

When telephoning, please ask for: Constitutional Services
Direct dial 0115 914 8482
Email constitutional.services@rushcliffe.gov.uk

Our reference:
Your reference:
Date: 3 May 2017



To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the **Corporate Governance Group** will be held on Thursday 11 May 2017 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS'.

Deputy Monitoring Officer

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Notes of the Meeting held on Thursday 9 February 2017 (pages 3 - 13).
4. External Audit Plan 2016/17

The report of the Executive Manager - Finance and Corporate Services is attached (pages 14 - 34).

5. Internal Audit Progress Report 2016/17

The report of the Executive Manager - Finance and Corporate Services is attached (pages 35 - 46).

6. Internal Audit Strategy 2017/18 - 2019/20

The report of the Executive Manager - Finance and Corporate Services is attached (pages 47 - 71).

7. Risk Management Review Update

The report of the Executive Manager - Operations and Transformation is attached (pages 72 - 78).

8. Constitution Review Task and Finish Group

A verbal update by group members.

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9. Work Programme

The report of the Executive Manager - Finance and Corporate Services is attached (pages 79 - 80).

Membership

Chairman: Councillor G S Moore

Vice-Chairman: Councillor A MacInnes

Councillors K P Beardsall, N A Brown, M Buckle, A M Dickinson, A J Edyvean, S J Hull and S C Matthews

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble at the far side of the plaza outside the main entrance to the building.

Toilets: are located to the rear of the building near the lift and stairs to the first floor.

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

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NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 9 FEBRUARY 2017

Held at 7.00 pm in Council Chamber B, Rushcliffe Arena, Rugby Road, West Bridgford

PRESENT:

Councillors G S Moore (Chairman), K P Beardsall, N A Brown, M Buckle, S J Hull, A MacInnes, Mrs J A Smith (substitute for Councillor A J Edyvean), Mrs M Stockwood (substitute for Councillor A M Dickinson), J G A Wheeler (substitute for Councillor S C Matthews)

ALSO IN ATTENDANCE:

A Bush	KPMG
N Hankinson	RSM
C Williams	RSM

OFFICERS PRESENT:

A Graham	Chief Executive
A Hall-Wright	Financial Services Manager
P Linfield	Executive Manager - Finance and Corporate Services
V Nightingale	Constitutional Services Officer
G O'Connell	Monitoring Officer
K Powell	Chief Information Officer

APOLOGIES FOR ABSENCE:

Councillors A M Dickinson, A J Edyvean, S C Matthews

29. Declarations of Interest

There were none declared.

30. Notes of the Previous Meeting

The notes of the meeting held on Thursday 1 December 2016 were accepted as a true record. With regard to the actions raised it was noted that the Annual Audit 2015/16 Letter had been placed on the Council's website as requested; however, Councillors asked that a link be placed on the financial section of the site to allow more opportunities for people to access the document.

31. Certification of Grants and Returns 2015/16

Mr Bush presented the external auditor's annual report regarding the certification of grants and returns. He explained that an audit of benefit claims had been undertaken, which had resulted in a good outcome. The audit had followed a prescribed approach and three errors had been identified. He was pleased to say that these were isolated incidents and had resulted in a very small number of incidents occurring. He also stated that there had been a good working relationship with the finance team. Following a question, the

Executive Manager - Finance and Corporate Services explained that adjustments had been made to the claims involved.

The Group felt that this was a very good outcome and asked that the staff involved were congratulated.

AGREED that the Corporate Governance Group accepted the report.

32. Internal Audit Progress Report 2016/17

Mr Williams presented the Internal Audit's second progress report for the year. He stated that they were on track to deliver the agreed programme by mid March 2017. He highlighted the audits that had been undertaken since their first report and was pleased to say that they had all qualified for a good opinion. These audits had been undertaken on important areas of the Council's financial areas and systems. There had been no high, and only one medium, priority findings; there had been a range of low priority findings which related to housekeeping which had all been accepted by managers.

The Group discussed the medium priority finding and were informed that the Constitution contained the terms of references for the Council's groups and committees except the Strategic Growth Board and that it had been accepted that these should be included. He also said that auditors would follow-up that the recommendation had been actioned later in the year.

AGREED that the Corporate Governance Group notes the Internal Auditor's second Progress Report for 2016/17.

33. Payment Diversion

The Group received a presentation from Mr N Hankinson, from RSM's fraud services team, regarding an incident that had occurred in November 2016. He explained that the Council had been the victim of a payment diversion fraud of £14,952; and that his team had been invited in by the Chief Executive to look at all the facts and identify any issues. A compliance review had been undertaken and relevant staff interviewed. One of the key objectives was to ensure that no member of staff had committed fraud and to look at the processes involved. He was pleased to say that no actions of fraud had been identified by any Council employee. A bogus email had been received and had purportedly been created by the Chief Executive. It was noted that the officer had previously been targeted several times and that these had been identified as bogus and appropriate action taken. It was noted that the Council did not record these types of emails although a number had been flagged; the policy had been reviewed and all future emails would be recorded and reported.

Following the review three actions had been agreed; all staff would be reminded of vigilance, a 'check with sender' communications plan developed to raise awareness and the corporate message be reinforced.

Mr Hankinson stated that the Council's filter system had not blocked this particular email. The auditors had noted that the Council was in a tri partite arrangement with Broxtowe Borough Council and Newark and Sherwood District Council. Of the three different filtering systems only one had blocked

the bogus email. Work had been undertaken with the Chief Information Officer and a system had been put in place to ensure that all fraudulent emails were reported and recorded; these would then be passed to the Council's filter providers and to the other two Councils in the ICT partnership. The Chief Information Officer explained that each authority had different filtering systems and that these systems were dynamic but could also be updated through the ICT team contacting the providers directly.

With regard to the creation of the payment the review had concluded that the payment had been created and authorised correctly in line with the Council's procedures; as it had been carried out by staff who were comfortable with the process. However, the auditors had requested that a review of the operational procedures should be undertaken, especially in relation to ad-hoc/emergency payments.

Mr Hankinson stated that one of the key issues was why there had been no challenge to the request. It was noted that one member of staff had felt unable to challenge the request. It had been agreed that facilitated workshops and training would be procured to support the introduction of a revised culture based upon challenge and transparency.

With regard to raising awareness of fraud with staff the audit had found that the Council was very proactive and that this was carried out in a variety of ways, including Staff Matters, leaflets, screensavers, reminders and on line training both mandatory and voluntary. However, it had now been agreed that the training would be mandatory for every member of staff who would be involved in making payments, depending on the level of risk.

Following a question, Mr Hankinson informed the Group that RSM had investigated three incidents in the last six months and that this had been for the lowest amount. He stated that most public bodies received these types of emails and that fraudsters were very knowledgeable regarding processes and the fact that lower amounts would not be subject to such vigorous checks. The Chief Executive assured Councillors that this incident had been reported to the Police, and due to the prompt action taken upon realisation a fraud had been committed that the amount of £11,172 had been received back from the bank.

The Group was concerned that no challenges had been made and noted that the report had stated that one person felt unable to challenge the instruction. The Chief Executive stated that this had concerned him and that, although there always could be individual issues, he did not believe there was a cultural or endemic issue and this was supported by the the staff survey results. He also said that this was an incident, from a service area that had been going through transition, and needed to be considered in context. The Group agreed that they did not feel there was an issue. The Chief Executive stated that those staff involved would receive a written communications containing advice regarding the various routes that they could use to raise concerns, including their line manager, member of the Executive Management Team, Human Resources or even himself.

With regard to the agreed action plan the Group was informed that this would be reviewed as part of the Management Team's weekly meetings and that the

relevant training would be incorporated into people's personal development reviews.

The Chairman felt that it had been important that this incident had been presented to the Group and that it had been dealt with appropriately and very professionally. The Council had received an unbiased view from RSM and that lessons had been learnt.

In conclusion, the Chief Executive stated that the staff concerned had been affected by this incident and that it was important that it had been dealt with in a transparent manner. He informed the Group that the external auditors had also been consulted to ensure that every aspect was considered. He thanked Councillors for their support of the actions carried out.

34. Information Governance

The Chief Information Officer gave a presentation regarding the importance of information management and the Council's Information Management Strategy. He highlighted the Strategy's vision and the five strategic strands that supported it. He explained that the Information Commissioner's Office monitored organisations particular in relation to data protection. He gave examples of fines that had been incurred by different public bodies and private organisations; two of the examples related to data that was being moved on unencrypted devices. He assured Councillors that the Council's memory sticks, phones and mobile devices were all encrypted. With reference to the previous item the Group was informed that private sector companies were fined for unsolicited emails.

The Group was informed that there was a large demand for the exploitation of data especially with the growth of online services, and that information had to be reliable and secure. He highlighted the risks from malware and viruses and from natural occurrences such as fire and flood. He was pleased to say that at Rushcliffe there was a clear desk policy which created a good environment and reduced risks; the same approach would soon be adopted by Newark and Sherwood District Council and later by Broxtowe Borough Council.

The Chief Information Officer explained how the Information Strategy complemented the Council's priorities and themes. He stated that the Council had approximately 50 information systems and that technology provided a layer of armour to protect these. He highlighted the seven principles and which officers were responsible for each.

Finally, he outlined how the Strategy operated. He highlighted the communications plan including the 'at a glance' leaflets; screen savers, e-learning, email reminders and staff matters articles, how the Council maintained compliance with relevant standards and how the Council continued to work with organisations to develop and improve arrangements.

With regard to the ISO 27001 standard the Group asked if the Council was accredited. The Chief Information Officer stated that the Authority maintained compliance with the standard and that all the management tools did fit within the ISO framework. The Council was certified against the Public Sector Network and Payment Card Industry Data Security Standards systems which

were both necessary for the Authority to be able to operate; he confirmed that none of the ICT partnership authorities were ISO accredited. Some Councillors felt that officers should reconsider being accredited as this would ensure that the Council was being proactive and that cost should not be a factor. The Chief Executive agreed to review the situation; however, he reminded Councillors that there were many standards that the Council could achieve including Investors in People and the BREEAM standard for the new building. He assured the Group that each one had been considered and a balanced approach taken.

The Group discussed the need for passwords and the fact that there should be a reminder sent allowing people to be able to change their passwords in a reasonable amount of time. The Chief Information Officer stated that Microsoft had made a change to the system. The Chief Executive stated that this would be addressed by Constitutional Services.

In conclusion, the Chairman stated that this was an important area of work and he asked that this should be included in the Group's work programme for an annual update.

AGREED that the Corporate Governance Group had noted the contents of the report and the presentation.

35. Update on Review of the Constitution 2017

The Monitoring Officer presented a report outlining the terms of reference for the Member Panel that had been set up by the Group at its last meeting. He informed the Group of the informal meeting of the Panel that had taken place to discuss the approach to be taken and the timescale. He stated that the Constitution was a working document and had been introduced as part of the Local Government Act 2000; this enabled authorities to bring together their existing regulations and policies. He outlined how the document could be made easier to navigate and the key priority areas including consideration of Plain English.

Councillor Beardsall, Chairman of the Member Panel, was disappointed that he had not received the notes of the meeting and that the report did not contain references to a list of changes that were taking place by other groups/officers and a timeline of what would be discussed at what time; both of which had been agreed at the first meeting. He pointed out that the timeframe was challenging and it had been agreed to survey Councillors for their availability which had not been undertaken. The Monitoring Officer stated that officers understood that these had been agreed, however the timescale for completing the report to the Corporate Governance Group had been extremely challenging. The Chief Executive stated that this was an ambitious task and that officers were working on the timescale, however, it was important that the terms of reference were agreed first. He reminded Councillors that if they felt that items had been omitted they could approach the officer concerned, or himself, before the meeting to resolve any issues. He confirmed that officers were looking to the Local Government Association to identify excellent constitutions. Following a question regarding the Deputy Monitoring Officer the Chief Executive explained that, at present, he was overseeing the production of the Council Tax bills.

Following consideration it was agreed to include the item that had been omitted into the terms of reference.

AGREED that the Corporate Governance Group agree the terms of reference for the Member Panel, the scope of the review, the principles of working and the timescale for the review as set out in paragraphs 3.3.1 – 3.3.3, including the agreed changes.

36. **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18**

The Financial Services Manager presented the report outlining the three strategies. She stated that the capital prudential indicators highlighted the projected capital expenditure plans, the Council's borrowing need, the ongoing impact, and affordability, of the capital programme on the investment balance, and the estimates, level and limits of future debt. The Minimum Revenue Provision Policy Statement would indicate how any borrowing would affect the revenue account. She stated that, due to the Arena project and the Asset Investment Strategy the Council would need to borrow in 2017/18 and 2018/19; the Group noted that this would be internal borrowing only.

With respect to the Capital Financing Requirement the Council needed to ensure that the Council's debt did not exceed the previous year's total. The Group noted that as there was no external borrowing predicted that this indicator would be complied with.

In respect of the prudential indicator for affordability the Group were informed that, at present, the Council was earning more interest than it was being charged, which was as a result of only borrowing internally. The Financial Services Manager explained that the Statement gave a brief outline of the current economic climate and proposed interest rates. It was noted that last year it had been expected that interest rates would move, however, due to the Brexit vote, the rate had reduced to 0.25%, which had not been predicted. Presently, it was expected that interest rates would remain low for the next five years. The Group was informed that, as investments matured it was not anticipated that the Council would be able to obtain similar rates of return.

With regard to the Investment Strategy the Group were informed of the Council's counterparties and the amount of money that could be invested with them and the timeframe for investment. Officers stated that they received regular advice from Arlingclose, the Council's Treasury Management Advisers, on the validity of investing with various bodies. Councillors noted the excellent training that they had received from Arlingclose.

AGREED that the Corporate Governance Group had scrutinised the following for approval by Full Council:

- a) The Prudential Indicators and Limits for 2017/18 to 2021/22 contained within Appendix A of the report;

- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraph 9) which sets out the Council's policy on Minimum Revenue Provision; and
- c) The Treasury Management Strategy 2017/18 to 2021/22 and the Treasury Indicators contained within Appendix A (paragraph 19 onwards).

37. **Revenue and Capital Budget Monitoring 2016/17 – Quarter 3 Update**

The Executive Manager - Finance and Corporate Services presented the Quarter 3 update in respect of the 2016/17 revenue and capital budget monitoring. Following a request from the Group at its last meeting the report gave an update on the Council's investment at The Point. He stated that the revenue budget was on course and that there was a projected saving of £28,000 for the year. He highlighted the adverse variances including the reduction in income from planning applications and building control services; it was noted that these both related to growth which was slow at present. Another variance was due to the renegotiated contract at Edwalton Golf Course.

With regard to the capital expenditure it was anticipated that there would be an underspend of approximately £9.5 million. Officers explained that the majority of this was due to the large growth schemes that would come to fruition in the next 18 months. The Group noted that there had been draw down on the Nottinghamshire County Cricket Club loan which would total £1.3 million by the end of the financial year.

In respect of The Point Councillors were informed that this had an average 80% occupation rate, with a rate of return of 8% for the financial year. The Executive Manager - Finance and Corporate Services stated that this demonstrated the Council's vision to be self-financing in the future. The Group was informed that the asset's value had risen by 26%. Following a question the Group was informed that Council had a qualified in-house valuer and that any valuations were checked by the auditors.

Councillors asked about the expected uplift from the development at Sharphill. Officers stated that development was not sufficiently advanced at present and that this was included in the Statement of Accounts.

AGREED that the Corporate Governance Group note:

- a) the projected revenue and capital budget positions for the year of £28,000 efficiency savings and £9.551 million from capital scheme re-phasing;
- b) the recommendation to Cabinet for the carry forward of the anticipated underspend of £1.4 million for the Nottinghamshire County Cricket Club loan; and
- c) the update on financial performance with regards to The Point.

38. Work Programme

The Group considered and agreed its work programme. It had been agreed that Information Governance would be included as an annual item.

Date of Meeting	Item
9 February 2017	<ul style="list-style-type: none"> • Internal Audit Progress Report 2016/17 • Treasury Management Strategy 2017/18 • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2015/16 • Terms of Reference Constitution Review Panel • Information Governance • Payment Diversion
11 May 2017	<ul style="list-style-type: none"> • External Audit Plan 2016/17 • Internal Audit Progress Report 2016/17 • Internal Audit Strategy 2017/18 • Risk Management Update • Revenue & Capital Budget Monitoring • Review of Constitution
22 June 2017	<ul style="list-style-type: none"> • Internal Audit Annual Report 2016/17 • Health and Safety Annual report • Annual Governance Statement • Review of Constitution • Corporate Governance Group Annual Report 2016/17
13 September 2017	<ul style="list-style-type: none"> • Statement of Accounts 2016/17 • External Auditors Annual Governance Report 2016/17 • Review of Constitution • Treasury Management Outturn 2016/17 • Revenue & Capital Budget Monitoring

Date of Meeting	Item
5 December 2017	<ul style="list-style-type: none">• Internal Audit Progress Report 2016/17• Health and Safety Interim Report• Treasury Management 2016/17 – Six Monthly Update• Risk Management Update• Annual Audit Letter• Review of Constitution• Revenue & Capital Budget Monitoring

The meeting closed at 9.10 pm.

Action Sheet**CORPORATE GOVERNANCE GROUP - THURSDAY 9 FEBRUARY 2017**

Minute Number	Actions	Officer Responsible
30. Notes of the Previous Meeting	Officers to place a link to the Annual Audit 2015/16 letter on the financial section of the Council's website.	Financial Services Manager
31. Certification of Grants and Returns 2015/16	None.	
32. Internal Audit Progress Report 2016/17	None.	
33. Payment Diversion	None.	
34. Information Governance	a) Email reminders regarding password expiry to be sent to Councillors. b) Information Governance to be included as an annual item on the Group's work programme.	Constitutional Services
35. Update on Review of the Constitution 2017	Officers to include the agreed changes in the terms of reference.	Monitoring Officer
36. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18	None.	
37. Revenue and Capital Budget Monitoring 2016/17 – Quarter 3 Update	None	
38. Work Programme	Annual update on Information Governance to be included on the Group's work programme.	Constitutional Services

Response Sheet

CORPORATE GOVERNANCE GROUP - THURSDAY 9 FEBRUARY 2017

Minute Number	Actions	Officer Responsible	Response
30. Notes of the Previous Meeting	Officers to place a link to the Annual Audit 2015/16 letter on the financial section of the Council's website.	Financial Services Manager	Link is on the statement of accounts page on the website.
34. Information Governance	<p>a) Email reminders regarding password expiry to be sent to Councillors.</p> <p>b) Information Governance to be included as an annual item on the Group's work programme.</p>	Constitutional Services	<p>a) Email sent 24 March 2017</p> <p>b) This has been included in the Group's programme.</p>
35. Update on Review of the Constitution 2017	Officers to include the agreed changes in the terms of reference.	Monitoring Officer	<p>Changes have been included in the Terms of Reference, as follows:</p> <p>e) There shall be communication to the working party as follows, all other changes to the constitution, that are taking place or any related change under consideration, shall be communicated and entered into the overall working plan. To enable further input by the working party.</p>
38. Work Programme	Annual update on Information Governance to be included on the Group's work programme.	Constitutional Services	This has been included in the Group's programme.

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The attached report from KPMG summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2016/17.
- 1.2 KPMG highlight a number of risks concerning the audit focusing on both the financial statements and value for money. For example, pension liabilities and financial resilience.
- 1.3 KPMG staff will be available to answer any detailed questions arising from the report.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group accept the Audit Plan, noting the comments on audit fees at paragraph 4.3.

3. Reasons for Recommendation

- 3.1 To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

4. Supporting Information

- 4.1 Each year the Council is required to produce a draft Statement of Accounts by the 30 June which is then subject to review by the Authority's external auditors KPMG. Following the conclusion of this work the final Statement of Accounts, and the auditor's Annual Governance Report, are considered by the Corporate Governance Group prior to their approval by Full Council. For the 2016/17 Statement of Accounts the dates for these two meetings are 12 and 21 September respectively.
- 4.2 The attached report details the approach that KPMG will use when auditing the 2016/17 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These include:

- assumptions surrounding pension liabilities
- the valuation of Rushcliffe Arena
- given external financial pressures, on-going financial resilience
- governance over the Asset Investment Strategy.

4.3 It should be noted that audit fees remain at £41k subject to both maintaining a satisfactory level of risk and a continued rationalisation of the scope of the audit. Page 13 of the report focuses on potential areas of fee increase which we do not anticipate being realised:

(a) The 2016 Code of Local Authority Accounting and the requirement for New Expenditure Funding Analysis. Page 2 of the Plan does mention there are 'no significant changes to the Code' and we concur that the changes are not significant and, therefore, will not warrant additional fees. Ensuring compliance with the Code is a basic audit requirement. We anticipate that we will provide good quality working papers to facilitate an efficient audit.

(b) Specific work over the valuation of the Rushcliffe Arena. In terms of the valuation of the site, our RICS qualified Property Services Manager follows professional practice and appropriate working papers will be provided to support relevant assumptions. This is no different to the Civic Centre and the previous Arena site being valued when separate entities; along with the Council's other assets which also require valuations.

5. Other Options Considered

5.1 Not Applicable.

6. Risk and Uncertainties

6.1 The KPMG report at Section Four highlights relevant risks (stated at paragraph 4.2 above).

7. Implications

7.1 Finance

The audit fee relating to the costs of the audit work is included within existing budgets.

7.2 Legal

To comply with the Audit Commission Act 1998.

7.3 Corporate Priorities

Not applicable.

7.4 Other Implications

None.

For more information contact:	Peter Linfield Executive Manager (Finance and Corporate Services) 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix 1 – External Audit Plan 2016/17



External Audit Plan 2016/2017 - DRAFT

Rushcliffe Borough Council

12th April 2017

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £0.6m

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.03m

Significant risks

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

- Significant changes in the pension liability due to LGPS Triennial Valuation; and
- Valuation of Land and Buildings, related to the completion of Rushcliffe Arena.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Other ongoing Capital projects; and
- 2016 CIPFA Code on Local Authority Accounting.

See pages 5 to 7 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial resilience – delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience.
- Governance over Asset Investment Strategy Fund – following on from recommendations made in the previous year – we will review the governance arrangements over the Authority's Investment Fund.

Logistics



Our team is:

- Andrew Bush –Director
- Alasdair Colston –Manager
- Jack Ferris – In Charge

More details are on **page 15**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our base fee for the audit is £41,288 (£41,288 2015/2016) see **page 13**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in [month] 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

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

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 [and the findings of our VFM risk assessment].





Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council, who administer the Pension Fund.

Approach : As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Valuation of PPE, specifically Rushcliffe Arena.

The Redevelopment of the Rushcliffe Arena, with a total cost of £15.1m site was completed within the year, and Council staff moved from the Civic Centre into the new offices in December 2016.

As the building is now in use, the associated capital costs will move from "Assets under construction" into "Land and Buildings". This will require a valuation, which will most likely result in an impairment. We have therefore identified a risk related to the application of this impairment in our audit plan.

We understand the Authority's in house team will perform the valuation, so we will also seek to understand the basis of this valuation, and any assumptions that are implicit within this calculation, as they could have a material impact on the impairment calculation.

Approach : As part of our audit, we will assess whether the Authority have used appropriate assumptions and methodology to value the Rushcliffe Arena site, and assess whether the assumptions used to perform this calculation were appropriate.

We will ensure that the transfer of costs from assets under construction to Land and Buildings is correctly transacted, and that any impairment resulting from the revaluation is correctly applied to the financial statements.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk: Other ongoing capital projects

The Authority have a number of on-going capital projects, including:

- Sale of the Civic Centre;
- Developments in Cotgrave as part of the Cotgrave Masterplan; and
- Flood defence developments on land North of Bingham.

We will review the specifics of these programmes, ensuring that all appropriate transactions have been posted...

Risk : 2016 CIPFA Code on Local Authority Accounting

The new Code includes a small number of important changes on the previous year's reporting requirements. The changes include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis as a result of CIPFA's 'Telling the Story' review of the presentation of local authority financial statements.

Approach : We will liaise with the Authority's finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.



Materiality

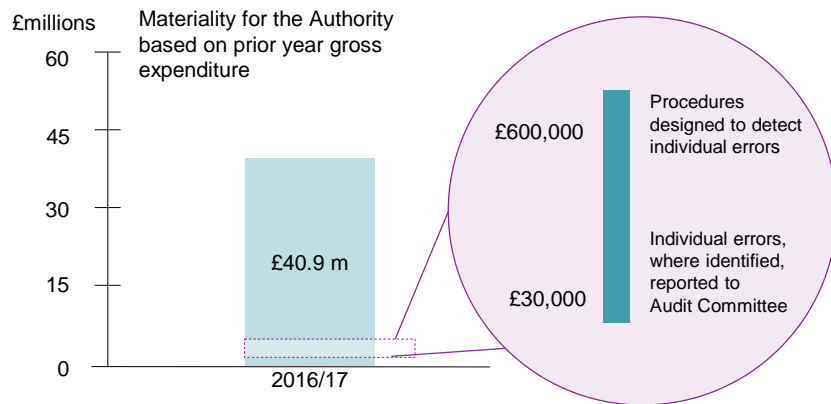
We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £600,000, which equates to approximately 1.5% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £30,000.

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

Group audit

In addition to the Authority we deem *Streetwise* to be significant in the context of the group audit. KPMG are the auditors of this subsidiary, so we will perform specific procedures to satisfy ourselves that the accounts are appropriately consolidated.

We will report the following matters in our Report to those charged with Governance:

- Any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- Any limitations on the group audit, for example, where the our access to information may have been restricted; and
- Any instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

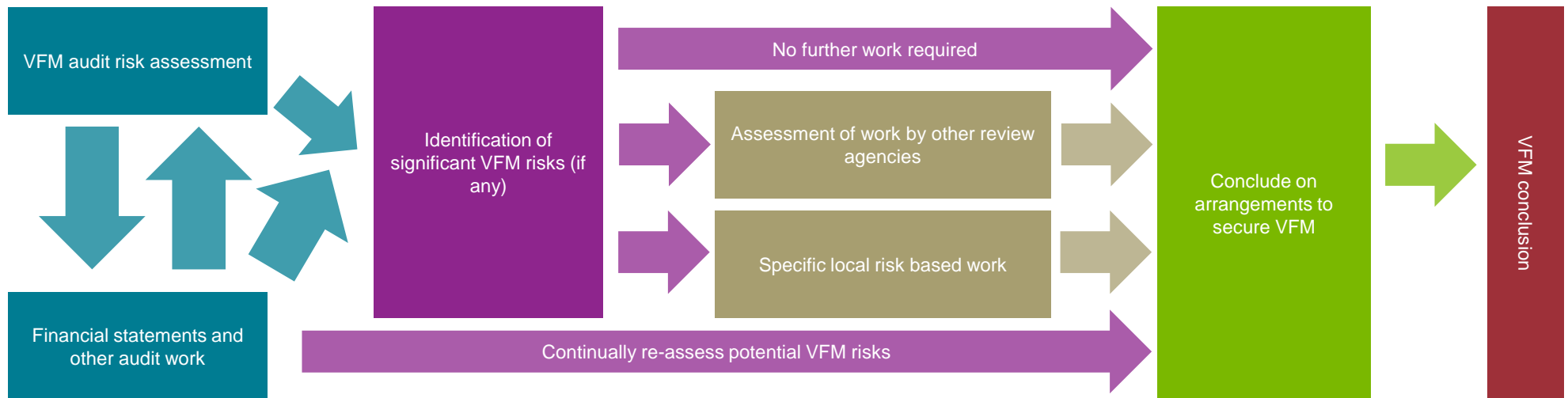


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

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

Financial Resilience

- Risk

The Local Government sector has seen significant reduction in funding since 2010, and reducing costs continues to be a significant challenge for Local Authorities in general. There is a risk that the Authority's financial position could significantly worsen, if there is not a significant focus on controlling costs and generating additional income.
- Approach

In conjunction with our financial statements work we will critically assess the controls the Authority has in place to ensure a sound financial standing and review how the Authority is planning and managing its savings plans. This will include:

 - Reviewing the Authority's financial position at the year end;
 - Reviewing the Authority's future financial plans and forecasts; and
 - Reviewing the Authority's future saving plans, including any risk assessments performed over these assessments.

Governance over the Asset Investment Strategy Fund

- Risk

The Authority has a £10m Investment Fund. In 2015/16 the Authority awarded a Loan of £2.7m to Nottinghamshire County Cricket Club. As part of our Value for Money work in 2015/16, we raised a recommendation regarding the governance arrangements through which this loan was awarded, including consideration of risks of default, and the specific risks faced by the Cricket Club.
- Approach

We will follow up on the recommendations raised in the prior year, and review the arrangements in place for awarding new loans, assessing whether they factor in the recommendations raised in the previous year. We will perform specific reviews over the process of awarding any new loans in 2016/17.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Electors challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Andrew Bush, and supported by Alasdair Colston. Alasdair will be replacing your outgoing Manager, to add a fresh perspective to the audit. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Corporate Governance Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions.

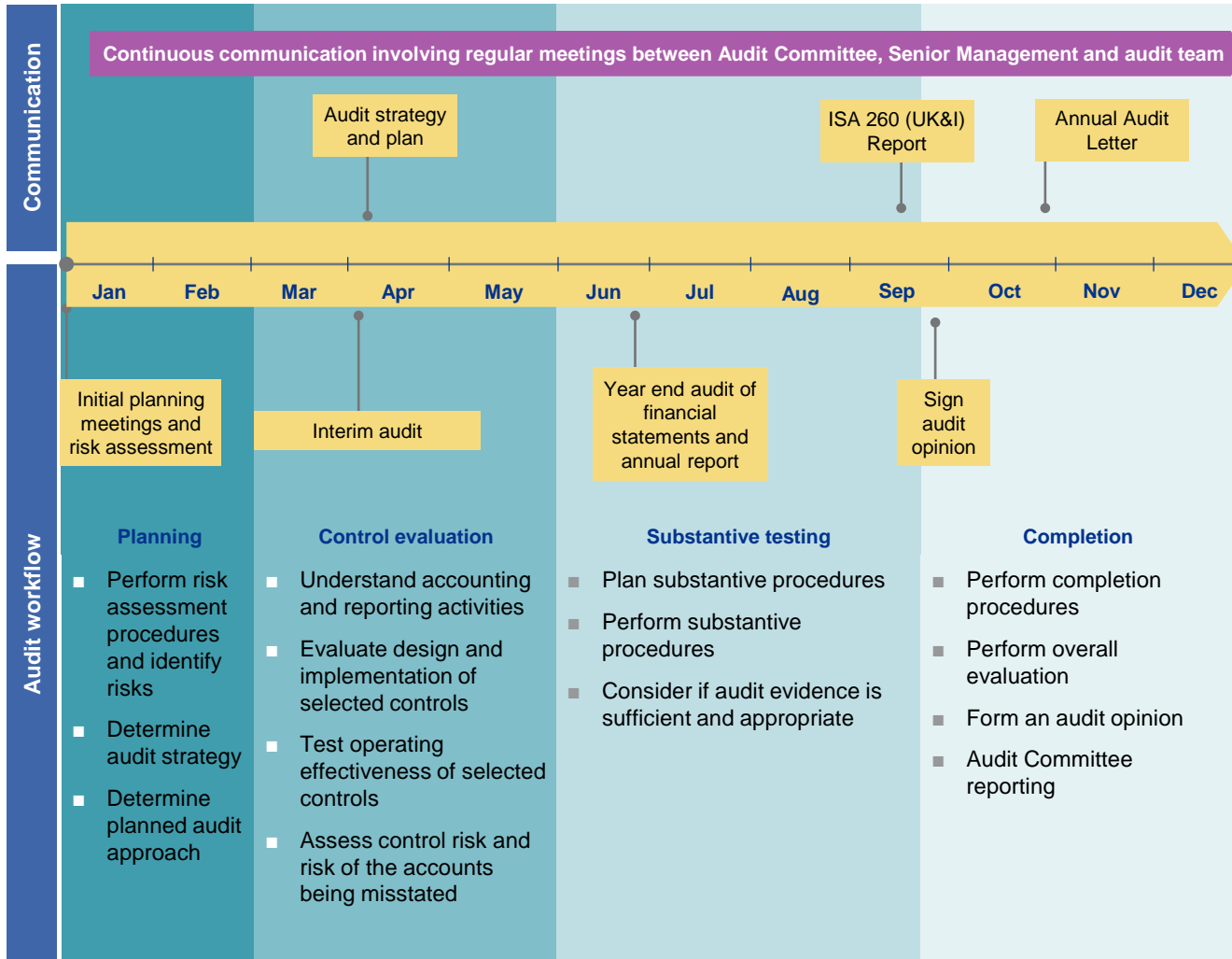
The planned audit fee for 2016/17 is £41,288.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Due to changes in scope for the 2016/17 financial year, it is likely we will raise an additional fee invoice to cover the cost of additional work over:

- 2016 CIPFA Code on Local Authority Accounting; and
- Specific work over the valuation of the Rushcliffe Arena.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. We are changing the Manager and In-Charge roles from the previous year to bring a fresh perspective.



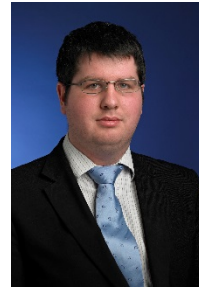
Name	Andrew Bush
Position	Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Corporate Governance Committee and Chief Executive.'

Andrew Bush

Director

0115 935 3560

andrew.bush@kpmg.co.uk



Name	Alasdair Colston
Position	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Andrew to ensure we add value. I will liaise with the Peter Linfield and other Finance Team.'

Alasdair Colston

Manager

07787 141516

alasdair.Colston@kpmg.co.uk



Name	Jack Ferris
Position	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Jack Ferris

In Charge

0121 232 3694

jack.ferris@kpmg.co.uk



Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Corporate Governance Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of April 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact [...], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The attached report has been prepared by the Council's internal auditors RSM. It is the third report for the financial year 2016/17 and shows the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group notes Internal Audit's second Progress Report for 2016/17 (**Appendix A**).

3. Reasons for Recommendation

- 3.1 To conform with best practice and Public Sector Internal Audit Standards and give assurance to the Corporate Governance Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1 The Internal Audit Plan for 2016/17 includes 17 planned reviews. Of these reviews 100% have been completed. The attached report highlights the completion and issuing of 9 reports: Land Charges, Gazetteer and Street Naming & Numbering Processes; NNDR; Economic Development; Treasury Management, Cash and Banking; Licensing; Main Accounting System and Budgetary Control; New Premises Project: ICT Relocation; Follow up of previous actions; and HR Policies. All assignments, except for NNDR, have been given substantial assurance. In terms of findings, only one medium priority was identified relating to the requirement to Reconciliations are not completed between the new planning and finance systems. Mitigating action has been agreed by management.

5. Other Options Considered

- 5.1 Not Applicable.

6. Risk and Uncertainties

- 6.1 If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

7 Implications

7.1 Finance

There are no direct financial implications to the report. Indirectly, a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

7.2 Legal

None.

7.3 Corporate Priorities

Not applicable.

7.4 Other Implications

None.

For more information contact:	Nigel Carter Service Manager – Finance and Commercial 0115 914 8340 ncarter@rushcliffe.gov.uk
Background papers Available for Inspection:	Internal Audit Reports 2016/17
List of appendices (if any):	Appendix A – Internal Audit Progress Report 2016/17



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report

Corporate Governance Group

11 May 2017

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept
no responsibility or liability in respect of this report to any other party.



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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management’s responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Council which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person’s reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

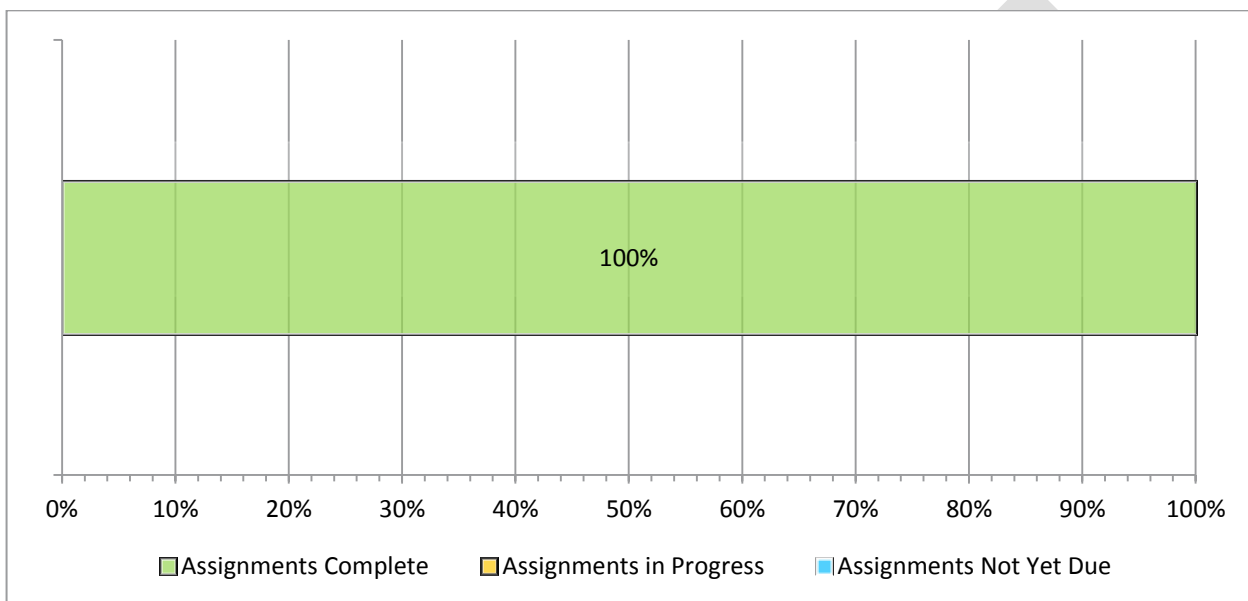
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The Internal Audit Plan for 2016/17 was approved by the Corporate Governance Group on 21st April 2016 and includes a total of 17 planned reviews.

This report provides a summary update on progress against that plan and summarises the results of our work to date.



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2 REPORTS CONSIDERED AT THIS CORPORATE GOVERNANCE GROUP

This table informs of the audit assignment that has been completed since the last Corporate Governance group. The Executive Summary and Key Finding of the assignment below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Land Charges, Gazetteer and Street Naming & Numbering Processes	Final		0	1	1
NNDR	Final		0	0	7
Economic Development	Final		0	0	1
Treasury Management, Cash and Banking	Final		0	0	1
Licensing	Final		0	0	2
Main Accounting System and Budgetary Control	Final		0	0	0
New Premises Project: ICT Relocation	Final		0	0	1
Follow Up 2	Draft	Good progress	0	1	4
HR Policies	Final		0	2	2

2.1 Impact of findings to date



Land Charges, Gazetteer and Street Naming & Numbering Processes

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one medium and one low priority findings were identified. Management actions were agreed in respect of all findings.

The medium priority finding related to:

There are no procedure notes documenting the day to day tasks in relation to Land Charges.

There is a risk that there is insufficient guidance for staff, which could lead to inconsistent working practices.



NNDR

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken seven low priority findings were identified. Management agreed an appropriate action in respect of all findings.



Economic Development

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified. Management agreed an appropriate action in respect of all findings.



Treasury Management, Cash and Banking

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified. Management agreed an appropriate action in respect of all findings.



Licensing

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified. Management agreed an appropriate action in respect of both findings.



Main Accounting System and Budgetary Control

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no management actions were identified.



New Premises Project: ICT Relocation

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified. Management agreed an appropriate action in respect of the finding.



Follow Up 2

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken one medium and four low priority findings were identified. Management agreed an appropriate action in respect of all findings.

The medium priority finding related to:

Reconciliations are not completed between the new planning and finance systems.



HR Policies

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two medium and two low priority findings were identified. Management actions were agreed in respect of all findings.

The medium priority findings related to:

Policies are inconsistently branded and do not include suitable version control and evidence of review.

Staff are not required to confirm acceptance of updated policies and procedures.

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3 OTHER MATTERS

3.1 Changes to the audit plan

There have been no changes to the audit plan since its approval on 21 April 2016.

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APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Corporate Governance Group are included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Disabled Facilities Grants (01.16/17)	Final		0	1	0
Risk Management (02.16/17)	Final		0	0	4
Purchasing and Creditors (03.16/17)	Final		0	0	5
Payroll (04.16/17)	Final		0	0	2
Corporate Governance (05.16/17)	Final		0	1	1
Follow Up of Previous Internal Audit Actions (06.16/17)	Final	Good Progress	0	0	0
Housing Benefits (07.16/17)	Final		0	0	1
Council Tax (09.16/17)	Final		0	0	3

FOR FURTHER INFORMATION CONTACT

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Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The internal audit strategy for the two years 2016/17 and 2017/18 was approved by this Group at the meeting on 21 April 2016. It was based on discussions with officers and the Chairman of the Corporate Governance Group.
- 1.2 On an annual basis members of the Internal Audit team examine the underlying risks facing the Council and update this strategy and the resultant audit plan with senior officers.
- 1.3 The detailed audit strategy and audit plan is appended to this report. A member of the internal audit team will attend the meeting to present the report and be available to answer questions.

2. Recommendation

It is RECOMMENDED that Members approve the updated Internal Audit Strategy and detailed Audit Plan 2017/18 to 2019/20.

3. Reasons for Recommendation

- 3.1 To conform with best practice and Public Sector Internal Audit Standards; and give assurance to the Corporate Governance Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1 Each year the Council's Internal Auditors RSM Risk Assurance Services LLP, in consultation with senior officers, produce the audit strategy and audit plan. As part of the audit strategy the Council's Internal Auditors have outlined four questions to assist Members in their consideration of the audit plan. These are:
 - Is the Corporate Governance Group satisfied that sufficient assurances are being received within their annual plan (as set out at **Appendix A** of the Strategy) to monitor the Council's risk profile effectively?

- Does the strategy for internal audit (as set out at **Appendix B of the Strategy**) cover the Council's key risks as they are recognised by the Corporate Governance Group?
 - Are the areas selected for coverage this coming year appropriate?
 - Is the Corporate Governance Group content that the standards within the charter (**as set out in Appendix C of the Strategy**) are appropriate to monitor the performance of internal audit?
- 4.2 RSM Risk Assurance Services LLP has been challenged to continue to provide value for money with their audit fee. As indicated in the strategy the audit fee for the 2017/18 is £46,810. This compares to a budget of £47,100 (in 2016/17) and £47,965 (2015/16). The low fees continue to reflect an improved risk profile for the Council.
- 4.3 On the assumption Members believe the 4 previous questions (at paragraph 4.1) are positively answered then the level of resource should be adequate. It should also be noted there are 4 contingency days to deal with any additional items of work or where further days are required if, for example, any issues arise from an audit resulting in the need for further resources. If the days are not utilised then there will be a budget underspend.

5. Other Options Considered

5.1 Not Applicable.

6. Risk and Uncertainties

6.1 There are no risks directly attributable to the report although the nature of the internal audit service and the audit plan helps manage risk. The audit fees are always subject to risk in terms of if an internal control weakness is identified fees can potentially exceed the budget or work may take less time than planned (i.e. there is both upside and downside risk).

7. Implications

7.1 Finance

The audit fee relating to the costs of the audit work is included within existing budgets.

7.2 Legal

Not applicable.

7.3 Corporate Priorities

Not applicable.

7.4 Other Implications

None.

For more information contact:	Nigel Carter Service Manager – Finance and Commercial 0115 914 8340 ncarter@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix 1 – Internal Audit Strategy 2017/18 to 2019/20



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Strategy 2017/18 – 2019/20

**Presented at the Corporate Governance Group
meeting of:**

11 May 2017



This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Rushcliffe Borough Council in the year ahead, including changes within the sector.

1.1 Background

Rushcliffe lies immediately south of the City of Nottingham yet has a strong identity of its own. 40% of the Boroughs population of 111,000 is in West Bridgford with the remainder being quite rural with numerous smaller towns and villages, covering 157 square miles. Rushcliffe is consistently named on one of the top 10 best places to live in England and Wales in independent surveys.

The Council has in recent months moved its headquarters from the old Civic Centre to the new purpose built Rushcliffe Arena which houses the Council offices and a new public Leisure Centre. A Community Contact Centre in West Bridgford is the first point of contact for members of the public and service users.

Like other local authorities, Rushcliffe Borough Council has experienced budget cuts in recent years. The Council has experienced cuts of £3.7 million (27%) from 2011/12 to 2016/17, with estimations that further savings of around £1 million will need to be made by 2021.

1.2 Corporate Strategy

The Councils sixth Corporate Strategy has been developed, which covers the four year period 2016-2020, building upon the work already completed and further actions identified to continue to develop the Borough. These three themes are;

1. Delivering economic growth to ensure a sustainable, prosperous and thriving local economy
2. Maintaining and enhancing our residents' quality of life
3. Transforming the Council to enable the delivery of efficient high quality services

Underpinning the three themes are 12 strategic tasks, which when achieved, will help the Council meet its long term aims and vision in 2020. A supporting action plan has been developed for each task, which includes the task owner, the desired outcome and how success will be measured.

Progress against the Corporate Strategy is monitored on a quarterly basis by the Councils Performance Management Board.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Allen Graham, Chief Executive
- Katherine Marriott, Executive Manager Operations and Transformation
- Peter Linfield, Executive Manager Finance and Corporate Services
- David Banks, Executive Manager Neighbourhoods
- David Mitchell, Executive Manager Communities
- Kevin Powell, Chief Information Officer
- Nigel Carter, Service Manager Finance and Commercial

Based on our understanding of the Council, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see appendix A and B for full details).

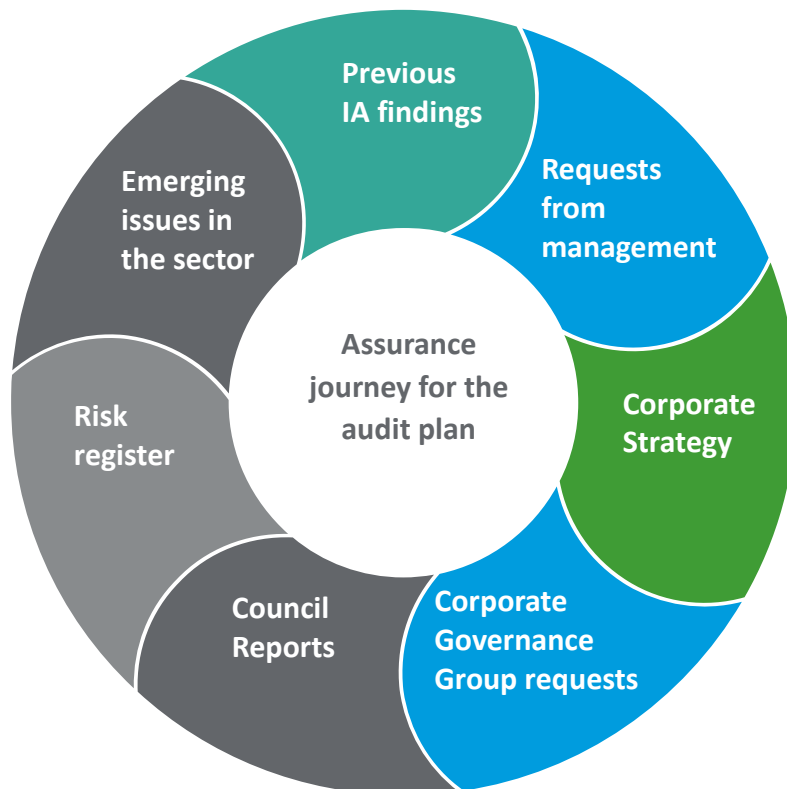


Figure A: Sources considered when developing the internal audit strategy

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy
IT	As technology and technology related threats and opportunities continue to evolve, it is imperative that organisations have a clear understanding of how these impact on their day to day operations. Organisations are faced with a clear and very real cyber security threat. For this reason a review focussed on cyber risk is included within the plan.
Data Protection	<p>Potential significant change in the requirements of Data Protection within our clients as result of the 2016 Major Overhaul of EU Data Protection Laws. This will impact on the requirements for both the Council and other key stakeholders such as Metropolitan Housing.</p> <p>The potential fines for a data breach will be significantly higher and there is a greater requirement for more stringent control processes to manage, store, transmit and secure confidential information.</p> <p>Whilst the act does not come into play until 2018, the Council needs to start working now to ensure that they have the controls and processes in place to meet their future data protection obligations. A review has been included in the 2017/18 plan.</p>
Arena Project	The Council has recently completed a large scale project to move their offices to the new Rushcliffe Arena. Management have requested a review to understand whether the desired outcome was achieved and whether lessons learnt have been identified.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in appendices A and B.

2.2 Internal Audit Fee

The fee for your internal audit service for 2017/2018 is £46,810.

2.3 Working with other assurance providers

The Corporate Governance Group is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the Council.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Chris Williams, Partner supported by Amjad Ali as your Client Manager and Kelly Waddoups, Assistant Manager.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Corporate Governance Group and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.2 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 CORPORATE GOVERNANCE GROUP REQUIREMENTS

In approving the internal audit strategy, the group is asked to consider the following:

- Is the Corporate Governance Group satisfied that sufficient assurances are being received within our annual plan (as set out at appendix A) to monitor the Council's risk profile effectively?
- Does the strategy for internal audit (as set out at appendix B) cover the Council's key risks as they are recognised by the Corporate Governance Group?
- Are the areas selected for coverage this coming year appropriate?
- Is the Corporate Governance Group content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Corporate Governance Group approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2017/18

Audit	Objective of the review	Proposed Timing
Risk Based Assurance		
Allowances	From 1 April 2017 the process for claiming expenses is moving to an electronic system. This review will ensure that the controls are effective and that members and staff allowances are claimed in accordance with the agreed policy.	Quarter 3
IT	Our work will review the Council's control framework in relation to Cyber Security.	Quarter 2
Country Park	A high level review to ensure that key controls (both financial and operational) in relation to the country park are in place and operating effectively.	Quarter 3
Procurement of IT Equipment	The Council has a joint procurement function with Broxtowe Borough Council and Newark & Sherwood District Council. We will review the process from the ordering of goods through to the payment of the invoice, ensuring goods are received prior to payment being made, and a full segregation is in place between each stage of the process. The review will also ensure that all IT assets are adequately recorded on an asset register.	Quarter 2
Garden Waste	This review will ensure that operational procedures are fit for purpose and are complied with. We will also ensure that income is collected appropriately and accounted for	Quarter 1
Contract Management	We will review the Council's procedures for tendering for contracts including the tender submissions and selection and appointment ensuring that the Council is able to demonstrate value for money. The monitoring and management of contractors once appointed will also be subject our review.	Quarter 4
Core Assurance		
Corporate Governance	Continued annual assurance, focussing on the governance structures in place, which will also consider the key elements of governance and the effectiveness and ability to react to and provide informed decision. We will also consider data access by Members including training provided to Members on data access requirements and systems in use.	Quarter 3

Audit	Objective of the review	Proposed Timing
Data Assurance		
Data Protection	We will review the arrangements for compliance with the Data Protection Act 1998 with specific focus on ensuring that only employees and members with a business need have access to systems, data held on Council systems and how security of this data is controlled.	Quarter 3
Review of the Arena Project	An advisory review looking at the building project ensuring that the Council achieved its desired outcome and has identified where there may be lessons to be learnt.	Quarter 2
Controls Compliance		
Main Accounting	We will seek to provide assurance surrounding the operations of the general ledger, and include a review of the processes, segregations and approvals relating to journals and virements, amendments to the chart of accounts, key reconciliations and the rolling forward of closing to opening balances.	Quarter 4
Creditors & E Procurement	This audit will include whether Financial Procedure Rules and policies and procedures are being adhered to, that invoices are only paid when matched to an appropriately authorised purchase order, and goods are received prior to payments being made. This review will also review the process in place to ensure that supplier details are accurate.	Quarter 4
Payroll	We will seek to provide assurance that the processes in place for new starters, leavers and contractual changes affecting the payroll are well designed and operatively effectively. We will also review the payment process and ensure all staff receive the statutory paperwork due to them.	Quarter 3
Housing Benefits	We will undertake a review to ensure that applications received are done so in line with policy, procedure, and are subject to an independent check. We will also ensure that changes in circumstances are processed correctly and in a timely manner. We will also ensure that Officers are not able to work on their own accounts, and that an annual declaration is completed. We will also include a review of the interfaces between the Housing Benefits, Council Tax and Housing Ledger, and how these link to the general ledger.	Quarter 3
Other internal audit activity		
Contingency	To allow additional reviews to be undertaken in agreement with the Corporate Governance Group or management based in changes in risk profile or assurance needs as they arise during the year.	As required
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management.	Quarter 4

Audit	Objective of the review	Proposed Timing
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Corporate Governance Group • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	Ongoing

APPENDIX B: INTERNAL AUDIT STRATEGY 2017/18 – 2019/20

Proposed area for coverage	Potential Risks	2017/18	2018/19	2019/20
Risk based assurance				
Allowances	Failure to monitor compliance with Council policies and procedures in relation to allowances.	✓		
Community Facilities	Usage of the facilities is not properly organised or monitored. Incorrect fees and charges are levied. Failure to advertise or market the facilities available.		✓	
Land Charges	Applications are not readily identified or incomplete applications are accepted. Local Land Charges register is incomplete or not up to date. Fees are not charged in accordance with approved rates. Failure to ensure payments received for all applications.			✓
IT	A specific risk will be discussed and coverage decided at the annual planning meetings. Potential risks to the area are: Unauthorised access to IT equipment, systems and data. The system processes inaccurate or incomplete data leading to data corruption, fraud or the integrity of the system being threatened. Loss or failure of the system resulting in the inability to continue processing and potential data corruption.	✓	✓	✓
Licensing	Failure to review and set appropriate local licence fees. Laws and regulations relating to granting of licenses are being breached, placing the Council in a position of facing legal action. Licenses are issued without appropriate authorisation. Expired licenses are not promptly detected.			✓

Proposed area for coverage	Potential Risks	2017/18	2018/19	2019/20
Pest and Dog Control	Incorrect fees are charged for the pest control service and for reclaimed dogs. Lack of accurate record keeping resulting in dogs being destroyed or ownership transferred before the statutory period. Risks associated with the services have not been identified and are not managed.		✓	
Enforcement – Statutory Nuisance	Procedures are not in place and enforced by the Council.			✓
Country Park	Key controls are not operating effectively at the Country Park which may lead to a loss of income or health and safety incident occurring.	✓		
Procurement of IT Equipment	Budgets are not controlled as expenditure is not recorded at the time of commitment. Financial loss to the Council if assets are not appropriately procured and recorded.	✓		
Planning	Planning applications and inspections are not processed correctly or accurately or in accordance with planning legislation. Poor decision making, due to poor quality or timeliness of information provided to management.			✓
Garden Waste	Policies and procedures are not adhered to, leading to failure in operational performance. Green Waste charges are not effectively managed leading to a loss of income.	✓		
Business Support Unit	Failure of the recently introduced central business support unit. Performance monitoring is not sufficient to ensure there is internal and external customer satisfaction.		✓	
Safeguarding	Young people and vulnerable adults using Council facilities are not adequately protected. Failure to comply with legislation.		✓	
Insurance	Inadequate insurance arrangements in place, leading to reputational and financial loss. Value for money is not obtained with regards to insurance services.			✓
Disabled Facilities Grants	Inappropriate requests for grants are made and accepted due to inaccurate records or lack of eligibility checks performed. Losses due to fraud or error or inappropriate activity. Grants are not made in line with regulations. Inaccurate or untimely grant payments are made. Poor quality of work by contractors appointed.			✓

Proposed area for coverage	Potential Risks	2017/18	2018/19	2019/20
Markets	Losses due to fraud or error, inefficient processing or inappropriate activity. Lack of checks performed on traders, including public liability insurance. Usage by both traders and customers is not monitored.		✓	
Contract Management	Contracts are not managed effectively leading to poor quality service and the Council being able to demonstrate value for money.	✓		
Core Assurance				
Corporate Governance	The Council's governance arrangements do not provide assurance to management, Members or for accountability purposes.	✓		✓
Risk Management	The Council does not have a clear methodology in place for identifying, assessing and mitigating key risks.		✓	
Data Assurance				
Data Protection	Failure to comply with Data Protection Act.	✓		
Review of the Arena Project	Project failure. The Council has not achieved its desired outcome.	✓		
Controls Compliance				
Treasury Management, Cash and Banking	Insufficient cash to meet ongoing liabilities. Ineffective cash management. Council investments do not optimise interest earned. Misappropriation of funds due to monies not being recorded accurately upon receipt. Monies are not being securely being held prior to banking or when transferring to the bank. Banking not being completed in a timely manner.			✓
Main Accounting	Inaccurate financial records. Inappropriate transactions are not identified.	✓		✓
Budgetary Control and Setting	Lack of compliance with the Council's budget setting, monitoring and reporting procedures due to lack of training or inadequate dissemination of policy and procedure. Budgets are not well controlled, resulting in poor financial management.		✓	

Proposed area for coverage	Potential Risks	2017/18	2018/19	2019/20
Creditors and E Procurement	Budgets are not controlled as expenditure is not recorded at the time of commitment. Expenditure is not authorised prior to being committed. Financial loss to the Council through unnecessary, inappropriate and duplicate invoices being paid. Failure to manage the usage and expenditure relating to procurement cards.	✓		✓
Payroll	Incorrect payments made to staff, resulting in financial loss to the Council.	✓	✓	✓
Housing Benefits	Legislation changes within benefits. Failure to process claims promptly and accurately. Statutory returns are not completed on time.	✓		✓
Council Tax	Failure to comply with legislation. Failure to meet annual council tax billing deadline. Inaccurate or incomplete Council Tax bills, leading to loss of income.		✓	
NNDR	The Council is not aware of the premises from which rates should be collected. The billing run may be incomplete and go undetected. Relief and exemptions may be granted which may later be considered inappropriate.		✓	
Income and Debtors	Financial loss to the Council due to the lack of identification of monies due. Income is not received as expected, resulting in loss of funds to the Council. Failure to comply with debt recovery procedures. Bad debts are written off where there is a chance of recovery of funds, resulting in a loss of income		✓	

Proposed area for coverage	Potential Risks	2017/18	2018/19	2019/20
Other Internal Audit Activity				
Contingency	To allow additional reviews to be undertaken in agreement with the Corporate Governance Group or management based in changes in risk profile or assurance needs as they arise during the year.	✓	✓	✓
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	✓	✓	✓
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Corporate Governance Group • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Rushcliffe Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Corporate Governance Group.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Council has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix D of the internal audit strategy plan for 2017/18 – 2019/20.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- The Standards

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Chris Williams, Partner (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Executive Director – Finance and Commercial.

The Head of Internal Audit has unrestricted access to the Chair of the Corporate Governance Group to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Rushcliffe Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Corporate Governance Group. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be

compromised in reporting the matter to the Corporate Governance Group. Equally we do not want the Council to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the corporate governance group for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the corporate governance group.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the corporate governance group to demonstrate the performance of the internal audit service.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Corporate Governance Group.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the Council where audits will be performed, including other specialised services from within or outside the Council.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the Council.
- Initiate or approve accounting transactions on behalf of the Council.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the corporate governance group. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the corporate governance group and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the Council during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the Council by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the Council's annual governance statement.

Data Protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Fraud

The Corporate Governance Group recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Corporate Governance Group recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Corporate Governance Group is also approving the internal audit charter.

APPENDIX D: OUR CLIENT CARE STANDARDS


- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

Name: Chris Williams, Head of Internal Audit

Email address: Chris.williams@rsmuk.com

Telephone: 07753 584 993

 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>11 May 2017</p> <p>Risk Management Review Update</p>	<p>7</p>
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Report of the Executive Manager - Operations and Transformation

1 Summary

- 1.1 This report provides an update on the progress made since the meeting on 1 December 2016 and also provides a summary of any activities associated with updating the Council's risk register and work relating to the Council's emergency planning and business continuity functions. An update on work to the audit recommendations made by the Council's internal auditor, RSM (formerly Baker Tilly) following the annual audit of risk management in August 2016 is also included.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) note the contents of the report
- b) consider the actions taken to review the risk management arrangements and implement internal audit recommendations
- c) consider the work of the Emergency Planning Officer and endorse the work of the Local Resilience Forum.

3 Risk Management Review and activity

- 3.1 The Council's internal auditor RSM carried out the annual risk management audit during week commencing 22 August 2016.

There were four low priority recommendations arising from the audit which are as follows:

- *The Risk Management Strategy does not include the date of expected review. There is a risk that the content of the document becomes outdated and does not accurately reflect strategic direction of the Council with regards risk management.*

This has been addressed and the updated Risk Management Strategy has been sent to Executive Management Team for approval.

- *Risk management training has not been provided to all staff with risk management responsibilities. If appropriate training is not provided there is a risk of a lack of consistent practices across the Authority, and also that staff are not aware of what is expected of them.*

Slides of the training and an offer of one to one assistance have been circulated. New refresher training will be provided later this year to risk managers.

- *The risk register is not updated after a risk has been reviewed. If the risk register is not updated there is a risk that the reported status of risks is not accurate.*

Risk managers have been reminded of the requirement to update Covalent for each Performance and Risk Management Clinic.

- *There is no guidance available to staff on how to identify mitigating controls and how to assess the effectiveness of these controls.*

A training session is planned for the Leadership Forum on 18 May 2017.

3.2 Executive Management Team has met as the Council's Risk Management Group, four times in 2016/17 and once this year on 25 April 2017 in order to oversee the management of risk across the organisation and review, where necessary, strategic and operational risks. These meetings ensure consideration is given to reviewing the risk register, amending or updating existing risks and ratings, verifying control measures and, where necessary identifying new risks. This process continues to remove unnecessary risks that are low scoring; those with the lowest likelihood or impact and / or risks that have effective mitigation ensuring the risk factors are under control. Additionally new risks are identified and are added to the register taking into account the changing nature of the Council's business and its priorities.

3.3 There are currently 31 corporate risks, one less than the last report. There has been an increase in the number of operational risks to 32, and therefore the total number of risks has increased to 63. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification. The risk registers are attached at **Appendix A**.

3.4 Examples of risks that have been changed following the review process are:

Risks removed:

- CRR_TR19 Potential delay for exchange or completion of contracts for the sale of the Civic Centre – the Civic Centre has been sold and is no longer a risk to the Council.
- The risk 'Potential delay of handover of new building at the Arena', included in the last report as 'in development' has been removed now that occupation was completed on time.

Risks added or proposed by Risk Management Group:

- Failure to successfully complete the Rushcliffe Arena snagging list
- Challenge to ensure sufficient car parking spaces at Rushcliffe Arena
- Failure to successfully review the day to day operation of the Rushcliffe Arena

Risks amended:

Six risks have amended risk scores (impact multiplied by likelihood) since the last meeting, these are:

- CRR_FCS02 Reduction in Government funding linked to New Homes Bonus – the impact has been reduced
- CRR_FCS20 Failure to properly manage and deliver significant projects - Leisure and Office move – the impact has been reduced following successful build of the Arena and move from the Civic Centre.
- OR_FCS02 Failure to comply with the Data Protection Act – this risk has been reviewed and the likelihood increased to possible
- OR_FCS04 Failure to implement Paperlite working practice for Members – the introduction of Paperlite has been phased and is working well for members who prefer not to have printed reports
- OR_FCS10 Reputational risk to the Council following adverse media coverage – the likelihood has been reduced
- OR_TR20 Threat of Industrial Action – the likelihood have been lowered following the consultation and amendment of allowances.

4 Emergency Planning Update

4.1 Plans

The corporate business continuity plan and the review of critical services business continuity plans have been completed. The Council is currently taking part in the national capability survey conducted by central government to review single agency and multi-agency planning around national planning assumptions.

4.2 Community resilience

On -going support is being provided to the community of Gotham following last summer's surface water flooding. The community have set up a flood group and is receiving assistance with community flood action planning. The community have also just applied for a flood resilience store grant administered by the Council.

4.3 Training

Members of the performance, reputation and constitutional services team took part with multi agency partners in training of the communicating with the public plan.

Members of Executive Management Team have been trained in strategic coordination group, tactical coordinating group and recovery coordinating group training.

4.4 Exercising

Members of the performance, reputation and constitutional services team took part in an exercise of the Local Resilience Forum communicating with the public plan based on a counter terrorism scenario.

5 Implications

5.1 Finance

The Risk Management Group ensures that the financial risks of the Council are managed. The SLA with Nottinghamshire County Council to provide an Emergency Planning Service is £25,900.

5.2 Legal

The risk management group ensure that the section 17 implications are contained within the risk register.

5.3 Corporate Priorities





























All risks within the Corporate Risk Register are linked to the Councils' Corporate Priorities.




5.4 Other implications

There are no other implications.

For more information contact:	Katherine Marriott Executive Manager – Operations and Transformation 0115 914 8291 kmariott@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix A – Risk registers

Corporate Risks

Risk Code & Title	Status	Current Rating
CRR_CO02 Failure of public sector partnerships/ withdrawal of financial support		4
CRR_CO03 Failure to safeguard children and vulnerable adults		3
CRR_CO04 Inability to demonstrate a five year supply of deliverable housing sites against the housing target leading to further development on unallocated sites		12
CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value		4
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus		6
CRR_FCS03 Failure to prevent or detect fraud and corruption		6
CRR_FCS04 Failure to manage the impact of the introduction of Universal Credit on staff/ resource		6
CRR_FCS05 Revaluation of major business rate payer		12
CRR_FCS06 Lack of funding from partners		4
CRR_FCS07 Central Government policy changes		9
CRR_FCS08 Inadequate capital resources		3
CRR_FCS09 Fee income volatility		4
CRR_FCS10 Inflationary pressures, particularly utility costs		6
CRR_FCS11 Increased demand for services		6
CRR_FCS12 Risk and return from Asset Investment Strategy		9
CRR_FCS13 Failure to deliver the Transformation Strategy		8
CRR_FCS20 Failure to properly manage and deliver significant projects - Leisure and Office move		6
CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget		4
CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety		2
CRR_TR04 Failure to properly manage our property assets		3
CRR_TR07 Equal pay claim		6
CRR_TR08 Failure of business continuity		6
CRR_TR09 ICT supplier goes out of business		3
CRR_TR10 Ineffective emergency planning arrangements		4
CRR_TR11 Insufficient staff capacity - skills, knowledge etc		6
CRR_TR12 Long term loss/failure of main ICT systems		4
CRR_TR13 Loss or compromise of sensitive data		6
CRR_TR14 Short term loss/failure of main ICT systems		4

CRR_TR15 Significant reduction in staff morale		3
CRR_TR16 Threat of major successful cyber-attack		8
CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales		8


















Added to the register














Risk Code & Title	Status	Current Rating
CRR_TR20 Failure to successfully complete the Rushcliffe Arena snagging list		6

New risks in development



Risk Code & Title	Status	Current Rating
None		

Operational Risks – to update

Risk Code & Title	Status	Current Rating
OR_CO04 Cost of defending appeals for large scale residential developments and potential award of costs		4
OR_CO05 Failure to determine major planning applications within 13 weeks or agreed period		3
OR_FCS01 Failure to meet major statutory duties or take on board new legislation		4
OR_FCS02 Failure to comply with the Data Protection Act		4
OR_FCS03 Inadvertent illegal activity, taking illegal decisions		2
OR_FCS04 Failure to implement Paperlite working practice for Members		2
OR_FCS05 Loss or compromise of confidential or restricted information or data		3
OR_FCS06 Failure to manage and monitor budget		4
OR_FCS07 Lack of implementation of financial controls		4
OR_FCS08 Exposure to breach of VAT rules		6
OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate		8
OR_FCS10 Reputational risk to the Council following adverse media coverage		12
OR_NS02 Disruption and lack of fuel preventing collection of domestic waste		2
OR_NS06 Lack of knowledge of contaminated land		2
OR_NS20 Significant malfunction of core services/security risk at Council's temporary accommodation premises		4
OR_NS21 Lack of or inappropriate monitoring of the Streetwise prime contract resulting in reduced standards and increased levels of resident dissatisfaction		4
OR_NS25 Failure to deliver mandatory DFG grant due to insufficient funding		2

OR_NS26 Lack of or inappropriate monitoring of Nottingham City Council vehicle maintenance contract resulting in reduced standards and increased costs		2
OR_NS28 Delivery of social rented affordable housing		6
OR_TR04 Failure to manage legionella issues		4
OR_TR05 Failure to manage asbestos in buildings under our control		4
OR_TR13 Failure to maintain council owned trees		4
OR_TR14 Partners closure of buildings where RBC has contact points, including RCCC		6
OR_TR16 Failure to secure vacant possession of Cotgrave precinct and associated risks to town centre regeneration		6
OR_TR17 Threat of violence to staff		6
OR_TR18 Failure to comply with Equality legislation		2
OR_TR19 Risk to staff health due to their work		2
OR_TR20 Threat of Industrial Action		2
OR_TR21 Unauthorised access to IT systems		8
OR_TR22 Potential delay over completion and handover of Bridgford Hall		6

Added to the register

Risk Code & Title	Status	Current Rating
OR_TR23 Challenge to ensure sufficient car parking spaces at Rushcliffe Arena		6
OR_TR24 Failure to successfully review the day to day operation of the Rushcliffe Arena		4

New risks in development

Risk Code & Title	Status	Current Rating
None		

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1. 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.
- 1.2. The 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.

2. Recommendation

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

3. Reasons for Recommendation

Date of Meeting	Item
11 May 2017	<ul style="list-style-type: none"> • External Audit Plan 2016/17 • Internal Audit Progress Report 2016/17 • Internal Audit Strategy 2017/18 – 2019/20 • Risk Management Review Update
22 June 2017	<ul style="list-style-type: none"> • Internal Audit Annual Report 2016/17 • Health and Safety Annual report • Annual Governance Statement • Review of Constitution • Corporate Governance Group Annual Report 2016/17
13 September 2017	<ul style="list-style-type: none"> • Statement of Accounts 2016/17 • External Auditors Annual Governance Report 2016/17 • Review of Constitution • Treasury Management Outturn 2016/17 • Revenue & Capital Budget Monitoring

Date of Meeting	Item
5 December 2017	<ul style="list-style-type: none"> • Internal Audit Progress Report 2016/17 • Health and Safety Interim Report • Treasury Management 2016/17 – Six Monthly Update • Risk Management Update • Annual Audit Letter • Review of Constitution • Revenue & Capital Budget Monitoring
8 February 2018	<ul style="list-style-type: none"> • Internal Audit Progress Report 2017/18 • Treasury Management Strategy 2018/19 • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2016/17
10 May 2018	<ul style="list-style-type: none"> • External Audit Plan 2017/18 • Internal Audit Progress Report 2017/18 • Internal Audit Strategy 2018/19 • Risk Management Update • Revenue & Capital Budget Monitoring

4. Implications

4.1. Finance

No direct financial implications arise from the proposed work programme.

4.2. Legal

There are no direct legal implications arising from the proposed work programme.

4.3. Corporate Priorities

Items included in the work programme assist the Council to meet its Corporate Priorities.

4.4. Other Implications

There are no other implications.

For more information contact:	Constitutional Services 0115 914 8482 Constitutionalservices@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None