> <li>■ Forming our audit opinion.</li> </ul>
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## VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out risks highlighted at the planning stage of the audit and subsequent findings.
- Section 4 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 5 outlines the key findings from our work on the VFM conclusion.

## Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<b>Proposed audit opinion</b>	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding of your governance arrangements.
<b>Audit adjustments</b>	We identified one error in the financial statements presented for audit, details of which are set out in Appendix 1. The financial statements have been amended to correct the error.
<b>Accounts production and audit process</b>	<p>Over the last year, the Authority has invested considerable effort and resource into building capacity within the finance team. The finance team has developed strong processes for the production of the accounts. The financial statements were made available for audit in advance of the 30<sup>th</sup> June statutory deadline, and the finance team presented high quality working papers to support the audit of the statements. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.</p>
<b>Control environment</b>	The Authority's control environment is effective, and controls over the key financial systems are sound.
<b>Completion</b>	<p>At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<b>VFM conclusion</b>	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.

## Critical accounting matters

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2012/13*, presented to you in March, we identified the key risks affecting the Authority's 2012/13 financial statements.

We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue and progress in year	Year end findings
<b>Bank reconciliation</b>	<p>In the 2011/12 ISA 260 report, the previous auditor highlighted significant issues in the processes for producing the bank reconciliation.</p> <p>Early work carried out by us in February 2013 suggested that while improvements had been made there were still issues the Authority faced in producing an accurate bank reconciliation.</p>	<p>The year-end bank reconciliation was well documented and showed clearly the reconciling items between the bank balance in the accounts and the bank statement. We were able to agree the figures in the bank reconciliation to supporting documentation.</p>
<b>Staff capacity</b>	<p>The 2011/12 ISA 260 report highlighted issues over staff capacity to produce an auditable set of accounts prior to the final accounts visit and to provide a full set of working papers to enable an effective and efficient audit.</p> <p>The planned finance restructure was completed during the year. This included the replacement of a number of posts with new Executive Manager, Service Manager and Group Accountant roles. These changes have resulted in improved capacity, knowledge and resilience and are delivering on-going cultural change.</p> <p>We held a final accounts workshop with your finance team in March 2013 to facilitate plans for improving the closedown process.</p>	<p>We received a complete set of accounts for audit on 28<sup>th</sup> June, in advance of the 30<sup>th</sup> June deadline. This is a significant improvement on last year, where the previous auditor did not receive a final set of accounts for audit until 20 August.</p> <p>We also received a full set of quality working papers on the first day of the final accounts visit. Officers have been quick to respond to audit queries throughout the audit which has allowed us to carry out an effective and efficient audit, all of which support that there is now sufficient capacity within the finance team.</p> <p>These changes have had a positive impact upon the conduct of the audit.</p>

**We have identified no issues in the course of the audit that are considered to be material.**

**The wording of your Annual Governance Statement accords with our understanding of your governance arrangements.**

#### **Proposed audit opinion**

We anticipate issuing an unqualified audit opinion by 30 September 2013.

#### **Audit differences**

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified one audit difference, which we have set out in Appendix 1. Officers have agreed to adjust the financial statements to reflect this error.

There is no net impact on the General Fund as a result of audit adjustments.

#### **Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

The Authority has good processes in place for the production of the accounts and good quality supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

#### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	The Authority now has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
<b>Completeness of draft accounts</b>	We received a complete set of accounts for audit on 28 June 2013.
<b>Quality of supporting working papers</b>	Our <i>Accounts Audit Protocol</i> , which we issued in March 2013 and discussed with the finance team, set out our working paper requirements for the audit.  The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> and enabled the audit to be carried out in an efficient manner with only a low number of audit queries being raised throughout the final accounts visit as a result.
<b>Critical accounting matters (key audit risks)</b>	We have discussed with officers throughout the year the areas of specific audit risk, including the bank reconciliation process, and undertaken specific audit procedures. There are no matters to draw to your attention.

Element	Commentary
<b>Response to audit queries</b>	Officers were prompt in addressing all audit queries.

#### Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years Annual Governance Report issued by the Audit Commission.

The Authority has fully implemented the recommendations in the Annual Governance Report 2011/12 as shown in Appendix 2.

## Control environment

**The Authority's control environment is effective, and controls over the key financial systems are sound.**

During April 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

### Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves we gain an understanding of the IT control environment and where necessary we will test controls over access to systems and data, system changes, system development and computer operations.

### Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are sound.

## Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.**

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Rushcliffe Borough Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to Peter Steed, a draft of which is reproduced in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements'.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.



**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

**Background**

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. Our approach was set out in more detail in our *External Audit Plan 2012/13*.

**Risk assessment**

Our initial risk assessment identified the following key business risk which are also relevant to our VFM conclusion:

- Savings Plans – Rushcliffe Borough Council faces ongoing financial pressures due to Central Government funding cuts.

We are satisfied that sufficient work in relation to this risk had been carried out by the Authority, the Audit Commission, other inspectorates or review agencies to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.

**Conclusion**

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
<b>Securing financial resilience</b>	✓
<b>Securing economy, efficiency and effectiveness</b>	✓

## Appendix 1: Audit differences

This appendix sets out the non-trivial audit differences.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Corporate Governance Group). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities, there were no such instances found.

### Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Rushcliffe Borough Council's financial statements for the year ended 31 March 2013. It is our understanding that these will be adjusted.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
1			Dr Cash £312k Cr Debtors £19k	Cr Creditors £293k		Prepayments and debtors income received into the bank account prior to year-end and not accounted for within the main accounting system.
			<b>Dr £293k</b>	<b>Cr £293k</b>		<b>Total impact of adjustments - Nil</b>

## Appendix 2: Prior Year Recommendations

This appendix shows the recommendations raised in the Annual Governance Report 2011/12 and the progress the Council has made against these

Recommendation	Findings
<p>The Authority needs to make clear, early preparations for year end closedown to ensure that any risks emerging from staff capacity issues or systems weaknesses continue to be addressed as a matter of urgency. The Corporate Governance Group needs to seek assurance that effective arrangements are in place to address staff capacity issues and to take corrective action as required.</p>	<p>As a result of the planned finance restructure and revised working practices the Council delivered a draft set of accounts before the required deadline of 30th June. A full set of high quality working papers was made available on the first day of our on-site final accounts visit. Staff capacity and systems issues have been addressed in year.</p>
<p>The unreconciled differences on the 2011/12 bank balance should be investigated and findings and options reported to the Corporate Governance Group.</p>	<p>The year-end bank reconciliation showed clearly the timing differences between the bank balances as per the general ledger and actual bank statement. It was possible to agree unrepresented cheque balances as per the general ledger back to cheque listings and a breakdown of cash in transit could also be agreed.</p>
<p>The Director of Finance should introduce a formal system for ensuring that system reconciliations are up to date. The Corporate Governance Group should monitor progress on a periodic basis.</p>	<p>During our interim audit visit we found system reconciliations to be up to date.</p>
<p>Officers should provide regular progress reports to Corporate Governance Group setting out the action taken to address the underlying causes of the issues identified in this report and the results and outcomes of that action.</p>	<p>Our review of minutes showed that regular progress reports have been taken to the Corporate Governance Group. Due to the progress made during the 2012/13 audit this recommendation has not been restated in this report.</p>
<p>Corporate Governance Group should determine what, if any, assurances are required from internal audit in respect of action taken to address the causes of the issues identified in this report.</p>	<p>Our review of internal audit work carried out in 2012/13 showed that there had been a detailed review of the main accounting system focussing on a number of issues highlighted within the Annual Governance Report 2011/12.</p>
<p>The capacity issues within the finance team need to be addressed to ensure that the statutory deadline for preparing the 2012/13 financial statements is met.</p>	<p>A new service manager and group accountant recruited during 2013 helped the Council to deliver a draft set of accounts ahead of the statutory deadline and a full set of working papers ready for the start of our on-site final accounts visit.</p>

## Appendix 2: Prior Year Recommendations (continued)

This appendix shows the recommendations raised in the 2011/12 Annual Governance Report and the progress the Council has made against these

Recommendation	Findings
<p>The Authority's closedown arrangements for 2012/13 should include time for a more substantive review by officers before the accounts are submitted for approval.</p>	<p>All working papers provided to support the draft accounts included a covering page detailing the preparer and reviewer of each working paper, supporting the review of working papers by officers.</p> <p>Working papers were of a good standard enabling the audit to be carried out efficiently.</p>

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Rushcliffe Borough Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (“the Authority”) for the year ended 31 March 2013, for the purpose of expressing an opinion:

- I. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s expenditure and income for the year then ended;
- II. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - Give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s and income for the year then ended;
  - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority [and Group] from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

7. The Authority has disclosed to you all information in relation to:
- Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- all significant retirement benefits, including any arrangements that:
  - are statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - are funded or unfunded; and
  - are approved or unapproved,have been identified and properly accounted for; and
- all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Council on the 26th September 2013.

Yours faithfully,

Chair of the Council

Chief Financial Officer





*cutting through complexity™*

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## Report of the Executive Manager – Finance and Commercial

### Summary

1. As part of its annual work programme the Corporate Governance Group receives both in year progress reports and a year-end annual report from the Council's internal auditors, RSM Tenon.
2. The final progress report for 2012/13, which covers the remaining seven reviews for the year, are attached at **Appendix A**.
3. The annual report which supports the annual governance statement is provided at **Appendix B**. Members should note that the amber status allocated to risk was anticipated and reflects work that was already underway to improve internal arrangements. An update on risk, including the outcomes of such work, will be reported to the Corporate Governance Group on 7 November.
4. Members should also note that Baker Tilly have taken on the trading business of RSM Tenon. This change should have no impact on the internal audit service.

### Recommendation

It is RECOMMENDED that the Corporate Governance Group notes both the Final Progress Report 2012/13 (Appendix A) and the Annual Report 2012/13 (Appendix B).

### Financial Comments

The costs of internal audit services is contained within existing budgets

### Section 17 Crime and Disorder Act

There are no section 17 implications

### Diversity

There are no diversity issues.

**Background Papers Available for Inspection: Nil**



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## **RUSHCLIFFE BOROUGH COUNCIL**

### **Internal Audit 2012-13 Progress Report**

**Corporate Governance Group: 19<sup>th</sup> September 2013**

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Board and senior management of Rushcliffe Borough Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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## **1. INTRODUCTION**

- 1.1 The periodic internal audit plan for 2012/13 was approved by the Corporate Governance Group (CGG) on 29 May 2012. This report summarises the outcome of the work completed to date against that plan, see Appendix A.
- 1.2 All work and reports are submitted through the Executive Manager, Finance and Commercial and the relevant Executive Manager lead prior to being finalised. Individual assignment reports are available for review through the Executive Management team or Chair of the Corporate Governance Group.

## **2. FINAL REPORTS ISSUED**

- 2.1 We have finalised the following seven reports since the last CGG:

- Debtors;
- Development Control;
- Governance;
- Insurance;
- Partnerships (Carillion);
- Payroll and
- Risk Management.

## **3. KEY FINDINGS FROM INTERNAL AUDIT WORK**

- 3.1 The Corporate Governance Group should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the Corporate Governance Group should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

## **4. DRAFT REPORTS ISSUED**

- 4.1 All draft reports relating to audit year 2012-13 are now finalised.

## **5. WORK IN PROGRESS OR PLANNED**

- 5.1 All 2012/13 work is now complete.

## **6. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT**

- 6.1 On-going liaison takes place with the Executive Management team when planning and scoping the individual reviews.

## **7. CHANGES TO OUR PLAN**

- 7.1 There have been no changes to the audit plan since the last CGG meeting.

**APPENDIX A: 2012/13 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS**

Reports being considered at this Committee are shown in ***bold italics***.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Overtime	JUL 12	24.07.12	08.08.12	24.08.12	28.08.12	SEP	GREEN	0	2	0	2	2
Asset Management	NOV 12	12.11.12	12.12.12	02.01.13	03.01.13	JAN	GREEN	0	0	5	5	5
Disabled Facilities Grants	NOV 12	22.11.12	12.12.12	24.12.12	04.01.13	JAN	GREEN	0	0	2	2	2
Council Tax & NNDR	DEC 12	17.12.12	16.01.13	18.01.13	21.01.13	JAN	GREEN	0	0	0	0	0
Domestic Violence	JUL 12	10.08.12	12.09.12	23.01.13	23.01.13	JAN	GREEN	0	1	0	1	1
Housing Benefits	DEC 12	21.12.12	12.02.13	05.04.13	12.04.13	APR	GREEN	0	1	0	1	1
Green Waste	DEC 12	21.12.12	25.01.13	29.01.13	29.01.13	APR	GREEN	0	0	2	2	0
Creditors	JAN 13	18.01.13	01.03.13	05.04.13	15.04.13	APR	GREEN	0	0	6	6	5
Tendering	MAR 13	18.04.13	13.05.13	29.05.13	30.05.13	JUN	AMBER / RED	0	4	5	9	9
Treasury Management	MAR 13	18.04.13	03.05.13	29.05.13	30.05.13	JUN	AMBER / GREEN	0	2	3	5	5
Main Accounting System	MAR 13	05.03.13	19.03.13	27.03.13	15.04.13	APR	AMBER / RED	0	3	5	8	6
Virtual Server	MAR 13	08.03.13	11.03.13	10.04.13	11.04.13	APR	ADVISORY	N/A	10	9		
Mobile Device Security	MAR 13	15.03.13	27.03.13	10.04.13	11.04.13	APR	ADVISORY	N/A	7	7		
<b><i>Governance</i></b>	<b><i>APR 13</i></b>	<b><i>15.04.13</i></b>	<b><i>23.05.13</i></b>	<b><i>21.06.13</i></b>	<b><i>01.07.13</i></b>	<b><i>SEP</i></b>	<b><i>AMBER / GREEN</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>3</i></b>
<b><i>Partnerships</i></b>	<b><i>MAR 13</i></b>	<b><i>05.04.13</i></b>	<b><i>02.05.13</i></b>	<b><i>27.08.13</i></b>	<b><i>28.08.13</i></b>	<b><i>SEP</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>5</i></b>	<b><i>5</i></b>
<b><i>Debtors</i></b>	<b><i>MAR 13</i></b>	<b><i>17.04.13</i></b>	<b><i>21.05.13</i></b>	<b><i>01.08.13</i></b>	<b><i>07.08.13</i></b>	<b><i>SEP</i></b>	<b><i>AMBER / GREEN</i></b>	<b><i>1</i></b>	<b><i>0</i></b>	<b><i>3</i></b>	<b><i>4</i></b>	<b><i>4</i></b>
<b><i>Payroll</i></b>	<b><i>MAR 13</i></b>	<b><i>05.04.13</i></b>	<b><i>03.05.13</i></b>	<b><i>08.08.13</i></b>	<b><i>13.08.13</i></b>	<b><i>SEP</i></b>	<b><i>AMBER / GREEN</i></b>	<b><i>0</i></b>	<b><i>3</i></b>	<b><i>2</i></b>	<b><i>5</i></b>	<b><i>5</i></b>
<b><i>Insurance</i></b>	<b><i>APR 13</i></b>	<b><i>16.04.13</i></b>	<b><i>21.05.13</i></b>	<b><i>29.05.13</i></b>	<b><i>30.05.13</i></b>	<b><i>SEP</i></b>	<b><i>AMBER / RED</i></b>	<b><i>0</i></b>	<b><i>3</i></b>	<b><i>1</i></b>	<b><i>4</i></b>	<b><i>4</i></b>

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<i>Risk Management</i>	<i>APR 13</i>	<i>30.04.13</i>	<i>23.05.13</i>	<i>21.06.13</i>	<i>01.07.13</i>	<i>SEP</i>	<i>AMBER / RED</i>	<i>0</i>	<i>6</i>	<i>3</i>	<i>9</i>	<i>9</i>
<i>Development Control</i>	<i>APR 13</i>	<i>16.04.13</i>	<i>03.05.13</i>	<i>04.07.13</i>	<i>05.07.13</i>	<i>SEP</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>

**APPENDIX B: ACTION PLANS FOR KEY RECOMMENDATIONS**

**GOVERNANCE - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	Councillors should ensure that all interests are adequately declared on the Register of Interest forms.	Medium	Yes	Councillors have responsibility for ensuring that all relevant interests are recorded on the forms. These responsibilities are set out within the 'Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.	June 2012	Dan Swaine



**PARTNERSHIPS (CARILLION) - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p>The Council should ensure that the breakdown of the usage figures is monitored. Improvement plans can then be developed for areas that are constantly below the monthly average.</p> <p>Where appropriate, deduction for service failure should be charged as per the clause 25.14.1 in the Service Failure Mechanism.</p>	Medium	Yes	The overall usage has surpassed the target for the last two years; this is a good outcome for the council. A breakdown of the usage figures is included in each monthly report. The figures were an initial estimate of what may be achievable. The overall figure shows this was incorrect and as such a review and adjustment to the specific areas identified is appropriate.	June 13	Leisure Contracts Manager
2	In order to reduce the risk of falsified or inaccurate information, the Council should consider undertaking spot checks of the results of the surveys carried out by the Leisure Centre and undertaking an annual customer satisfaction survey independently.	Medium	Yes	The council has undertaken its own audit of the results of the customer comments for 2012 which has verified the results reported by Carillion.	Mar 14	Leisure Contracts Manager

**DEBTORS - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	Debts should be referred as soon as possible to the new debt collection company for collection, as per the recovery process documented.	High	Yes	New bailiffs are in place since 30-04-13. Work to be completed	30-09-13	Richard Bovey

**PAYROLL - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p><b><i>Recommendation raised last year:</i></b></p> <p>(a) Until the Council has finalised any changes to the provisions of payroll services, management should ensure a formal partnership agreement for the current provisions is in place as soon as possible between the Council and payroll service provider, GBC.</p> <p>(b) The partnership agreement should clearly define the responsibilities of both parties, as well as the expected service levels.</p> <p>(c) The partnership agreement should be signed and dated by Head of Finance / Director of Finance from both parties.</p>	Medium	Yes	Agreement to be signed	30/09/13	Richard Bovey
2	<p>The Performance &amp; Quality Manager's authorised responsibilities should be updated to reflect the authorising of claims.</p> <p>All claim forms should be checked by RBC Finance when being entered onto the overtime spread sheet to ensure they have all been authorised appropriately and by the correct officers, before being sent through for processing by GBC.</p>	Medium	Yes	Procedure now in place	01/07/13	Richard Bovey

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
3	(a) All expenses claim forms should be checked for authorisation and completeness by RBC Finance before being entered onto the expenses spread sheet for submission to GBC Payroll;	Medium	Yes	All claims forms are checked it was only the fact a member of staff who should have been authorised hadn't been (i.e. double count in relation to 2 above).	1/07/13	Richard Bovey
	(b) The Subsistence and Travelling Allowances policy within the Employee Handbook should be revised to specify what expenditure will be reimbursed at what rate and what is deemed to be reasonable; and		Yes	Agreed subject to discussion with ELG etc.	31/03/14	JH
	(c) All authorised signatories should ensure expense claims are in line with the Council's Subsistence and Travelling Allowances policy within the Employee Handbook prior to approval.		Yes	Will advise Managers regarding the claiming of expense claims within 3 months.	By 30/9/13	Exec Managers

**INSURANCE - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	Day to day procedures for dealing with insurance claims should be documented and made available to the relevant staff within Finance who may need to undertake the duties in the absence of the Senior Finance Officer.	Medium	Yes	A procedure document will be produced. This is low risk as three members of staff have the knowledge and experience to carry out the roles and responsibilities of the insurance function.	August 2013	Group Accountant
2	Zurich should be contacted to determine why there are no records on their database in relation to claim reference 10121350043.	Medium	Yes	Zurich has been contacted and the claim is now on their database.	April 2013	Group Accountant
3	Zurich should be contacted to obtain copies of all information relating to claim reference 1012305001.  A check should also be undertaken to ensure that records are available for all other live claims.	Medium	Yes	Copy paperwork has been obtained from Zurich and all live claims have been checked to ensure that records are available. This is low risk as Zurich had copies of the information.	April 2013	Group Accountant

**RISK MANAGEMENT - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p>The Councils risk register should be updated to include objectives and a clear link should be made to identify those risks which may have a direct impact upon achievement of such objectives.</p> <p>This link should also be made clearer within the Service Delivery plans to ensure that risk is adequately considered when establishing the plans and to ensure the key risks can then be escalated and included within the Corporate Risk register.</p>	Medium	Yes	This update and associated actions will form part of the wider review of the risk management arrangements.	Oct 2013	Dan Swaine
2	An exercise should be undertaken following production of the Service Plans to ensure that all identified risks are included within either the Corporate or Operational Risk Registers as appropriate.	Medium	Yes	This work and associated actions will form part of the wider review of the risk management arrangements	Sept 2013	Dan Swaine
3	The Risk Management Group should ensure that as part of the refresh of the risk register, all Council objectives and initiatives outside of the service plans are adequately assessed to identify any risks that may affect achievement of these.	Medium	Yes	The risk register deals with the higher level risks in terms of impact and likelihood. The register is periodically reviewed as part of the risk management reporting to the Councils Executive Management Team. Additionally each service area will have review Operational and Corporate Risks and the control measures periodically ensure	Sept 2013	Dan Swaine

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
				they remain relevant and any risks outside the service plans are identified and assessed.		
4	Each Lead specialist / risk owner should ensure that controls assigned to risk are reviewed on a regular basis to ensure that these remain up to date and relevant. Any changes to control should be reviewed to consider whether the risk score requires amending at each review.	Medium	Yes	The existing arrangements for review of the risks will be revised. This will ensure the risks and control measures will be periodically reviewed in line with the established risk management framework.	Sept 13	Dan Swaine
5	<p><b>Recommendation re-iterated</b></p> <p>Action plans should be produced for risks which, upon review, are identified as having gaps in control which require addressing.</p> <p>The Council should consider utilising the function within Covalent to assign actions, along with deadlines and responsible officers to such risks.</p> <p>Actions should then be monitored on a regular basis to ensure that these are implemented in line with set deadlines.</p>	Medium	Yes	The risk register contains control mechanisms for the management of risks. The register is periodically reviewed to ensure the control measures remain relevant and sufficient. Where necessary changes are made to reflect this in order to ensure the control mechanisms address the gaps in the management of the risk.	Sept 13	Dan Swaine

6	The Council should identify sources of assurance against each risk and its associated mitigating controls. These should be monitored to identify any gaps in assurance and to identify where controls may not be operating effectively.	Medium	Yes	In the development and determination of control measures tests will be made to assure they are sufficient. The periodic risk review process will ensure when reviewing control measures assurance is made that they remain relevant and useful.	Sept 2013	Dan Swaine
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**DEVELOPMENT CONTROL - FINAL**

No High or Medium category recommendations were made following this audit.

**Recommendation Categorisation**

Our findings and recommendations are categorised as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

**Opinions**

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
<b>RED</b>	Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	<b>AMBER / GREEN</b>	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.  However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
<b>AMBER / RED</b>	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	<b>GREEN</b>	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.



## Report of the Executive Manager – Finance and Commercial

### Summary

1. The attached report has been prepared by the Council's internal auditors, RSMTenon. It is the first report for the 2013/14 year and shows the current position against the 2013/14 audit plan along with any significant recommendations.
2. The report details three audits that have been finalised in the first five months of the year with one medium recommendation as a result of those audits. Furthermore there are two audits which are due to be finalised.
3. A member of the internal audit team will attend the meeting to present the report and be available to answer questions.

### Recommendation

It is recommended that the Corporate Governance Group note the first progress Report 2013/14.

### Financial Comments

The costs of the internal audit services is contained within existing budgets.

### Section 17 Crime and Disorder Act

There are no section 17 implications.

### Diversity

There are no diversity issues.

**Background Papers Available for Inspection: Nil**



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## **RUSHCLIFFE BOROUGH COUNCIL**

### **Internal Audit 2013-14 Progress Report**

**Corporate Governance Group: 19<sup>th</sup> September 2013**

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Board and senior management of Rushcliffe Borough Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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## **1. INTRODUCTION**

- 1.1 The periodic internal audit plan for 2013/14 was approved by the Corporate Governance Group on 24<sup>th</sup> April 2013. This report summarises the outcome of the work completed to date against that plan, see Appendix A.
- 1.2 All work and reports are submitted through the Executive Manager, Finance and Commercial and the relevant Executive Manager lead prior to being finalised. Individual assignment reports are available for review through the Executive Management team or Chair of the Corporate Governance Group.

## **2. FINAL REPORTS ISSUED**

- 2.1 We have finalised three reports relating to the 2013-14 internal audit plan; these are in the areas of:
- Commercial Property Portfolio;
  - Home Alarm Scheme; and
  - Transformation and Cost Savings.

## **3. KEY FINDINGS FROM INTERNAL AUDIT WORK**

- 3.1 The Corporate Governance Group should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the Corporate Governance Group should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

## **4. DRAFT REPORTS ISSUED**

- 4.1 The following reports are still in draft, awaiting Council management responses:
- Bingham Market; and
  - Governance – Compliance with Expenses Policy

## **5. WORK IN PROGRESS OR PLANNED**

- 5.1 The majority of the audits included in the 2013-14 internal audit plan are agreed and start dates confirmed with the appropriate Executive Manager. Where available, scheduled start dates are included in Appendix A.

## **6. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT**

- 6.1 On-going liaison takes place with the Executive Management team when planning and scoping the individual reviews.

## **7. CHANGES TO OUR PLAN**

- 7.1 There have been no changes to the audit plan since the last CGG meeting.

**APPENDIX A: 2013/14 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS**

Reports being considered at this Committee are shown in ***bold italics***.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<b><i>Commercial Property Portfolio</i></b>	<b><i>10.06.13</i></b>	<b><i>17.06.13</i></b>	<b><i>03.07.13</i></b>	<b><i>10.07.13</i></b>	<b><i>11.07.13</i></b>	<b><i>SEP</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>3</i></b>
<b><i>Home Alarm Scheme</i></b>	<b><i>10.06.13</i></b>	<b><i>18.06.13</i></b>	<b><i>17.07.12</i></b>	<b><i>22.07.13</i></b>	<b><i>23.07.13</i></b>	<b><i>SEP</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>
<b><i>Transformation and Cost Savings</i></b>	<b><i>17.06.13</i></b>	<b><i>21.06.13</i></b>	<b><i>25.07.13</i></b>	<b><i>02.09.13</i></b>	<b><i>02.09.13</i></b>	<b><i>SEP</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>
Bingham Market	02.05.13	07.06.13	03.07.13									
Governance – Compliance with Expenses Policy	29.07.13	02.08.13										
Housing Benefits	09.09.13											
Strategic Housing Capital	07.10.13											
Community Facilities	07.10.13											
Income & Debtors	TBC											
Risk Management	14.10.13											
Community Support Grants	11.11.13											
Main Accounting System & Budgetary Control	TBC											
Purchase Ordering & Creditors	TBC											
Council Tax	06.01.14											
NNDR	16.12.13											
Capital Programme & Assets	06.01.14											

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Payroll	TBC											
Treasury Management, Cash & Banking	TBC											
Tendering	TBC											
Temporary Accommodation	17.02.14											
Follow Up	Ongoing											
Information Assurance Systems	TBC											

**APPENDIX B: ACTION PLANS FOR KEY RECOMMENDATIONS**

**COMMERCIAL PROPERTY PORTFOLIO - FINAL**

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	Following liquidation of the tenant, the rental invoices in relation to Suite F of The Point should be corrected and re-issued to administrator and to guarantor as soon as possible.	Medium	Yes	Rental invoice corrected.	Corrected	Adrian Hutson

**HOME ALARM SCHEME – FINAL**

No 'High' or 'Medium' category recommendations were made as a result of this audit.

**TRANSFORMATION AND COST SAVINGS – FINAL**

No 'High' or 'Medium' category recommendations were made as a result of this audit.

**Recommendation Categorisation**

Our findings and recommendations are categorised as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

**Opinions**

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
<b>RED</b>	Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	<b>AMBER / GREEN</b>	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.  However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
<b>AMBER / RED</b>	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	<b>GREEN</b>	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.



## Report of the Executive Manager - Operations and Corporate Governance

### Summary

This report sets out details of the introduction of 'Member Champions' to support relevant Cabinet Portfolio holders as necessary. The item was considered at the meeting of Cabinet on 9 July 2013 and they agreed to refer the matter to the Corporate Governance Group in order that the necessary changes to Article 7 – The Cabinet, within the Council's Constitution can be determined. The proposed changes will then be referred to Council for approval.

### Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) considers the necessary changes to 'Article 7 – The Cabinet' of the Council's Constitution to reflect the introduction of 'Member Champions' (as set out in **Appendix A**); and
- b) refers the proposed changes to 'Article 7 – The Cabinet' to Council for approval.

### Background

1. At its meeting on 9 July 2013 Cabinet considered a report requested by the Leader of the Council to identify how 'Member Champions' could be introduced. This was because over time the Cabinet Portfolio Holder role has required a greater need to assimilate a significant and diverse range of information. It is intended that 'Member Champions' will assist Cabinet Portfolio Holders meet these increasing demands. In turn this will help to ensure the Executive retains focus on delivery of the Council's priorities as set out in the Corporate Plan.
2. As a consequence of the introduction of 'Member Champions' there are a number of changes required to the 'Article 7 – The Cabinet' of the Council's Constitution. These are detailed in paragraph 6 of the report and set out in **Appendix A**. Changes to the Constitution are considered by the Corporate Governance Group prior to approval by Full Council as set out in Article 15 of the Constitution.

### Member Champions

3. As reflected in the report to Cabinet it is intended that the role of the 'Member Champion' will complement and support the responsibilities of Cabinet Portfolio Holders. The roles will carry no additional allowance and as such they

are not reflected in the Council's Members' Allowance Scheme. Member Champions cannot be decision makers but may act as information gatherers, challengers and advisors in support of the designated Portfolio Holder. Member Champions will be appointed by the Leader in line with the existing constitutional arrangements for the appointment of Cabinet Members.

4. Member Champions will remain in place until they are replaced by the Leader or if they resign from office or cease to be a Councillor. It is intended that each Member Champion will be allocated a theme to reflect their alignment with a particular Cabinet Portfolio. The role and remit of the Member Champions as reflected is set out as follows:

**To fulfil their role effectively a Member Champion will:**

- Act in the wider interest of the Council and not merely represent the interests of their wards or local community groups;
- Be sensitive to Council priorities; although they may be advocating the opinions of a particular group of people or bodies, they should not do so at the expense of Council Policy and Corporate Policies;
- Lead and respond to the relevant wider range of issues rather than focussing upon their own specific issues within the topic area.

**Champions will retain focus on the thematic topic they have been allocated by:**

- Raising and championing the profile of the topic/issue both internally and externally whilst continuing to act in accordance with existing Council policy;
- Fostering the engagement of a wider range of Members in the review, support and development of the issue;
- Promoting effective communication and positive working relationships both within the Council and amongst partners, stakeholders and community groups;
- Promoting the positive work that is being undertaken within the Borough, at a local, regional and national level;
- Through agreed communication arrangements with the Portfolio Holder and Senior Management Team provide positive support, and on occasions, constructive challenge to officers in driving forwards the Council's agenda on the assigned issue.

5. It is intended that the Cabinet Portfolio Holder who the Member Champion supports will allocate and communicate their activity, responsibilities and actions to the Chief Executive or the Executive Manager – Operations & Corporate Governance. In their absence the Chief Executive will assign a relevant Executive Manager as required or appropriate to facilitate the Member Champions role. The role of the Member Champions will operate within the established 'Councillor: Staff Protocol' which sets out rules and guidance on the relationship between Councillors and Staff.
6. As set out at paragraph 3 of this report Member Champions will be appointed by the Leader in line with the existing constitutional arrangements for the appointment of Cabinet Members. There are a number of themes or areas of work where a Member Champion may support a Cabinet Portfolio Holder and where necessary the Leader may, in due course appoint, to these positions. Examples of potential themes for Member Champions are:

- Business and Economic Development
- Promoting and developing Young people
- Recycling
- Rural Communities (incorporating Public Houses, Post Offices and Agriculture)

### **Proposed changes to the Constitution**

7. **Appendix A** to the report sets out the necessary changes to the Constitution required to facilitate the introduction of Member Champions. These changes are to 'Article 7 – The Cabinet' within the Council's Constitution.
8. The table at paragraph 7.2 of the appendix reflects the Cabinet Portfolios as updated by the Leader at the Annual Council meeting in May 2013. This table also provides a column for inserting details of the relevant 'Member Champion' and their associated themes.
9. Paragraphs 7.5 and 7.6 sets out details of the role and the remit of the Member Champions in the underline text. Any other changes proposed are also set out in underlined text.
10. The text highlighted as 'strike through' reflects changes that are required to remove reference to Councillors' suspensions that were part of the now repealed provisions within the Local Government Act 2000.
11. Community Governance Group is asked to consider the proposed changes and refer them to Council for approval.

#### **Financial Comments**

There are no direct financial implications arising from this report as the Member Champions will receive no additional Members' Allowance for the role.

#### **Section 17 Crime and Disorder Act**

There are no direct implications arising from this report.

#### **Diversity**

There are no direct implications arising from this report.

## PROPOSED REVISIONS

**ARTICLE 7 – THE CABINET****THE ROLE OF THE CABINET**

## 7.1 Role

The Cabinet will carry out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.

## 7.2 Form and composition

The Cabinet will consist of the Leader together with at least two, but not more than nine, Councillors appointed by the Leader at the annual Council meeting, following the local government elections, at which the Leader is appointed.

The current composition of the Cabinet comprises the Leader and five members. One member is designated as the Deputy Leader and will act in the absence of the Leader. The Leader will retain the overall leadership and strategic role and the Deputy Leader and four Cabinet Members will be allocated a portfolio for the following functions:–

Title	Portfolios	Member Champion(s)
Strategic Direction (Leader)	<ul style="list-style-type: none"> <li>• Overall Direction Focus and Vision</li> <li>• Corporate Strategy</li> <li>• Medium Term Financial Strategy (MTFS)</li> <li>• Budgetary Policy (linking MTFS and four year plan)</li> <li>• Economic and Business Growth</li> </ul>	
Resources (Deputy Leader)	<ul style="list-style-type: none"> <li>• Finance (Budget and Debt Management)</li> <li>• Benefits</li> <li>• Procurement</li> <li>• Asset Management</li> <li>• ICT Business Continuity</li> <li>• Member Services</li> <li>• Transformation</li> </ul>	
Safety and Wellbeing	<ul style="list-style-type: none"> <li>• Community Safety</li> <li>• Public Health Protection</li> <li>• Performance Management</li> <li>• Licensing</li> <li>• Police and Crime Panel</li> <li>• South Notts Crime Prevention</li> <li>• Member Development</li> </ul>	

Community Services	<ul style="list-style-type: none"> <li>• Leisure Strategy</li> <li>• Community Engagement</li> <li>• Young People</li> <li>• Customer Access and Communications</li> <li>• Cultural Services</li> </ul>	
Environment	<ul style="list-style-type: none"> <li>• Waste Management <ul style="list-style-type: none"> <li>- Waste Services</li> <li>- Fleet Management</li> <li>- Streetwise</li> </ul> </li> <li>• Environmental Protection <ul style="list-style-type: none"> <li>- Recycling</li> </ul> </li> <li>• Community Emergency Planning</li> </ul>	
Sustainability	<ul style="list-style-type: none"> <li>• Planning Policy (Local Plan)</li> <li>• Strategic Housing Policy</li> <li>• Environmental Protections in Developments</li> <li>• Development Control</li> <li>• Building Control</li> </ul>	

### 7.3 Leader

The Leader will be a Councillor elected by the Council at their annual meeting following the local government elections for a period of four years or until the Leader's term of office as a Councillor ends.

The Leader shall otherwise continue to hold office as above unless:

- The Council by resolution removes the Leader during his or her term of office whereupon his or her term of office as Leader shall end on the day of that Council meeting; or
- He/she resigns from the office; ~~or~~
- ~~He/she is suspended from being a Councillor under Part III of the Local Government Act 2000 (although he/she may resume office at the end of the period of suspension).~~

If the Council removes a Leader by resolution, the Council must elect a new Leader at the same meeting.

The Leader shall determine the number of Councillors who may be appointed to the Cabinet subject to a maximum of ten, including the Leader. The Leader will appoint Councillors to the Cabinet positions.

The Leader shall appoint one of the Members of the Cabinet to be his or her Deputy. The Deputy Leader shall hold office for the same term as the Leader unless:

- a) He/she is removed from office by the Leader; or ceases to be a Councillor; or
- b) He/she resigns from the office; or
- ~~c) He/she is suspended from being a Councillor under Part III of the Local Government Act 2000 (although he/she may resume the role of Deputy Leader at the end of the period of suspension).~~

The Leader shall allocate Cabinet portfolios to other Cabinet Members. The Leader may also appoint Member Champions to support and assist the Cabinet positions.

The Leader shall report to the Council on all appointments to, and changes to, the Cabinet and Member Champions positions.

If for any reason the Leader is unable to act, or the office of Leader is vacant, the Deputy Leader must act in place of the Leader.

If for any reason the Leader and Deputy Leader are both unable to act or their offices are vacant, then the Cabinet must act in the Leader's place or arrange for a Member of the Cabinet to do so.

#### 7.4 Other Cabinet Members

Other Cabinet Members will be appointed by the Leader on his/her appointment at the annual Council meeting and shall hold office until:

- (a) they are replaced by the Leader at any time; or
- (b) they resign from office; or
- ~~(c) they cease to be a Councillor; or~~
- ~~(d) he/she is suspended from being a Councillor under Part III of the Local Government Act 2000 (although he/she may resume office at the end of the period of suspension)~~

#### 7.5 Member Champions

'Member Champions' will remain in place until:

- (a) they are replaced by the Leader at any time; or
- (b) they resign from office; or
- (c) they cease to be a Councillor.

Each 'Member Champion' will be allocated a theme to reflect their alignment with a particular Cabinet Portfolio.

The role of and remit the Member Champions is:

#### 7.6 To fulfil their role effective a Member Champion will:

- Act in the wider interest of the council and not merely represent the interests of their wards or local community groups.
- Be sensitive to Council priorities; although they may be advocating the opinions of a particular group of people or bodies, they should not do so at the expense of Council Policy and Corporate Policies.

- Lead and respond to the relevant wider range of issues rather than focussing upon their own specific issues within the topic area

**Champions will retain focus on the thematic topic they have been allocated by:**

- Raising and championing the profile of the topic/issue both internally and externally whilst continuing to act in accordance with existing Council policy.
- Fostering the engagement of a wider range of Members in the review, support and development of the issue.
- Promoting effective communication and positive working relationships both within the Council and amongst partners, stakeholders and community groups.
- Promoting the positive work that is being undertaken within the Borough, at a local, regional and national level.
- Through agreed communication arrangements with the portfolio holder and senior management team provide positive support, and on occasions, constructive challenge to officers in driving forward the Council's agenda on the assigned issue.

## **7.7 Proceedings of the Cabinet**

Proceedings of the Cabinet shall take place in accordance with the Executive Procedure Rules set out in Part 4 of this Constitution.

## **7.8 Responsibility for Functions**

The Leader shall allocate Cabinet portfolios to other Cabinet Members.

The Council will determine any delegation of responsibility to individual members of the Cabinet, committees of the Cabinet, officers or joint arrangements for the exercise of particular executive functions. The delegations arrangements are set out in Part 3 – Responsibility for Functions of this Constitution.

## Report of the Executive Manager – Finance and Commercial

### Background

This report presents the budget position for revenue and capital as at the 31 July 2013 along with recommendations as appropriate. Given the current financial climate it is imperative that the Council maintains due diligence with regards to its finances and ensures necessary action is taken to maintain a robust financial position.

### Recommendations

It is RECOMMENDED that Members note the current projections for revenue and capital including the potential for additional grant income to be transferred to the Council Assets and Service Delivery Reserve (see paragraph 4).

### Revenue Monitoring

1. The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis for July 2013 attached at **Appendix B**. This shows an underspend against profiled budget to date of £333,972 and a projected underspend for the year of £77,720. It is anticipated that this will continue to improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.
2. As documented at **Appendix B** the underspend to date reflects a number of positive variances including income from planning fees arising from a number of major applications and green waste income, reduced staffing costs within the Garage and Streetwise operations as well as savings on the latter's supplies and services. It should be noted that there are a number of accounting adjustments that will be made through the year (for example, the reversal of expenditure accruals) which will reduce the variance at year end.
3. Adverse variances include lower levels of anticipated rent income due to Metropolitan Housing serving notice on their tenure within the civic building and severance payments which, in line with the Council's budget, have been met from funds transferred from earmarked reserves for this purpose.

### Transfers to / from Reserves

4. The projected underspend is, in part, due to the receipt of a number of general grants. It is proposed that any underspend remaining at the end of the year in relation to these be appropriated to the Council Assets and Service Delivery Reserve.



<b>Grant</b>	<b>Amount (£'000)</b>
New Burdens Grant eg for Community Right To Challenge	16
New Burdens & Council Tax Transition Grants	58
IER (Individual Electoral Registration) Section 31 Grant	7
New Burdens Grant - Housing Benefit	12
<b>Total</b>	<b>93</b>

## Capital Monitoring

5. The updated Capital Programme monitoring statement for July 2013 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below: -

<b>CAPITAL PROGRAMME MONITORING - JULY 2013</b>			
<b>EXPENDITURE SUMMARY</b>	<b>Current Budget £000</b>	<b>Projected Actual £000</b>	<b>Projected Variance £000</b>
Transformation & Innovation	2,006	2,006	0
Neighbourhoods	2,530	2,206	(324)
Communities	712	712	0
Corporate Governance	365	342	(23)
Finance & Commercial	2,465	2,373	(92)
Contingency	134	0	(134)
	<b>8,212</b>	<b>7,639</b>	<b>(573)</b>
<b>FINANCING ANALYSIS</b>			
Capital Receipts	(5,981)	(5,452)	529
Government Grants	(945)	(950)	(5)
Other Grants/Contributions	(1,146)	(1,097)	49
Use of Reserves	(140)	(140)	0
	<b>(8,212)</b>	<b>(7,639)</b>	<b>573</b>

6. The projected outturn on the capital programme remains lower than the budget, with a £573,000 underspend predicted. Summary details of schemes and variances are provided below.

### Neighbourhoods

7. The projected underspend of £324,000 primarily relates to the re-modelling of the vehicle replacement programme due to the on-going service reviews and Streetwise franchise project which has resulted in a projected underspend of £275,000. There is a further £49,000 underspend in relation to the repayment

of Decent Homes Grants which are waiting re-allocation once applications have been received and approved. Any expenditure plans will be in line with the current Private Sector Housing Renewal Policy. The in-year budget provision has also increased by £240,000 after Cabinet's previous approval for the affordable housing scheme of £830,000 being funded from current and future New Homes Bonus Receipts.

### **Corporate Governance**

8. The projected underspend relates to the provision for the new Income Receipting System which has been written off to revenue due to the nature of the spend.

### **Finance & Commercial**

9. The projected underspend of £92,000 largely relates to deferred leisure projects as a result of the Leisure Strategy review. These include projects regarding infrastructure at Rushcliffe Leisure Centre and the Arena (eg Warm Air Unit and the Bowls Rink Cloth). £16,000 has been vired into the Finance and Commercial budget (from Contingency) in relation to Leisure Strategy work.

### **Summary**

10. This report continues previous trends of the authority's managers maintaining expenditure within the funding envelope agreed by the council and identifies that savings will continue to be delivered on capital and revenue budgets throughout the remainder of the current financial year. There remain external financial pressures from developing issues such as changes in national funding associated with the localisation of Business Rates, welfare reform and continued financial pressures on individuals, businesses and partners. Against such a background it is imperative that the council continues to keep a tight control of its expenditure and maintains positive progress against its four year plan.

#### **Financial Comments**

Financial comments are included within the body of the report

#### **Section 17 Crime and Disorder Act**

There are no section 17 implications

#### **Diversity**

There are no diversity implications

**Background Papers Available for Inspection: Nil**

## Appendix A

### Revenue Variance Analysis by Service Area April 2013 - July 2013 (4 Months)

	Actual vs Budget to Date			Projected Outturn vs Budget		
	Budget YTD	Actual YTD	Variance (Under)/Over	Current Budget	Projected Outturn	Variance (Under)/Over
Communities	436,979	296,252	(140,727)	1,397,200	1,404,000	6,800
Corporate Governance	1,163,831	1,165,261	1,430	3,084,500	3,084,500	0
Neighbourhoods	530,898	331,030	(199,868)	3,118,540	3,070,830	(47,710)
Finance & Commercial	1,594,669	1,677,736	83,067	3,425,330	3,425,330	0
Transformation	165,696	87,822	(77,874)	645,660	702,640	56,980
Additional Grants						(93,790)
<b>Total</b>	<b>3,892,073</b>	<b>3,558,101</b>	<b>(333,972)</b>	<b>11,671,230</b>	<b>11,687,300</b>	<b>(77,720)</b>
Potential (Call on)/ Contribution to Earmarked Reserves						77,720
Reserves/Contingency						0
Budgeted Use of Balances						0
Net Use of Balances Available						0

<b>ADVERSE VARIANCES</b>	<b>Variance YTD £'000</b>	<b>Projected Outturn £'000</b>
<b>Corporate Governance</b>		
- IT rechargeables. Expenditure incurred earlier than anticipated.	44	0
<b>Finance &amp; Commercial</b>		
- Finance/Council Tax/Council Tax Benefits/Housing Benefits. Severance/Payments in lieu of notice and agency costs.	114	109
- Leisure Centres. Repairs at the Leisure Centres to fund from earmarked reserves	11	30
- Accrued income from joint use	73	0
- Car Parks contribution from Nottinghamshire County Council for use of car parking spaces during the library refurbishment.	30	0
<b>Neighbourhoods</b>		
- Homelessness. Under-occupancy is resulting in a variance on income.	6	26
<b>Transformation</b>		
- Economic Development. Due diligence work at Cotgrave Precinct.	0	20
<b>Total Adverse Variances</b>	<b>278</b>	<b>185</b>

	Variance	Projected
	YTD	Outturn
	£'000	£'000
<b>FAVOURABLE VARIANCES</b>		
<b>Communities</b>		
- Development Control - Income from Planning Fees up due to a number of major applications.	(82)	0
<b>Corporate Governance</b>		
- Democratic Representation. Savings on Mayor's transport and civic receptions.	(20)	(10)
<b>Finance &amp; Commercial</b>		
- Corporate Management. Accrual for Municipal Mutual Insurance levy - invoice not yet received.	(51)	0
- Contingencies. Funding of planned additional expenditure regarding of payments in lieu of notice to be met from this reserve. Virements to be carried out.	0	(151)
- Leisure Centres. Management fees held back due to disputed amounts.	(87)	0
<b>Neighbourhoods</b>		
- Housing Standards. HIMO Licence income prepaid for 5 years and is transferred to the Balance Sheet at the year end.	(25)	0
- Waste Collection supplies and service savings (eg stable fuel prices)	(40)	(13)
- Green Waste income	(65)	0
- Neighbourhoods vacant posts.	(35)	(71)
- Streetwise. Variability activity, expect to spend budget allocation by year end.	(24)	(10)
<b>Transformation</b>		
- Cemeteries - Payment of previous year invoice from City Council was withheld pending further information.	(28)	0
- Investment Properties. Vacancy lapse much lower than budgeted for.	(20)	0
<b>Total Favourable Variances</b>	<b>(477)</b>	<b>(255)</b>
<b>Sum of Minor Variances</b>	<b>(135)</b>	<b>(8)</b>
<b>TOTAL VARIANCE</b>	<b>(334)</b>	<b>(78)</b>

**2013/14 Capital Programme**  
**April 2013 - July 2013 (4 Months)**

<b>CAPITAL PROGRAMME MONITORING - JULY 2013</b>			
	<b>Current Budget</b>	<b>Projected Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£'000</b>
<b>TRANSFORMATION &amp; INNOVATION</b>			
Cotgrave Masterplan	858	858	0
Rushcliffe Community Contact Centre - Spokes	150	150	0
Carbon Management Plan - Lighting	72	72	0
Civic Centre Enhancements - General Provision	201	201	0
Civic Centre Enhancements - External Works	430	430	0
Nottinghamshire Broadband	245	245	0
Footpath Enhancements	50	50	0
	<b>2,006</b>	<b>2,006</b>	<b>0</b>
<b>NEIGHBOURHOODS</b>			
Disabled Facilities Grants	600	600	0
Decent Homes Grants	49	0	(49)
Support for Registered Housing Providers	958	958	0
Wheeled Bins Acquisition	60	60	0
Vehicle Replacement	863	588	(275)
	<b>2,530</b>	<b>2,206</b>	<b>(324)</b>
<b>COMMUNITIES</b>			
Gresham Pavilion Legionella	3	3	0
Community Partnership Reward Grants	54	54	0
Rushcliffe Country Park - Play Area	120	120	0
Partnership Grants	92	92	0
Alford Road Pavilion Redevelopment	350	350	0
Boiler Replacement	53	53	0
The Hook Multi Use Games Area	40	40	0
	<b>712</b>	<b>712</b>	<b>0</b>
<b>CORPORATE GOVERNANCE</b>			
IS Strategy	365	342	(23)
	<b>365</b>	<b>342</b>	<b>(23)</b>
<b>FINANCE &amp; COMMERCIAL</b>			
Rushcliffe Leisure Centre Changing Room Supply & Extraction Unit	14	0	(14)
Keyworth Leisure Centre - Pitch Upgrade	25	0	(25)
Rushcliffe Leisure Centre - Warm Air Unit	17	0	(17)

**CAPITAL PROGRAMME MONITORING - JULY 2013**

	<b>Current Budget</b>	<b>Projected Actual</b>	<b>Variance</b>
Cotgrave Leisure Centre Car Park Resurfacing	3	3	0
Rushcliffe Arena - Bowls Rink Cloth	36	0	(36)
Bingham Leisure Centre - Roof Replacement	104	104	0
Leisure Strategy Review	16	16	0
Nottinghamshire County Cricket Club - Loan	2,000	2,000	0
Dualling of A453 - Contribution	250	250	0
	<b>2,465</b>	<b>2,373</b>	<b>(92)</b>
<b>CONTINGENCY</b>			
Contingency	134	0	(134)
	<b>134</b>	<b>0</b>	<b>(134)</b>
<b>TOTAL</b>	<b>8,212</b>	<b>7,639</b>	<b>(573)</b>

## Report of the Executive Manager - Finance and Commercial

### Background

1. The purpose of this report is to summarise the transactions undertaken during the 2012/2013 financial year as part of the Treasury Management function. It also provides Members with details of proposed changes to the counterparty limits (paragraph 19) and additional counterparties included in the non-specified investment list (paragraph 24) for 2013/14.
2. This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code).
3. In addition the Corporate Governance Group received the half-yearly treasury management update report on 26 November 2012 and a 'training' session from the Council's treasury advisors Arlingclose.

### Recommendations

It is recommended that the report be agreed by the Corporate Governance Group and the amendments to the counterparty limits at paragraph 19 be noted.

### Prudential Indicators

4. During 2012/13 the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

<b>Prudential and treasury indicators</b>	<b>2011/12 Actual £000</b>	<b>2012/13 Estimate £000</b>	<b>2012/13 Actual £000</b>
<b>Capital expenditure</b>	3,561	7,597	7,558
<b>Total Capital Financing Requirement:</b>	0	0	0
<b>Investments(all under 1 year)</b>	(34,423)	(27,000)	(33,460)
<b>External Debt</b>	0	0	0
<b>Net Borrowing</b>	(34,423)	(27,000)	(33,460)



5. The approved capital programme for 2012/13 was £7.60 million. Actual expenditure against the approved programme was £5.50 million with carry forwards of £1.9 million approved by Cabinet 9 July 2013 and savings totalling £200,000. Consequently there was no need to borrow and hence no change in the Capital Financing Requirement (CFR). It should be noted, however, that other capital financing adjustments totalling £2.1 million were brought in to the capital programme at the year-end which resulted in capital expenditure totalling £7.56 million. These adjustments primarily related to the release of S106 contributions received as part of Planning Agreements.

### Capital Expenditure and Financing

6. The Council undertakes capital expenditure on both its own long-term assets and also on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc) which has no resulting impact upon the Council's borrowing need; or
  - If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
7. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2011/12 Actual £000	2012/13 Estimate £000	2012/13 Actual £000
<b>Total Capital Expenditure</b>	<b>3,561</b>	<b>7,597</b>	<b>7,558</b>
Financed by:			
Capital Receipts	(1,472)	(4,570)	(3,672)
Capital Grants	(1,697)	(2,940)	(3,821)
Revenue	(392)	(87)	(65)
<b>Total Resources used to finance Capital Expenditure</b>	<b>(3,561)</b>	<b>(7,597)</b>	<b>(7,558)</b>
<b>Unfinanced Capital Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### The Council's Overall Borrowing Need

8. The Council's underlying need to borrow for capital expenditure is called the Capital Financing Required (CFR). This figure is a gauge of the Council's debt position and represents the net capital expenditure in 2012/13 and prior years that has not yet been paid for by revenue or other resources.
9. Part of the Council's treasury management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLB).

10. Whilst borrowing can be undertaken within the confines of the treasury management strategy, the Council's underlying borrowing need, CFR, is not allowed to rise indefinitely. The Council would be required by statute to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the CFR if it was positive which is effectively a repayment of the borrowing need. For 2012/13, the MRP is nil and the CFR remained static at (£505,000).
11. The total CFR can be reduced by:
- The application of additional resources (such as unapplied capital receipts); or
  - Charging more than the statutory revenue charge (MRP) each year through a voluntary provision (VRP).
12. The Council's CFR for 2012/13 represents a key prudential indicator and is shown below. The table shows that the Council has a negative CFR so therefore has no underlying need to borrow based on its current approved Capital Programme.

<b>Capital Financing Requirement (CFR)</b>	<b>2011/12 Actual £000</b>	<b>2012/13 Actual £000</b>
<b>Opening Balance</b>	<b>(505)</b>	<b>(505)</b>
Add: unfinanced Capital Expenditure (per above)	0	0
Less: MRP/VRP	0	0
<b>Closing Balance</b>	<b>(505)</b>	<b>(505)</b>

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR and by the authorised limit.

### **Net Borrowing and the CFR**

13. In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. The Council needs to ensure that its net borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and the following two financial years. The CFR is expected to remain unaltered based on the current TM Strategy. This indicator allows the Council some flexibility for limited borrowing in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR.

	<b>2011/12 Actual £000</b>	<b>2012/13 Actual £000</b>
<b>Net Borrowing Position</b>	<b>(34,423)</b>	<b>(33,460)</b>
<b>CFR</b>	<b>(505)</b>	<b>(505)</b>

## Authorised Limit and Operational Boundary for External Debt

14. The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and cover temporary cash flow shortfalls. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit.
15. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or over the boundary subject to the authorised limit not being breached.

	<b>Operational Boundary 31 March 2013 £000</b>	<b>Authorised Limit 31 March 2013 £000</b>	<b>Actual External Debt 31 March 2013 £000</b>
<b>Borrowing</b>	4,000	12,500	0
<b>Other Long-Term Liabilities</b>	0	0	0
<b>Total</b>	4,000	12,500	0

## The Ratio of Financing Costs to Net Revenue Streams

16. This compares net financing costs (borrowing costs less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs is changing over time and is negative as a result of investment yields exceeding borrowing costs.

	<b>2011/12 Actual</b>	<b>2012/13 Estimate</b>	<b>2012/13 Actual</b>
General Fund	-5.97%	-2.92%	-2.87%

## Incremental Impact of Capital Investment Decisions

17. This is an indicator of affordability that shows the incremental impact of capital investment decisions on Council Tax. The indicator identifies the revenue costs associated with the capital programme for a particular year.

	<b>2012/13 Estimate £</b>	<b>2012/13 Actual £</b>
Increase in Council Tax – Band D	+0.06	-3.03

## Treasury Position at 31 March 2013

18. The Council’s debt and investment position is managed by the treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through the Member reporting

detailed in paragraph 3 and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2012/13.

19. The counterparty limits were previously £10 million for each institution. It is suggested that the 15% limits currently in operation for 2013/14 are removed and the £10 million limits are re-introduced, so that higher yields are earned and more importantly Council capital remains protected:

<b>Financial Institution</b>	<b>Amount £</b>	<b>Length of Investment</b>	<b>Interest Rate</b>
Lloyds TSB	£2,000,000	6 months	1.0%
Lloyds TSB	£3,000,000	6 months	0.80%
Nationwide	£1,000,000	2 months	0.41%
Aviva	£25,165	Call	0.2885%
BlackRock	£2,728,686	Call	0.386%
Goldman Sachs	£1,006,439	Call	0.37%
Invesco	£685,681	Call	0.33%
Royal Bank of Scotland	£607,507	Call	0.33%
CCLA	£771,742	Call	0.3825%
Bank of Scotland	£3,596,969	Call	0.50%
Royal Bank of Scotland	£9,019,318	Call	0.80%
Santander	£9,017,930	Call	0.75%
<b>Total Investments/Average Interest Rate</b>	<b>£33,459,437</b>		<b>0.76%</b>

### **The strategy for 2012/13**

20. The expectation for interest rates within the strategy for 2012/13 anticipated that the Bank Rate would remain static at 0.5% and that short term money market rates would remain at very low levels. The Council continued with the prudent investment of the treasury balances to achieve the objectives of security of capital and liquidity of its investments whilst achieving the optimum return on investments. The continuing instability of the market resulted in restrictions remaining on which Counterparties investments could be placed with, which affected the level of interest that could be achieved from investments.

### **Investment Rates and Outturn Position in 2012/13**

21. The Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years and the Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year. The overall rate of return on investments for the year was 0.76% which was above base rate. However, the rate achieved is less than projected in the budget, which assumed that rates would start to increase during the year.
22. The Council's investment policy is governed by the annual investment strategy approved by Council in March 2012. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market

data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

- 23 The Council's longer term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances remain in a healthy position given the on-going financial challenges going forward.

<b>Balance Sheet Resources</b>	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
General Fund Balance	2,604	2,604
Earmarked Reserves	7,768	8,378
Provisions	0	56
Usable Capital Receipts	15,626	12,663
Capital Grants Unapplied	238	487
<b>Total</b>	<b>26,236</b>	<b>24,188</b>

#### **Use of Funding Circle and Property Funds for 2013/14**

- 24 To assist with the development of a diverse investment portfolio two further Counterparties, Funding Circle and the Local Authorities Property Fund, have been added to the approved Counterparties list. They are already covered within the Council's Treasury Management Strategy as 'non-specified' investments over one year.
- 25 The Funding Circle is a company which provides Local Authorities with an opportunity to invest in Small and Medium Enterprises with good credit ratings who are looking to access peer funding. Funding Circle already attracts funds from Central Government (who fund 20% of all loans made). Nottinghamshire County Council has also recently announced that it intends to provide funding through this route in future. Investment in the Funding Circle would be limited to companies located in Rushcliffe and the total invested through this mechanism would not exceed £500,000.
- 26 The Local Authorities Property Fund is a pooled investment fund managed by CCLA. The Property Fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector. Investments in the Property Fund would be limited to £3m. Given the nature of the property market our treasury advisors Arlingclose advise a 3-5 year investment horizon for this fund, due to the inherent volatility that exists with the property market (there are both upside and downside risks).

Further information for these counterparties is provided in **Appendix 1**.

#### **Conclusion**

- 27 Treasury Management continues to be a difficult area. Officers will continue to be vigilant and report any significant issues to this Committee. Overall the Council has successfully achieved its objectives of ensuring investments were

held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve the maximum yield on investment returns possible within the constraints placed upon the Council.

**Financial Comments**

The financial comments are contained within the report.

**Section 17 Crime and Disorder Act**

There are no direct section 17 implications

**Diversity**

There are no direct diversity implications.

**Background Papers Available for Inspection:**

Statement of Accounts 2012/13

### **Funding Circle**

Funding Circle is a company which runs a “peer to peer” investment platform which provides Local Authorities with the opportunity to invest in a select group of SME’s.

Only limited companies and LLPs are eligible to apply to be registered on the Funding Circle, businesses need to have been trading for a minimum of two years and have a minimum annual turnover of £100,000.

Businesses can apply for loans of between £5,000 and £500,000 which will be repayable over a period of between 1 and 5 years. Applications are assessed and graded for credit quality and once accepted are placed on the marketplace as a new auction. Registered investors will then start bidding amounts of money at competitive interest rates with the lowest bid being £20. Investors offering to lend at the lowest rates will win the auction.

The advantage of this scheme to local authorities is that a diversified portfolio of loans can be achieved by making relatively small loans to companies which are based on risk and reward assessments with average net yields currently being 5.8%.

The average annual bad debt for investments is 2.1%.

### **CCLA Property Fund**

The Property Fund has a high quality, well-diversified commercial and investment property portfolio which has the objective to generate long term capital growth and a high and rising income over time.

The trustee for the Fund is the Local Authorities Mutual Investment Trust (LAMIT) which is controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers Superannuation Committee and investors in the fund.

Investment in the Fund does not count as capital expenditure and dividends are treated as revenue income.

The minimum investment in the Fund is £250,000 and there is an annual management charge of 0.65% plus VAT.

Income is distributed on a quarterly basis, at the end of January, April, July and October with a current gross dividend yield of 6% although the value of units will rise and fall in value over time, reflecting changes in the sector and underlying property values. Currently the fund has a spread between the buying price and the selling price of 7.3%. The effect of the spread potentially diminishes the longer the holding in the fund.

The risks of investing in the fund arise in three main areas: the risk of decline in the value of the investment, the risk of illiquidity and the risk from ‘gearing’ (due to a modest loan facility which is used to provide liquidity and support returns).

## **Report of the Executive Manager - Operations and Corporate Governance**

This report sets out a proposed work programme for the next year. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.

### **Recommendation**

It is RECOMMENDED that the Group agrees the work programme as set out in the table below.

<b>Date of Meeting</b>	<b>Item</b>
19 September 2013	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Internal Audit Annual Report 2012/13</li> <li>• Statement of Accounts 2012/13</li> <li>• External Auditors Annual Governance Report 2012/13</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Treasury Management Annual Report 2012/13</li> <li>• Member Champions – Proposed Changes to Constitution</li> <li>• Work Programme</li> </ul>
7 November 2013	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Annual Audit Letter</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Treasury Management Update</li> <li>• Health and Safety Interim report</li> <li>• Risk Management Update</li> <li>• Work Programme</li> </ul>
6 February 2014	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2013/14</li> <li>• Treasury Management Update and Presentation</li> <li>• Risk Management Update</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Work Programme</li> </ul>



Date of Meeting	Item
23 April 2014	<ul style="list-style-type: none"> <li>• External Audit Plan 2013/14</li> <li>• Certification of Grants and Returns – Annual Report 2012/13</li> <li>• Internal Audit Progress Report 2013/14</li> <li>• Internal Audit Strategy 2013/14</li> <li>• Risk Management Update</li> <li>• Work Programme</li> </ul>

The above table does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

#### **Financial Comments**

No direct financial implications arise from the proposed work programme.

#### **Section 17 Crime and Disorder Act**

In the delivery of its work programme the Group supports delivery of the Council's Section 17 responsibilities particularly in relation to audit, fraud and irregularities.

#### **Diversity**

The policy development role of the Group ensures that its proposed work programme supports delivery of the Council's Corporate Priorities.

**Background Papers Available for Inspection: Nil**