

When telephoning, please ask for: Tracey Coop
Direct dial 0115 914 8511
Email constitutional.services@rushcliffe.gov.uk

Our reference:
Your reference:
Date: Tuesday, 1 May 2018



**Rushcliffe Community
Contact Centre**
Rectory Road
West Bridgford
Nottingham
NG2 6BU

To all Members of the Corporate Governance Group

Dear Councillor

A Meeting of the Corporate Governance Group will be held on Thursday, 10 May 2018 at 7.00 pm in Council Chamber Area B, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Glen O'Connell'.

Glen O'Connell
Monitoring Officer

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Minutes of the Meeting held on 8 February 2018 (Pages 1 - 10)
4. External Audit Plan 2017/18 (Pages 11 - 40)
The report of the Executive Manager – Finance and Corporate Services
5. Internal Audit Progress Report 2017/18 (Pages 41 - 58)
The report of the Executive Manager – Finance and Corporate Services
6. Internal Audit Annual Report 2017/18 (Pages 59 - 74)
The report of the Executive Manager – Finance and Corporate Services
7. Internal Audit Strategy 2018-2021 (Pages 75 - 100)
The Report of the Executive Manager – Finance and Corporate Services

In person
Monday to Friday
8.30am - 5pm
First Saturday of
each month
9am - 1pm

By telephone
Monday to Friday
8.30am - 5pm

Telephone:
0115 981 9911
Email:
customerservices
@rushcliffe.gov.uk

www.rushcliffe.gov.uk

Postal address
Rushcliffe Borough
Council
Rushcliffe Arena
Rugby Road
West Bridgford
Nottingham
NG2 7YG



8. GDPR & ISO27001 Update (Pages 101 - 108)
The Report of the Chief Information Officer
9. Risk Management Update (Pages 109 - 116)
The Report of the Executive Manager – Transformation and Operations
10. Annual Governance Statement (Pages 117 - 130)
The report of the Executive Manager – Finance and Corporate Services
11. Work Programme (Pages 131 - 134)
The report of the Executive Manager – Finance and Corporate Services

Membership

Chairman: Councillor K Beardsall
Vice-Chairman: Councillor G Davidson
Councillors: A Brown, M Buckle, N Lawrence, A MacInnes, S Matthews, F Purdue-Horan and Mrs J Smith

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.

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



**MINUTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY, 8 FEBRUARY 2018**

Held at 6.00 pm in the Council Chamber Area B, Rushcliffe Arena, Rugby Road,
West Bridgford - Rushcliffe Arena

PRESENT:

Councillors K Beardsall (Chairman), G Davidson (Vice Chairman), M Buckle, N Lawrence, A MacInnes, S Matthews, F Purdue-Horan, Mrs J Smith and R Hetherington

ALSO IN ATTENDANCE:

Graeme Muir Barnett-Waddingham
Keith Palframan Nottinghamshire County Council

OFFICERS IN ATTENDANCE:

N Carter Service Manager - Finance and Corporate Services
T Coop Constitutional Services Officer
M Elliott Constitutional Services Team Leader
P Linfield Executive Manager - Finance and Corporate Services
Glen O'Connell Monitoring Officer
Sarah Whittaker Financial Services Manager

APOLOGIES:

Councillors A Brown, M Buckle

26 Declarations of interest

There were no declarations of interest.

27 Minutes of the Meeting held on Tuesday 5 December 2017

The Minutes of the meeting held on Tuesday 5 December 2017 were accepted as a true record.

28 Pensions Progress Report from Nottinghamshire County Council

Keith Palframan from Nottinghamshire County Council and Graeme Muir from Barnett Waddingham attended to provide a presentation to update members of the committee on the latest situation regarding the Local Government Pension Scheme (LGPS) and the Nottinghamshire Pension Fund.

The presentation provided information on:

- The role of Nottinghamshire County Council
- Governance arrangements
- Fund management and pooling arrangements

- LGPS Regulations
- Benefits Structure and changes
- Valuation methodology
- Funding strategy
- Deficit levels, revaluation and future risks

The Chairman noted that the Nottinghamshire Pension Fund was being discussed at the meeting due to there being a perceived lack of information regarding the processes that had led to Rushcliffe Borough Council becoming liable for £20 million of the fund's deficit, and there being concerns that a similar situation could happen again in the future which would impact negatively on the Borough Council's finances.

The Executive Manager – Finance and Corporate Services reassured the committee that in the previous year's budget all of Rushcliffe Borough Council's pension contributions had been paid up front, and that going forward capacity had been built into the Council's budgets for the next five years for the Council to meet its obligations with regard to paying towards its share of the fund's deficit. Members of the committee noted that the deficit could still rise due to revaluations of the fund in the future and expressed concern that this unpredictability could create further financial pressures in future years for the Council. Members asked how the rate of LGPS members starting to draw down their benefits would impact on the deficit and were advised by Graeme Muir that this scenario had been considered and incorporated when the calculation regarding the deficit amount had been made.

Members of the committee asked how the amount of time allocated of 20 years to pay off the deficit had been arrived at and whether it was possible to extend the period of time in which Rushcliffe Borough Council had to pay off its share of the fund deficit. Graeme Muir advised that it was beneficial to all parties that deficits were paid back promptly and that extending payment periods could create further difficulties and uncertainties for the fund as well as for Rushcliffe Borough Council.

The Chairman noted that it was frustrating that the issues that had led to the deficit, as well as how the problem of the deficit had been handled were out of the control of Rushcliffe Borough Council and noted that Councillors had not received adequate information on the issue and that there had been a lack of communication between Nottinghamshire County Council and Rushcliffe Borough Council with regard to the deficit. Keith Palframan noted that the most recent revaluation of the fund had been out of the ordinary in the results it had given, and that the next revaluation in 2019 would have much smaller impact on the fund's value and the subsequent deficit amount. Councillor Purdue-Horan advised that in his experience of sitting on the Pensions Committee at Nottinghamshire County Council that Keith Palframan and his team provided an excellent and well run service but agreed that communication between Nottinghamshire County Council and Rushcliffe Borough Council on pensions matters could be improved. Members of the committee asked several further specific questions on the presentation and received verbal responses.

The Chairman and members of the committee thanked Keith Palframan and Graeme Muir for attending the meeting and answering their questions.

It was **RESOLVED** that:

- a) the presentation be noted.
- b) the Executive Manager – Finance and Corporate Services looks at potential methods and procedures to facilitate increased communication and information sharing between Nottinghamshire County Council and Rushcliffe Borough Council with regard to Pensions matters, and that these proposals be submitted to the Corporate Governance Group for consideration.

29 **Certification of Grants and Returns – Annual Report**

The Executive Manager for Finance and Corporate Services presented the report of the Council's external auditors, KPMG to provide information on the work undertaken during 2017/18 in relation to grant claims and returns for the financial year 2016/17.

The report from KPMG summarised the results of the audit of the Housing Benefit Subsidy Claim 2016/17 and the resultant costs of the audit. It was noted that the audit had identified only two minor errors (which were summarised in KPMG's attached report), and which had both been amended within the claim. The Executive Manager advised that overall, the claim was unqualified and KPMG had not made any recommendations for improvements for the claims completion process. It was also noted that the actual audit fee was the same as the indicative fee of £6,495 for 2016/17.

It was **RESOLVED** that the report be noted.

30 **Internal Audit Progress Report**

The Executive Manager for Finance and Corporate Services submitted a report to provide a progress update on the current position on the Council's internal audit programme, and to provide information on any significant recommendations with regards to the audits completed so far during the period.

It was noted that Internal Audit Plan for 2017/18 included 14 planned reviews and of these reviews 43% had been completed. The report of RSM, the Council's Internal Auditors, was attached as an appendix to the officer's report and highlighted the completion and issuing of three reports on Rushcliffe Country Park; Payroll; and Housing Benefits. The Executive Manager noted that in terms of findings all three audits have been awarded substantial assurance.

The Chairman noted that it was good that the audits had so far highlighted no areas for concern. The vice-Chairman asked whether a date had been set for the commencement of the IT audit and was advised by the Executive Manager that a start date for the audit had been set.

It was **RESOLVED** that the report be noted.

31 Risk Management Update

Pursuant to Minute No.21 (2017/18) the Executive Manager - Finance and Corporate Services presented the report of the Executive Manager - Operations and Transformation provided a progress report on activities associated with updating the Council's Risk Register and work relating to the council's emergency planning and business continuity functions.

The Executive Manager advised the risks that were rated as "red" were:

- CRR_CO04 – Inability to demonstrate a five year supply of deliverable housing sites against the housing target leading to further development on unallocated sites.
- CRR_FCS05 Revaluation of major business rate payer.
- CRR_FCS07 Central Government policy changes.

It was however noted that these risks had been rated as red for a considerable amount of time due the nature of the variables involved and inability of the Council to exert control over the variables involved in these risks, and as a consequence they should not be a cause for undue concern.

Councillor Mrs Smith asked about the impact, with regard to risk management, of the collapse of Carillion and their contract to manage East Leake Leisure Centre. The Executive Manager advised that the contract for East Leake Leisure Centre was between Carillion and Nottinghamshire County Council, but that Rushcliffe Borough Council were being kept updated on the latest situation and that alternative suppliers were being investigated. Councillor MacInnes asked for further information about OR_NS28 Delivery of social rented affordable housing, the Executive Manager advised that further information on this would be circulated to committee members.

It was **RESOLVED** that:

- a) the report be noted.
- b) the actions taken to review the risk management arrangements and implement internal audit recommendations be noted.
- c) the work of the Emergency Planning Officer be noted.
- d) the work of the Local Resilience Forum be supported.
- e) further information about OR_NS28 Delivery of social rented affordable housing, be circulated to committee members.

32 Capital and Investment Strategy 2018/19

The Service Manager – Finance and Commercial presented a report detailing the Capital and Investment Strategy for 2018/19 to 2022/23 which replaced the Treasury Management and Capital Strategies approved by Full council in previous years.

A report detailing the Capital Prudential Indicators, Minimum Revenue Provision (MRP), Treasury Management Strategy and Commercial Investments were attached in and Appended to the officer's report and highlighted the future position of the Council's Capital, Commercial Investments and Treasury plans. The report identified the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments.

The Chairman noted that the Investment Strategy provided a robust spread of risk across the Council's investments and complimented officers.

It was **RESOLVED** that the Corporate Governance Group support the following for approval by full council:

- a) The Capital Strategy and Prudential Indicators and Limits for 2018/19 to 2022/23.
- b) The Minimum Revenue Provision (MRP) statement which sets out the Council's policy on MRP.
- c) The Treasury Management Strategy 2208/19 to 2022/23 and the Treasury Indicators.
- d) The Commercial Investments Indicators and Limits for 2018/19 to 2022/23.

33 **Revenue & Capital Budget Monitoring**

The Financial Services Manager presented a report highlighting the Council's budget position for revenue and capital as at 31 December 2017.

The revenue monitoring statement by service area and detailed variance analysis as at 31 December 2017 were attached as appendices to the report and highlighted projected efficiency savings of £193,000 and additional funding of £197,000. It was noted that these could improve throughout the remainder of the year as managers continued to drive cost savings, and raise income against existing budgets. The Financial Services Manager advised that the Council's financial position to date reflected a number of positive variances including employee cost savings, savings from contracts, additional green waste income, investment income and recovery in housing benefit overpayments. The Financial Services Manager also advised that there were several adverse variances, including an increase in the cost of insurance, variations in the cost of contracts and an increase in the cost of NNDR (Business rates) at East Leake Leisure Centre and the Arena.

The Financial Services Manager also provided an update to the committee on the Capital Programme Monitoring Statement as at 31 December 2017. The report provided details and progress updates of the schemes and also on the potential savings of £10,587,000. The Financial Services Manager noted that the original Capital Programme of £15.1 million had been supplemented by a net amount brought forward and in-year adjustment of £13.2 million giving a revised total of £28.3 million.

Members of the committee noted the overall efficiencies and savings for both revenue and capital, but also noted that opportunities and challenges could arise as a result of external financial pressures, such as business rates, welfare reform and continued financial pressures on individuals, businesses and partners.

It was **RESOLVED** that:

- a) the report be noted.
- b) the projected revenue and capital budget positions for the year of £370,000 revenue efficiencies, and £10,587,000 from capital scheme re-phasing and potential savings be noted.

34 **Revisions to the Council's Constitution**

The Monitoring Officer provided a report summarising the work of the Task and Finish Group and noted that the review of the Constitution that the Task and Finish Group were had carried out had referred to the following Terms of Reference:

- a) To review the accessibility, utility and usability of the current Constitution and improve it;
- b) To review the structure of the Constitution, to improve its content, layout and flow as a practical working document;
- c) To identify and prioritise specific areas of content and procedures for detailed review, noting that, in time, all sections will be reviewed.

The Task and Finish Group established a programme of work and meetings throughout 2017 and early 2018. During this time the Task and Finish Group had considered all parts of the current Constitution with the view to making changes which would change the Constitution from being a large static document to one which would bring relevant material to the immediate attention of Councillors, Officers and members of the public.

It was noted that workshops had been convened and had been made available to all Councillors to attend where the proposed changes to the Constitution had been highlighted and discussed. The Monitoring Officer provided the committee with an addendum report which included the feedback received from the discussions generated at the workshops. The workshops had highlighted several changes to the proposed revisions to the Constitution and showed broad support for the model for Public Questions at Council and Cabinet. There was also broad support shown for Opposition Groups' Questions at Cabinet which had led to a model being prepared for consideration. The proposed model for this was included in the addendum report.

The overall approach to the revisions, were strongly supported by members of the committee and the Chairman thanked members of the Task and Finish Group for their work on reviewing the Constitution.

It was **RESOLVED** that it be recommended to Cabinet and Council that:

- a) the revised Constitution and proposed revisions from the workshops be approved.
- b) the model scheme for public questions at council and Cabinet be adopted for use by the Borough council initially for a 12-month trial period.
- c) the model scheme for Opposition Groups' questions at Cabinet, be adopted for use by the Cabinet, initially for a 12-month trial period.
- d) a definition of the Leader of the main opposition group be inserted into the proposed revisions, and the other references to that role in the proposed revisions be adopted, with the exception of the rights to ask questions contained within the proposed standing orders for overview and scrutiny and, if recommended and adopted by Cabinet and Council, the right to ask questions at Cabinet meetings contained within the Cabinet Standing Orders.

35 **Work Programme**

The committee considered its Work Programme.

The Chairman requested that the committee consider work programme items for the year ahead for the Corporate Governance Group, in addition to the items that they were required to include in their Work Programme. The Constitutional Services Team Leader advised that there was a Scrutiny Matrix which could be found on the extranet for Councillors to use to suggest potential work programme items.

It was **RESOLVED** that:

- a) the work programme, as in the table below be approved.

Date of Meeting	Item
10 May 2018	<ul style="list-style-type: none">• External Audit Plan 2018/19• Internal Audit Progress Report 2017/18• Internal Audit Strategy 2018/19• Risk Management Update• IT Update• Information Governance

- b) the Scrutiny Matrix be circulated to members of the committee.

Action Sheet
CORPORATE GOVERNANCE GROUP – THURSDAY 8 FEBRUARY 2018

Minute Number	Actions	Officer Responsible
29.	That the Executive Manager – Finance and Corporate Services looks at potential methods and procedures to facilitate increased communication and information sharing between Nottinghamshire County Council and Rushcliffe Borough Council with regard to Pensions matters, and that these proposals be submitted to the Corporate governance Group for consideration	Executive Manager – Finance and Corporate Services
32.	Further information about OR_NS28 Delivery of Social rented affordable housing, be circulated to committee members	Executive Manager – Finance and Corporate Services
35.	Scrutiny Matrix – email a copy to member of the committee	Constitutional Services


The meeting closed at 8.43 pm.

CHAIRMAN

Action and Response Sheet
CORPORATE GOVERNANCE GROUP – THURSDAY 8 FEBRUARY 2018

page 9

Minute Number	Action	Officer Responsible	Response
29	That the Executive Manager – Finance and Corporate Services looks at potential methods and procedures to facilitate increased communication and information sharing between Nottinghamshire County Council and Rushcliffe Borough Council with regard to Pensions matters, and that these proposals be submitted to the Corporate Governance Group for consideration.	Executive Manager – Finance and Corporate Services	At July CGG the Statement of Accounts will be presented including the current Pensions position and we will articulate any Pensions risks at that juncture (having liaised with NCC and the actuary).
32.	Further information about OR_NS28 Delivery of Social rented affordable housing, be circulated to committee members	Executive Manager – Finance and Corporate Services	Full report on Affordable Housing considered at Cabinet on 13 March 2018 exemplifying the challenges of meeting affordable housing targets.
35	Scrutiny Matrix to be circulated	Constitutional Services	Scrutiny Matrix circulated to Scrutiny Chairman and Vice-Chairman

 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>10 May 2018</p> <p>External Audit Plan 2017/18</p>	<h1>4</h1>
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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 2017/18.
- 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 financial resilience and ensuring we close the accounts down in a timely manner given the tighter time constraints commencing this year.
- 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.

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 In past years the Council was 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 and approval by Full Council by the 30 September. Legislation now dictates that both dates are brought forward to 31 May and 31 July respectively. 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 2017/18 Statement of Accounts the dates for these two meetings are 17 and 26 July 2018 respectively.
- 4.2 The attached report details the approach that KPMG will use when auditing the 2017/18 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:

- The completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;
- The Council is making the appropriate steps for a 'faster' closedown (given the 31 May deadline for the production of the financial statements and the requirement that they are approved by Full Council by the 31 July 2018);
- The level of Business Rates appeals are reasonable;
- Financial resilience – the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- Governance over the Asset Investment Strategy Fund.

4.3 It should be noted that audit fees remain at £41k. Page 19 of the report focuses on potential areas of fee increase which we do not anticipate being realised.

5. Other Options Considered

5.1 Not Applicable.

6. Risk and Uncertainties

6.1 The KPMG report 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 2017/18

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External Audit Plan 2017/18

**Rushcliffe Borough
Council**

April 2018

Summary for Corporate Governance Group

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. We recognise that the Authority has advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at **£600,000**.

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 **£30,000**.

Significant risks

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

- **Valuation of Property, Plant and Equipment (PPE)** – The Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated. We will also review the instructions and source of the information provided to, and used by, the valuer to inform the Authority's PPE valuation and undertake appropriate testing to ensure both its completeness and accuracy, and for the two newly acquired investment properties, we will review the year end valuation in comparison to the purchase price. We will also assess the accounting treatment adopted for these two acquisitions; and
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation. In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements, as well as the accounting treatment for the prepayment

Summary for Corporate Governance Group (cont.)

Financial Statements (cont.)

Other areas of audit focus

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

- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work; and
- **Provision for Business Rate appeals** – The level of unsettled business rates appeals has not significantly reduced nationally and there is the continuing focus that the amount set aside by the Authority as a provision may not be reasonable. We will review the basis of the 2017/18 provision and assess its reasonableness.
- **See pages 3 to 11 for more details**

Value for Money Arrangements work

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

Delivery of financial and saving plans - As a result of reductions in central government funding, and other pressures, the Authority has set a balanced budget for 2017/18. To keep the budget balanced, the Authority must find £0.29m of efficiencies over the next 5 years (in addition to those already identified in the Transformation Plan). We will review the arrangements the Authority has in place to ensure financial resilience.

See pages 12 to 17 for more details

Logistics

Our team is:

- Andrew Bush – Director
- Alasdair Colston – Audit Manager
- Alex Newman – In-Charge

More details are in **Appendix 2**.

Our work will be completed in four phases from March to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 20**.

Our planned fee for the 2017/18 audit is £41,288 (£41,288 2016/17) see **page 19**. This fee is in line with the scale fees published by PSAA.

Acknowledgements

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

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

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

01 | Financial statements :
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

02 | 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. Any change to our identified risks will be reported to the Corporate Governance Group.

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 six stage process which is identified below. Pages 12-16 provide more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during March and April 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing 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.

01

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.

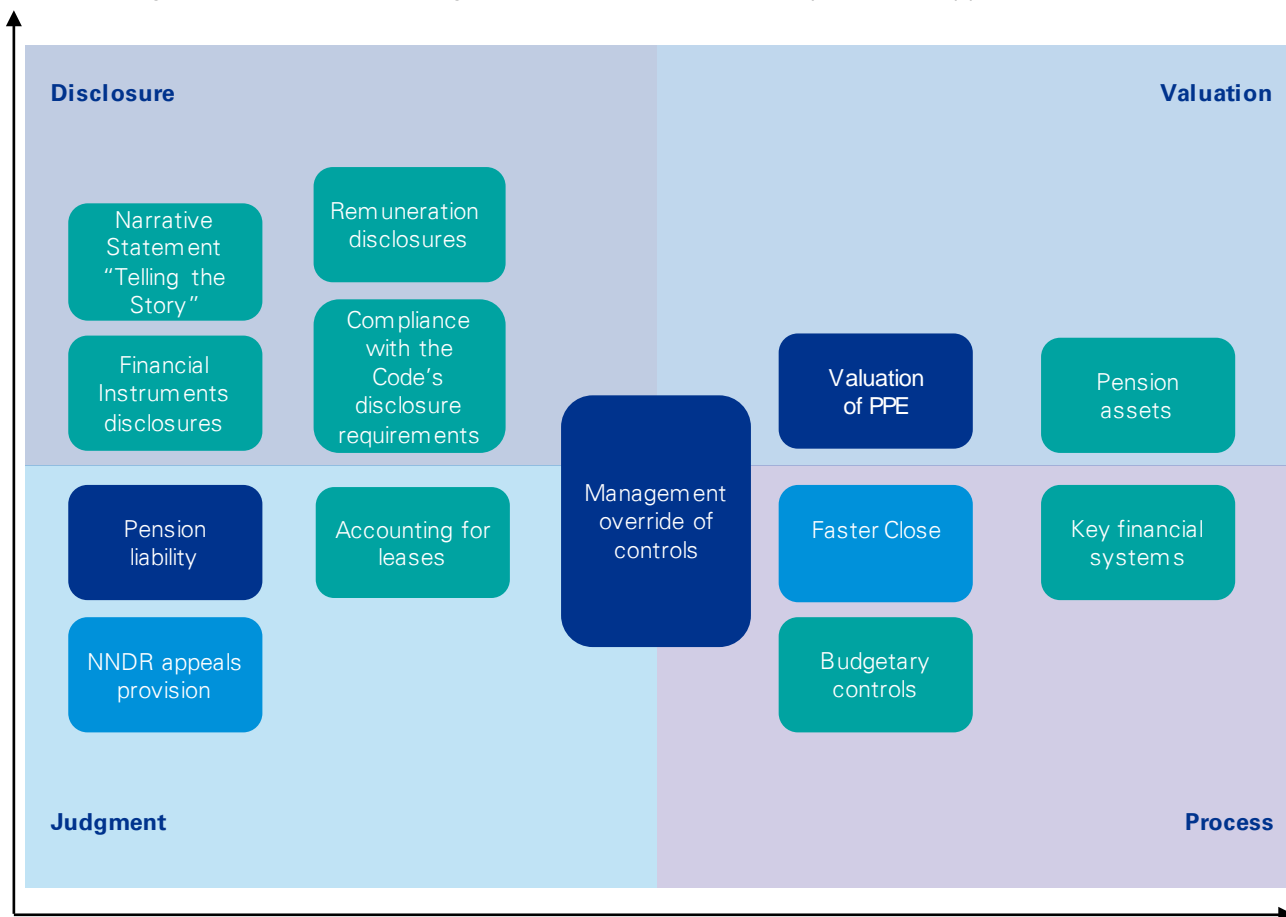
02

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.

Financial statements audit planning (cont.)

The diagram below 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

Financial statements audit planning (cont.)

Significant Audit Risks

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

Risk:	<p>Valuation of PPE, specifically focussed on new Investment Properties</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
Approach:	<p>We will consider the instructions and source of the information provided to, and used by, the valuer to inform the Authority's PPE valuation and undertake appropriate testing to ensure both its completeness and accuracy. We will confirm the appropriateness of any amendments made by management to the information received and incorporated into the financial statements. This will include a review of, and understanding of, any fluctuations in current year valuations to those in the previous year.</p> <p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p> <p>For newly acquired investment properties, including the industrial unit at Coalville, and the 1 additional property purchased before the year end, we will consider all of the above items, as well as a consideration of the year end valuation in comparison to the purchase price. We will also assess the accounting treatment adopted for these two acquisitions.</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Nottinghamshire County Council Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> <p>The Council also made a pensions contribution prepayment in April 2018 to reduce the pension deficit. There are specific complex accounting requirements related to this transaction.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Barnett Waddingham.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Barnett Waddingham.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements, as well as the accounting treatment for the prepayment.</p>

Financial statements audit planning (cont.)

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.

Issue:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries and subsidiaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Corporate Governance Committee meeting schedule has been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Corporate Governance Group meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is however not a matter of concern and is not seen as a breach of deadlines.

Approach:

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

Financial statements audit planning (cont.)

Other areas of audit focus (cont.)

Area:	Provision for Business Rate appeals <p>The level of business rates appeals has not significantly reduced nationally and the Valuation Office Agency (VOA) has revalued the rateable value of business properties on 1st April 2017 to reflect change in the property market. There is a continuing risk that the amounts set aside as provisions may not be reasonable. The Authority's provision is expected to be material (2016/17: £1.48m). We have also noted that there will be a changed methodology at the Valuation Office Agency, which means that there is an increased risk of the information provided not being complete.</p>
Approach:	We will review the basis of the 2017/18 provision and assess its reasonableness by comparing to previous year's provisions and against government guidance.

Financial statements audit planning (cont.)

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.

For the Authority, materiality for planning purposes has been set at £600,000, which equates to 1.5 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Authority Prior Year Gross Expenditure: £36 Million

Materiality

£600,000

1.5% of Expenditure

(2016/17: £600,000
1.5%)



Financial statements audit planning (cont.)

Reporting to the Corporate Governance Group

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 Corporate Governance Group 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 has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Group to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure (Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

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.'

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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criteria

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.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

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 *Code of Audit Practice*.

In doing so we consider:

- 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

Audit approach

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.

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.



Identification of significant risks

Audit approach

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.*'

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:

- 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



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

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.

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.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

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.

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.

Value for money arrangements work (cont.)

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.

Risk:	Delivery of financial and saving plans <p>The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. For 2017/18, the Authority has set a balanced budget, and as at Q3, was forecasting achieving an outturn revenue position of £0.58m.</p> <p>The Authority has developed a transformation strategy covering the next five years, which will ensure that the Authority is financially viable going forward, however, there is still a £0.29m shortfall in this strategy that still needs to be identified.</p>
Approach:	<p>As part of our risk based work, we will review the arrangements the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Strategy has duly taken into consideration the latest available information on factors such as funding reductions, business rate reform, fair funding, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p> <p>We will review the arrangements in place the Authority has to delivery services through partnerships.</p> <p>We will assess the arrangements for ensuring that savings and additional income generating plans have been achieved as planned, including any actions taken by the Authority when schemes do not deliver as expected.</p> <p>We will review the arrangements in place to assess impact of the planning decision on the Local Plan.</p>
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criteria</p> <ul style="list-style-type: none">— Informed decision making;— Sustainable resource deployment; and— Working with partners and third parties.

Value for money arrangements work (cont.)

Risk:	Management of the Asset Investment Strategy Fund <p>The Authority had a £10m Investment Fund, and in September 2017 the Council approved an increase of £5m, and a further £5m increase in March 2018 to a total of £20m.</p> <p>In 2017/18 the Authority has made a number of investments, with an industrial unit in Coalville being purchased for £1.9m, and one additional investment property in area purchased prior to the year end.</p>
Approach:	<p>As part of our risk based work, we will review the governance arrangements in place around the purchase of these investment properties including reviewing the following:</p> <ul style="list-style-type: none">• Assessing whether the purchase price was appropriate based on the size, use, condition and location of the property;• Assessing whether the financial impact of the purchase had been properly considered, including a full and extensive business case and sensitivity analysis had taken place; and• Whether the purchase of the assets were appropriately approved by the Authority.
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criteria</p> <ul style="list-style-type: none">— Informed decision making; and— Sustainable resource deployment.

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 have not yet been confirmed.

Elector 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.



Other matters

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 Group. 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 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage, but note that the changes around the provision for business rates appeals and the consideration of the property acquisitions may result in some additional fees being sought.

Should there be a need to charge additional audit fees then this will be agreed with the Executive Manager – Finance and Corporate Services (S151 Officer) and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £41,288, compared to the fee for 2016/17 of £41,288.

Appendix 1:

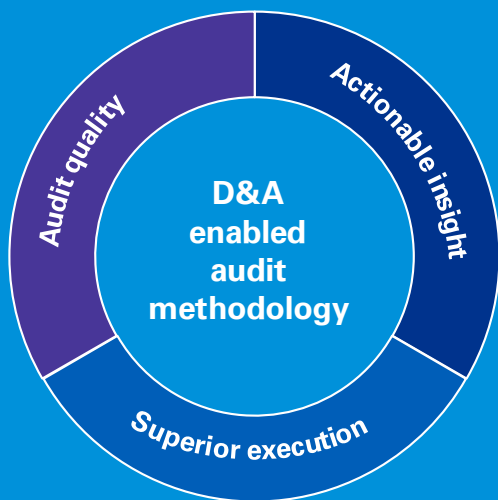
Key elements of our financial statements audit approach

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. 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 journals.



Communication

Continuous communication involving regular meetings between Corporate Governance Group, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities;
- Evaluate design and implementation of selected controls;
- Test operating effectiveness of selected controls; and
- Assess control risk and risk of the accounts being misstated.

Substantive testing

- Plan substantive procedures;
- Perform substantive procedures; and
- Consider if audit evidence is sufficient and appropriate.

Completion

- Perform completion procedures;
 - Perform overall evaluation;
 - Form an audit opinion; and
 - Corporate Governance Group reporting.
-



Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit Director and Manager were all part of the Rushcliffe Borough Council audit last year. Alex has joined the audit team this year.



Andrew Bush
Director

Tel: 0116 256 6067
Email: andrew.bush@kpmg.co.uk

'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 Group, and Executive Manager - Finance and Corporate Services (S151 Officer).'



Alasdair Colston
Manager

Tel: 0121 232 3274
Email: alasdair.colston@kpmg.co.uk

'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 Executive Manager – Finance and Corporate Services (S151 Officer) and other Executive Directors.'



Alex Newman
In-charge

Tel: 07391 731785
Email: alex.newman@kpmg.co.uk

I will also be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF RUSHCLIFFE BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

We do not plan to undertake any non audit services during 2017/18.

Appropriate approvals will be obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Corporate Governance Group.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Corporate Governance Group of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG-LLP

KPMG LLP



kpmg.com/uk




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 Andrew Bush 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.

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 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>10 May 2018</p> <p>Internal Audit Progress Report 2017/18</p>	<h1>5</h1>
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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 2017/18 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 2017/18 (**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 2017/18 includes 14 planned reviews. Of these reviews 100% have now been completed. The attached report highlights the completion and issuing of 8 reports since the last Corporate Governance Group: Corporate Governance; Main Accounting; Data Protection; Contract Management; Creditors and e-procurement; Follow up; Allowances; and Cyber Security and ISO 27001.
- 4.2 All assignments have received a positive assurance. In terms of findings, there are four medium priority recommendations:
- 4.2.1 Corporate Governance (1) – Transparency Code information needs to be kept up to date on the Council's website.
 - 4.2.2 Contract Management (2) – The Council's Contract Register needs to be reviewed and updated and to ensure that formal agreements are in place with all contractors.
 - 4.2.3 Follow up (1) – Whilst overall good progress has been made, one medium priority, relating to Land Charges reconciliation, remains outstanding.

- 4.3 Mitigating action has been agreed by management for all recommendations.

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.

Implications

6.2 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.

6.3 Legal

None.

6.4 Corporate Priorities

Not applicable.

6.5 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 2017/18
List of appendices (if any):	Appendix A – Internal Audit Progress Report 2017/18



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report 2017/18

Corporate Governance Group

10 May 2018

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.

CONTENTS

1 Introduction.....	2
2 Reports considered at this corporate governance group	3
3 Looking ahead.....	6
4 Other matters	7
Appendix A: Internal audit assignments completed to date	8
For further information contact	9

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.

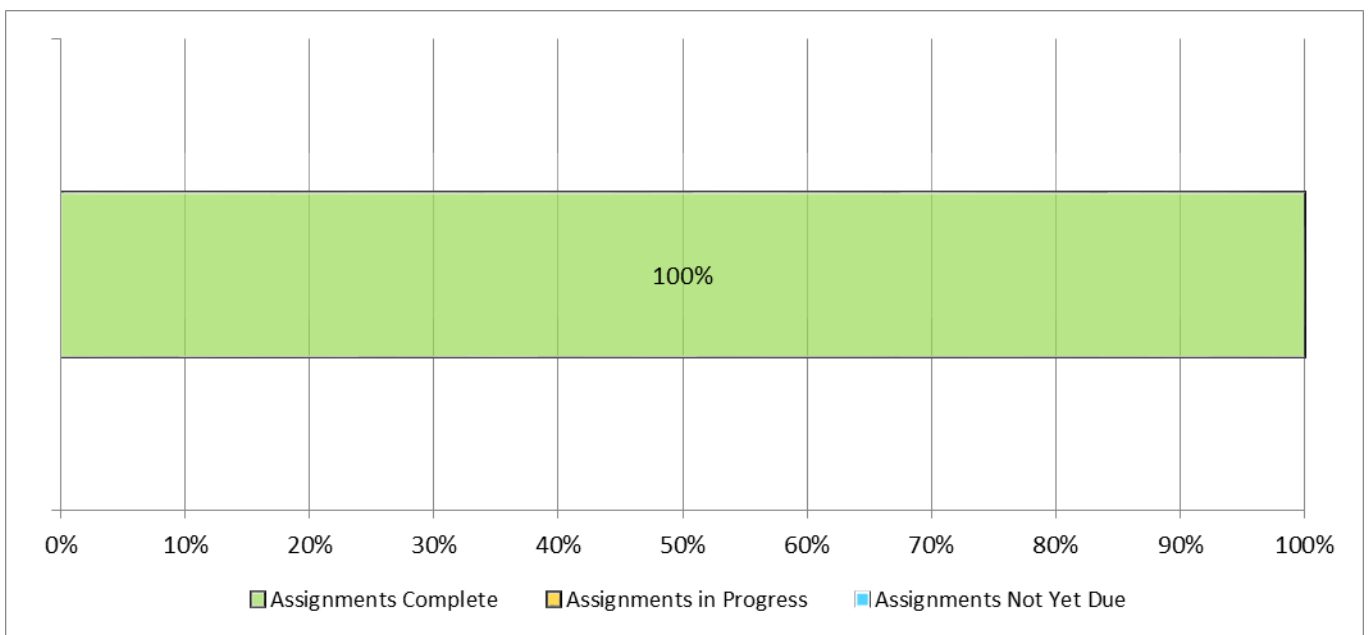
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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





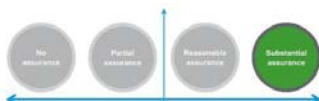

The Internal Audit Plan for 2017/18 was approved by the Corporate Governance Group on 11 May 2017 and includes a total of 14 planned reviews.

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



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.

Assignment	Status	Opinion issued	Management Actions agreed		
			H	M	L
Corporate Governance (08.17/18)	Final		0	1	0
Main Accounting (09.17/18)	Final		0	0	6
GDPR (10.17/18)	Final	Advisory	12 Action Points Raised		
Contract Management (11.17/18)	Final		0	2	2
Creditors and e-Procurement (12.17/18)	Final		0	0	1
Follow Up (13.17/18)	Final	Good Progress	0	1	0
Allowances (14.17/18)	Final		0	0	1
Cyber Security and ISO27001 (15.17/18)	Final		0	0	6

2.1 Impact of findings to date



Corporate Governance (08.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority finding was identified and a management action was agreed in respect of this finding relating to:

- The Council is not fully complying with the Transparency Code 2015 under which the Government requires local authorities to publish certain data sets to make them available to public scrutiny. Testing of a sample of 10 data sets identified that only five were published on the Council's website as required.
-



Main Accounting (09.17/18)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, six low priority findings were identified and management actions agreed in respect of the findings.



GDPR (10.17/18)

Conclusion: Advisory

Impact on Annual Opinion: N/A

This was an advisory review which identified 12 actions for the Council to consider.



Contract Management (11.17/18)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, two medium and two low priority findings were identified and agreed. The medium management actions related to:

- The Contracts Register was found to contain outdated information regarding lead officers in charge of managing and monitoring the contracts; and
 - For three of the 20 contracts tested, formal signed contracts were not in place.
-



Creditors and e-Procurement (12.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one low priority finding was identified and a management action was agreed in respect of this finding.



Follow Up (13.17/18)

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority management action remained outstanding.



Allowances (14.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one low priority finding was identified and a management action was agreed in respect of this finding.



Cyber Security and ISO 27001 (15.17/18)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, six low priority findings were identified and management actions agreed in respect of the findings.

3 LOOKING AHEAD

All audits for 2017/18 have now been completed and all reports finalised.

4 OTHER MATTERS

4.1 Changes to the audit plan

There are no changes to the internal audit plan since the previous Corporate Governance Group.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Assignment	Status	Opinion issued	Management Actions agreed		
			H	M	L
Garden Waste (01.17/18)	Final		0	1	5
Review of the Arena Project (02.17/18)	Final	Advisory	0	0	1
Procurement of IT Equipment (03.17/18)	Final		0	0	1
Country Park (04.17/18)	Final		0	0	1
Payroll (06.17/18)	Final		0	0	0
Housing Benefits (07.17/18)	Final		0	0	0

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

chris.williams@rsmuk.com

Tel: 07753 584993

Amjad Ali, Senior Manager

amjad.ali@rsmuk.com

Tel: 07800 617139

Address:

RSM Risk Assurance Services LLP

Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham NG1 5FS

Phone: 0115 964 4450

CORPORATE GOVERNANCE - DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

page 53

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Risk: The Councils governance arrangements do not provide assurance to management, members or for accountability purposes

1	The Council publishes all data that it is required to in line with the Transparency Code 2015. The relevant departments are responsible for collating and publishing the information on the Council's web site. The Constitutional department monitor the Council's website to ensure that the data is published onto the	Yes	No	For a sample of 10 Transparency Code requirements testing established that in five instances the information was not published on the Council's website: <ul style="list-style-type: none"> The Expenditure exceeding £500 for Quarter 2 (July to September 2017) data has as yet not been published. The procurement card transactions were published up to 2016/17 however for 2017/18 this information has not been published. 	Medium	The missing information identified at this audit will be published onto the Council's website All the relevant departments will be reminded to ensure that the Transparency Code information is published on the Council's website and on a timely basis. To ensure that the required data has been published and on a timely	31 January 2018	Service Manager - Finance and Commercial
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	Council's website as required.			<ul style="list-style-type: none"> Procurement information is not published. Information on grants to voluntary, community and social enterprise organisations is not published. For Trade Union facility time the names of all trade unions represented in the Council is not published. <p>The Transparency Code was issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision-making process and help shape public services. There is a risk that requirements of the Transparency Code 2015 are not being met by the Council and as a result local people may not be able to make a contribution to local decision making process and help shape public services.</p> <p>The Transparency Code states the data and information that is required to be published quarterly should be published not later than one month after the quarter to which the data and information is applicable. There</p>		<p>basis, a member of staff will be identified and the responsibility for undertaking monitoring checks will be assigned to them.</p> <p>The Council will link its information / data to data.gov.uk.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>is a risk that this requirement is not being met.</p> <p>As good practice local authorities can link their published information onto the government's web site - data.gov.uk to become more transparent and foster innovation. Making this data easily available means it will be easier for people to make decisions and suggestions about government policies based on detailed information. On review of the Council's website and the data.gov.uk web site it was noted that the Council does not use data.gov.uk.</p>				

CONTRACT MANAGEMENT - DETAILED FINDINGS

Categorisation of internal audit findings


Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Failure to ensure the most efficient and effective selection of contractors and suppliers for Council goods and services?								
2	The Council maintains a Contracts Register. The Register is maintained up to date and reflects all contracts which the Council have in place and the details of the contract.	Yes	No	A formal Contracts Register was found to be in place. The Register details current contracts in place throughout the Council and includes key information such as the value of the contract as well as start and end dates. It was noted upon review, that the Register contains outdated information, such as primary contacts who are no longer employed within the Council and inaccurate contract dates. By not maintaining an up to date Contract Register, there is a risk that contracts are not managed and	Medium	The Contracts Register will be reviewed and updated to ensure the documented information is up to date.	31 July 2018	Transformation Projects and Procurement Officer

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				monitored appropriately as a result of having a lack of central record.				
Risk: The Council does not achieve value for money.								
4	A formal contract is in place and signed by the successful contractor and the Council.	Yes	No	<p>A sample of 20 contracts throughout the Council were selected and tested. In 16 instances a formal contract was found to be in place which had been fully completed and signed by both parties. In one instance, it was identified that it referred to a license as opposed to a contract.</p> <p>However, we noted three instances where a formal signed contract could not be located or had not been completed.</p> <p>Without a formal signed contract in place, there is a risk that the agreed terms with the contractor may not be enforceable in the event of dispute, as well as obligations of the agreement being unclear.</p>	Medium	<p>We will ensure that formal signed agreements are in place with all contractors currently providing service to the Council. Going forward an additional step will be added to the procurement process on ProContract.</p> <p>This final stage will ensure that the procurement process cannot be marked as complete until a formal contract has been entered into with the Contractor.</p>	31 July 2018	Legal Services and Transformation Projects and Procurement Officer

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 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>10 May 2018</p> <p>Internal Audit Annual Report 2017/18</p>	<h1>6</h1>
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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 last report for the financial year 2017/18 showing that all audits have been completed for the year, along with any significant recommendations with regards to the audits completed at the end of the financial year 2017/18.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group notes Internal Audit's final Progress Report in relation to 2017/18 (**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 appended RSM report highlights the completion of the Internal Audit Plan for 2017/18. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, RSM, is required to provide an annual opinion and it is pleasing to note that for 2017/18 RSM has concluded that the Council has an adequate and effective framework for risk management, governance and internal control.
- 4.2 RSM have undertaken 11 audits, 3 advisory reviews and 1 follow up review in 2017/18. As reported previously as part of the progress reports, of the 11 reviews, 7 resulted in a green substantial assurance being provided and four reviews resulted in amber reasonable assurance, primarily due to the number of low recommendations. The advisory reviews resulted in 2 medium priority actions which the representative from RSM will address at the meeting.
- 4.3 The Follow up review found that good progress had been made, with one outstanding recommendation with a medium status as shown in the table below.

Table 1

Ref 1. 17/18 Follow up – Land Charges			
Recommendation	Updated management actions	Completion by	Resp. Officer
Land charges to be recorded on the property register in relation to Disabled Facilities Grants will be notified to the Business Support Unit as soon as possible after the grant payment has been made. This action has already been put in place – following completion of the grant works if applicable land charges are notified straight away of a charge on the property. This has been put into the operational protocol to be carried out by Business Support Unit as part of the electronic delivery we are planning.	Business Support Unit will take over the role of direct notification of Land charges.	30 April 2018	Protection and Safety Manager

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 Progress Reports during 2017/18
List of appendices (if any):	Appendix A – Internal Audit Annual Report 2017/18

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RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2017/2018

10 May 2018

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.



CONTENTS

1 The head of internal audit opinion	2
2 The basis of our internal audit opinion	4
3 Our performance	5
Appendix A: Annual opinions	6
Appendix B: Summary of internal audit work completed 2017/2018	7
For further information contact	10

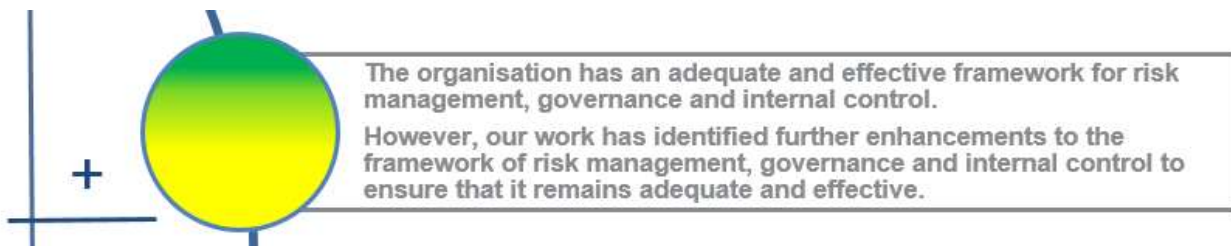
1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the Council's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2018, the Head of Internal Audit opinion for Rushcliffe Borough Council is as follows:

Head of internal audit opinion 2017/18



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Corporate Governance Group, our opinion is subject to inherent limitations, as detailed below:

- The opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and Council-led assurance framework. As such, the assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- The opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and

- It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2017/18. The review reported positively on the governance framework in place

We undertook a further 11 internal audit reviews in 2017/18, which resulted in an assurance opinion. There were seven reviews from which the Council can take substantial assurance. Four reviews were carried out from which the Council can take reasonable assurance .

During the year we raised a total of 31 management actions across assurance and advisory reviews. Of the 31 management actions raised: six were 'medium' priority and 25 were 'low' priority actions.

A separate advisory review of General Data Protection Regulation (GDPR) was undertaken resulting in 12 management actions.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of your annual governance reporting

There are no significant matters resulting from our internal audit work which we consider should be particularly reflected the Council's annual governance report.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

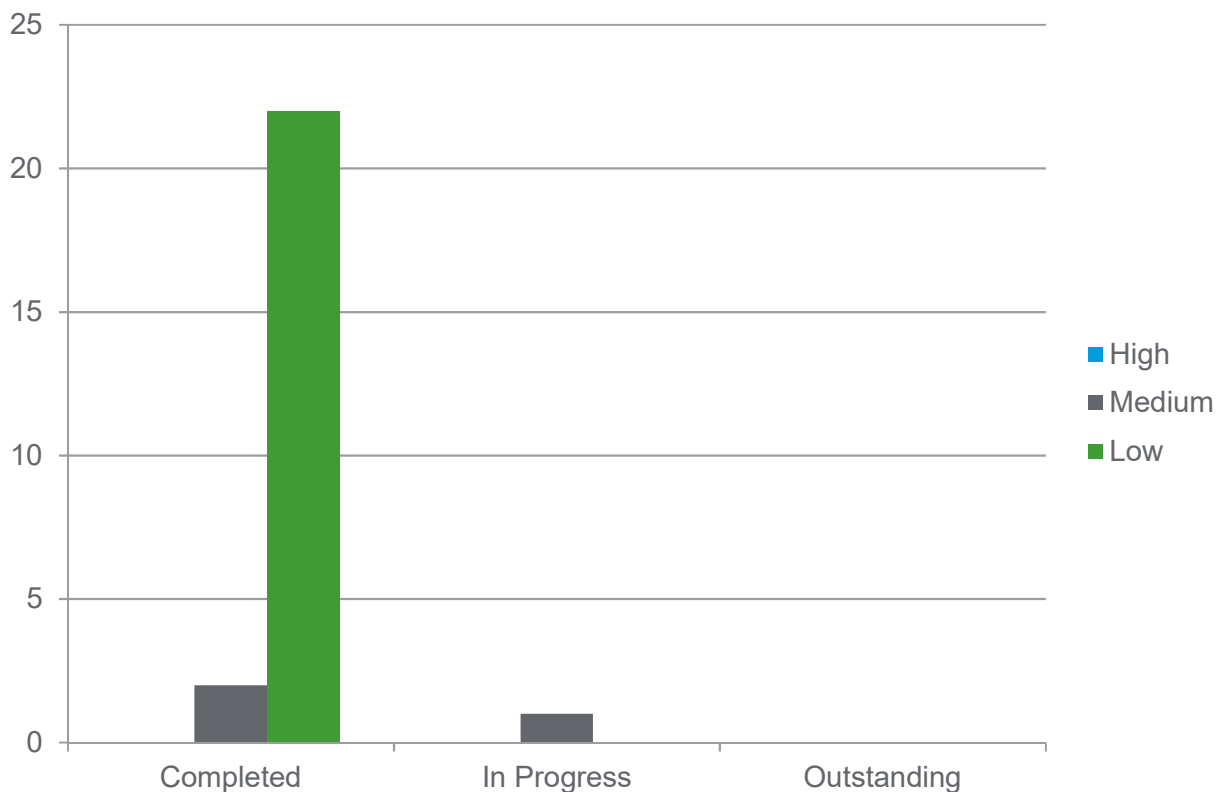
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made good progress in implementing the agreed actions.



2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Conflicts of interest

RSM has not undertaken any work or activity during 2017/2018 that would lead us to declare any conflict of interest.

3.2 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.

3.3 Quality assurance and continual improvement

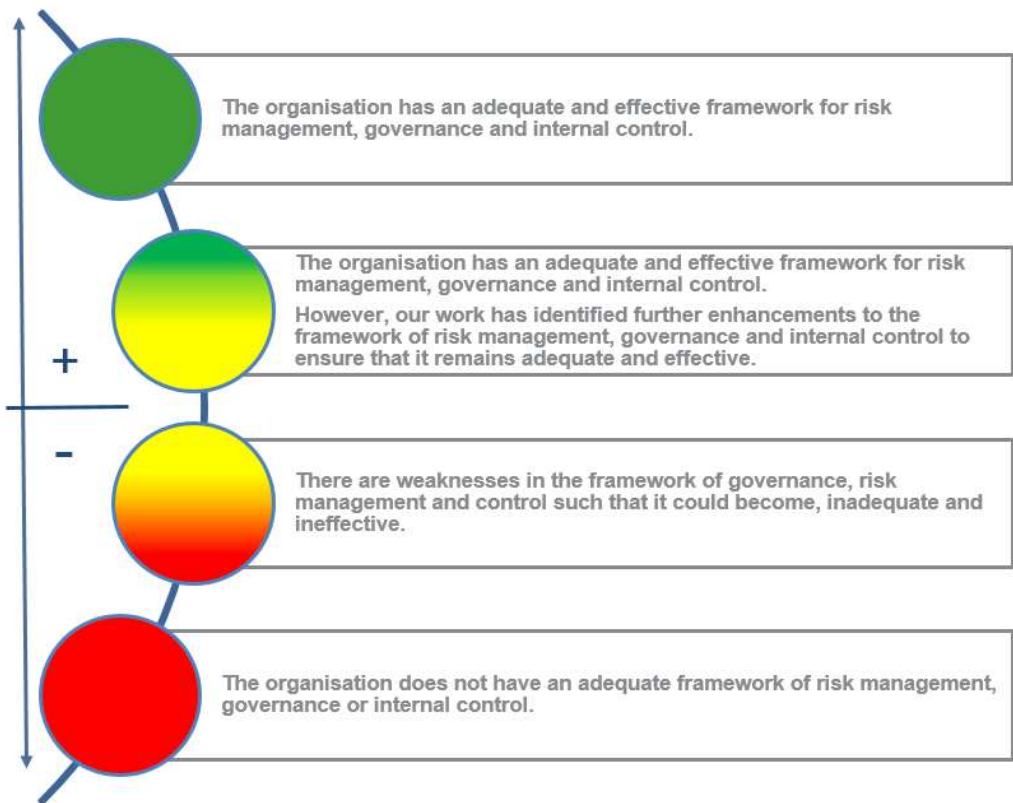
To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
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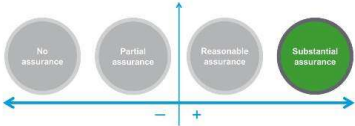
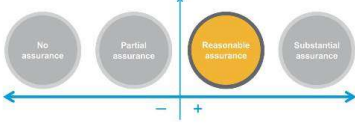


The factors which are considered when influencing our opinion are:

- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weakness identified;
- the level of risk exposure; and
- the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2017/2018

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Garden Waste (1.17/18)	David Banks, Executive Manager Neighbourhoods		0	1	5
Review of the Arena Project - Advisory Review (2.17/18)	Katherine Marriott, Executive Manager Operations and Transformation	Advisory Review	0	0	1
Procurement of IT Equipment (3.17/18)	Katherine Marriott, Executive Manager Operations and Transformation		0	0	1
Country Parks (4.17/18)	David Mitchell, Executive Manager Communities		0	0	1
A Review of the Actions taken following NNDR Refund Fraud – August 2017 to October 2017 (5.17/18)	Peter Linfield, Executive Manager – Finance and Commercial	Advisory Review	0	2	0
Payroll (6.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Service		0	0	0
Housing Benefits (7.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Service		0	0	0
Corporate Governance (8.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Services		0	1	0
Main Accounting (9.17/18)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	6

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
General Data Protection Regulation (GDPR) Readiness (10.17/18)	Katherine Marriott, Executive Manager Operations and Transformation	Advisory			
Contract Management (11.17/18)	Peter Linfield, Executive Manager – Finance and Corporate Services		0	2	2
Creditors and e-Procurement (12.17/18)	Peter Linfield, Executive Manager -Finance and Commercial		0	0	1
Follow Up (13.17/18)	Peter Linfield, Executive Manager -Finance and Commercial	Good Progress	0	1	0
Allowances (14.17/18)	Pete Linfield, Executive Manager - Finance and Corporate Service		0	0	1
Cyber Security and ISO 27001 (15.17/18)	Greg Dwyer, ICT Manager		0	0	6

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Reports.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

<p>A diagram showing four circles representing assurance levels: No assurance (red), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (grey). A horizontal blue double-headed arrow is below the circles, with a minus sign (-) on the left and a plus sign (+) on the right. A vertical blue arrow points upwards from the center of the arrow.</p>	<p>Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>A diagram showing four circles representing assurance levels: No assurance (grey), Partial assurance (orange), Reasonable assurance (grey), and Substantial assurance (grey). A horizontal blue double-headed arrow is below the circles, with a minus sign (-) on the left and a plus sign (+) on the right. A vertical blue arrow points upwards from the center of the arrow.</p>	<p>Taking account of the issues identified, the board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>A diagram showing four circles representing assurance levels: No assurance (grey), Partial assurance (grey), Reasonable assurance (yellow), and Substantial assurance (grey). A horizontal blue double-headed arrow is below the circles, with a minus sign (-) on the left and a plus sign (+) on the right. A vertical blue arrow points upwards from the center of the arrow.</p>	<p>Taking account of the issues identified, the board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
<p>A diagram showing four circles representing assurance levels: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). A horizontal blue double-headed arrow is below the circles, with a minus sign (-) on the left and a plus sign (+) on the right. A vertical blue arrow points upwards from the center of the arrow.</p>	<p>Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

RSM Risk Assurance Services LLP
Suit A, 7th Floor, Cuty Gate East
Tollhouse Hill
Nottingham, NG1 5FS
T 0115 964 4450
M 07753 584993
Chris.Williams@rsmuk.com

rsmuk.com

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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of Rushcliffe Borough Council, and solely for the purposes set out herein. 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 third party which obtains access to this report or a copy and chooses to rely on it (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 you 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.

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 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>10 May 2018</p> <p>Internal Audit Strategy 2018/19 - 2020/21</p>	<h1>7</h1>
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Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The rolling internal audit strategy for the years 2017/18 and 2019/20 was approved by this Group at the meeting on 11 May 2017. 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 2018/19 to 2020/21, including the proposed amendment detailed in 4.4.

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. RSM has confirmed that the audit fee for the 2018/19 is £47,250. This compares to a budget of £46,810 (in 2017/18) and £47,100 (in 2016/17). The fees continue to reflect a lower 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 10 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.
- 4.4 It is recognised that it is good practice to produce an annual fraud report. This is currently not included within the plan for 2018/19 and it is therefore proposed that 2-3 days be allocated from the 10 days contingency for its production with a view to it being considered by the Corporate Governance Group at its meeting in July 2018.

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 (ie there is both upside and downside risk).

5. Implications

5.1 Finance

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

5.2 Legal

Not applicable

5.3 Corporate Priorities

Not applicable

5.4 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 A – Internal Audit Strategy 2018/19 to 2020/21

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RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Strategy 2018/19 – 2020/21

**Presented at the Corporate Governance
Group:**

10 May 2018

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.





CONTENTS

- 1 Introduction..... 2
- 2 Developing the internal audit plan..... 3
- 3 Your internal audit service..... 5
- 4 Corporate Governance Group requirements 6
- Appendix A: Internal audit plan 2018/19 7
- Appendix B: Internal audit strategy 2018/19 – 2020/21 10
- Appendix C: Internal audit charter..... 15
- Appendix D: Our client care standards 19
- For further information contact 20

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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 public sector.

1.1 Background

Rushcliffe lies immediately south of the City of Nottingham and the River Trent and extends across towards Newark in the North East and Loughborough in the South West. Rushcliffe covers 157 square miles (around 400 sq km) and the circumference of the Borough is 123.3km. Although parts of the Borough lie close to Nottingham, Rushcliffe has a strong identity of its own. The main centre of population is West Bridgford, where around 41,000 of the Borough's 111,100 population live. The remainder of the district is largely rural, with the centres of population split between small towns and villages.

In January, the Council 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.

The Council has always maintained a strong financial position to ensure that good quality, high priority services are provided and maintained, while providing good value for money. However, like other local authorities, Rushcliffe Borough Council has experienced budget cuts in recent years. This is likely to become increasingly difficult owing to new demands and tighter public finances, which includes the removal of all general central government grant by 2019/20.

1.2 Corporate Strategy

The Council's 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; and
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 Council's Performance Management Board.

2 DEVELOPING THE INTERNAL AUDIT PLAN

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; and
- Nigel Carter, Service Manager Finance and Commercial.

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

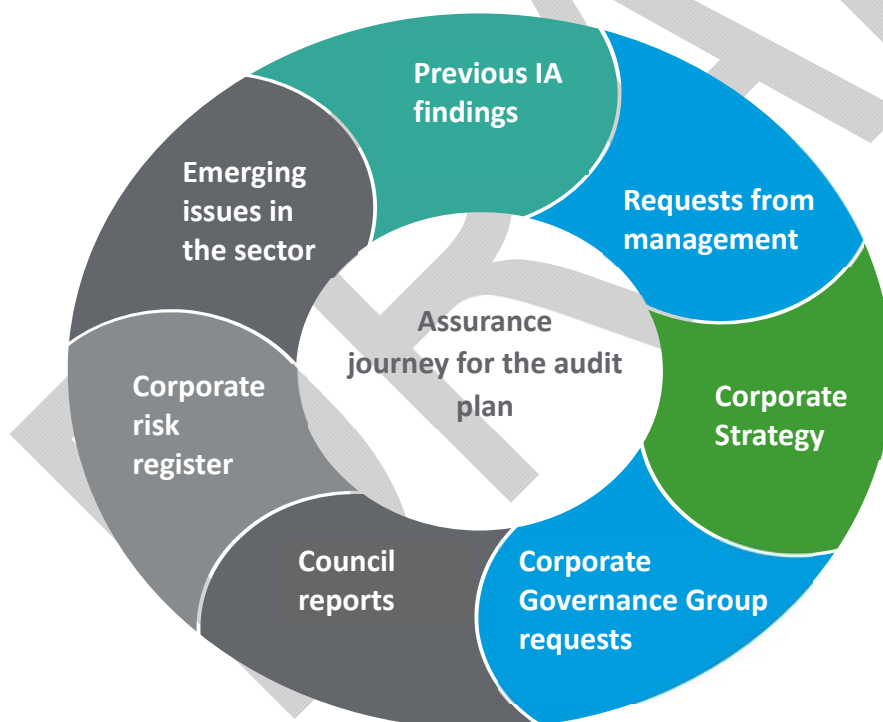


Figure A: Sources considered when developing the Internal Audit Strategy

2.2 How the plan links to your strategic objectives

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 within the strategy.

Area	Reason for inclusion/ 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. Specific IT areas for review will be discussed and agreed with management.
GDPR Post Implementation Review	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 its key stakeholders. 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. A post implementation review has therefore been included for 2018/19.
Financial Systems	The local government sector like other sectors faces financial pressures and there is a risk of financial loss and cashflow issues; these issues could lead to breakdown in basic financial controls with increased risk of fraud. Within the 2018/19 plan we have included a number of reviews focusing on specific financial areas including Asset Investment, Budgetary Control and Setting, Payroll and Income and Debtors.

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

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) and supported by Amjad Ali as your Client 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 Corporate Governance 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 organisation's risk profile effectively?
- Does the plan for internal audit (as set out at Appendix A) cover the organisation'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 2018/19

Audit	High Level Scope for 2018/19	Proposed timing	Days
Risk Based Assurance			
Community Facilities	The audit will review the Council's processes around how their facilities are marketed and advertised to the local community, how events are managed and risk assessed, whether the use of Council facilities are being organised and monitored appropriately and ensuring that correct fees and income are received.	Qtr 3	7
IT Review	To review the processes employed by the Council for the management of risks in relation to the Council's IT network. It has been agreed with management that we will undertake one IT review during the year and exact scope to be agreed with management.	Qtr 3	10
Contract Management	The review will focus on the new Car Parking contracts the Council has agreed to, the roles and responsibilities of the Council and the service provider(s), monitoring arrangements and key performance indicators to ensure that a robust framework is in place.	Qtr 4	10
Safeguarding	This review will consider the extent to which Council is compliant with the requirements of Safeguarding. In particular, we will review whether adequate policies and procedures are in place which clearly outline staff roles and responsibilities for safeguarding arrangements, that staff have attended safeguarding training, the Council have made the necessary Disclosure and Barring Service checks, that necessary risk assessments have been completed and the Council is compliant with current legislation.	Qtr 4	8
Markets	The audit will ensure that appropriate policies and procedures are in place which clearly define the trading rules. We will ensure that agreements are in place between the Council and market traders and that they set out clear roles and responsibilities for both parties, that trader applications are completed and trader insurances are in place. As part of the review we will undertake a visit to Bingham Market.	Qtr 1	10
Health and Safety	This review will focus on ensuring that the Council has adequate health and safety procedures in place with third parties, including contractual arrangements and ensure data is stored securely on the health and safety system used by the Council.	Qtr 3	8

Core Assurance

Risk Management	Consideration of the current risk management framework and arrangements which will include the risk management strategy, business areas approach to risk, risk register, reporting of risk and mitigations, review and update of the risk registers. Information report to management and committees.	Qtr 1	6
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Date Assurance

GDPR Post Implementation Review	A post implementation review to ensure the Council has established effective systems to support compliance with the Data Protection requirements in respect of data storage, archiving, security, and subject access. In addition, we will follow up any management actions raised as part of our pre implementation GDPR review undertaken in 2017/18.	Qtr 1	7
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Controls Compliance

Budgetary Control and Setting	This review will consider the budget setting process is robust and each budget is considered on a line by line basis each year, resulting in its approval.	Qtr 3	8
Asset Investment	This review will ensure that the Council has a defined Asset Investment Plan in which objectives are clearly stated. We will also ensure that the Council has adequate controls in place to ensure that assets are managed appropriately.	Qtr 2	6
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. We will look to use data interrogation software to supplement our testing.	Qtr 3	8
Council Tax	Our audit will provide assurance that policies and procedures in relation to Council Tax are followed and correct charges are being applied and will include identification and recording of persons liable for Council Tax, billing methods and payment collection, recovery and writes offs, segregation of duties, exemptions, discounts and refunds. We will look to use data interrogation software to supplement our testing.	Qtr 2	8
NNDR	Our audit will provide assurance that policies and procedures in relation to NNDR are followed and correct charges are being applied and will include identification and recording of persons liable for NNDR, billing methods and payment collection, recovery and writes offs, segregation of duties, exemptions, discounts, refunds including rate relief, inspection of void properties and completion of returns including NNDR returns. We will look to use data interrogation software to supplement our testing.	Qtr 2	8
Income and Debtors	This review will seek to ensure that all income due to the Council is recorded in the accounting system and that controls are in place to monitor and reduce the levels of outstanding debt.	Qtr 3	8

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	10
Follow Up	To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management.	Qtr 4	8
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; and• Preparation of the annual opinion.	Throughout the year	20

APPENDIX B: INTERNAL AUDIT STRATEGY 2018/19 – 2020/21

Proposed area for coverage	Potential Risks	2018/19	2019/20	2020/21
Risk based assurance				
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.	✓		
Country Parks	Key controls are not operating effectively at the Country Parks which may lead to a loss of income or a health and safety incident occurring.			✓
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	2018/19	2019/20	2020/21
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.		✓	
Bingham Leisure Centre	New project is not managed effectively to ensure that the Council has achieved its desired outcome.			✓
Enforcement – Statutory Nuisance	The Council fails to take appropriate, consistent action against those breaching legislation, policy or decisions made which could lead to higher number of complaints being made and reputational risk to the Council.		✓	
Contract Management	Contracts are not managed effectively leading to poor quality service and the Council being able to demonstrate value for money.	✓		✓
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.		✓	
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.		✓	
Hybrid Mail / Printing	Inadequate service is being provided to the Council by their external contractor and internal processes are not being appropriately followed.			✓
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	2018/19	2019/20	2020/21
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.	✓		
Health and Safety	The Council do not have adequate health and safety procedures in place with third parties, including contractual arrangements to ensure data is stored securely on the health and safety system used by the Council.	✓		✓
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				
GDPR Post Implementation Review	The Council has not established effective systems to support compliance with the Data Protection requirements in respect of data storage, archiving, security, and subject access.	✓		
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	2018/19	2019/20	2020/21
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.		✓	
Asset Investment	The Council is not compliant, in terms of its governance arrangements, with its investments in line with the Treasury Code.	✓		
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	✓		✓
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 previously agreed management actions.	✓	✓	✓

Proposed area for coverage	Potential Risks	2018/19	2019/20	2020/21
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 	✓	✓	✓

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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 organisation 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 plan for 2018/19.

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
- International Standards for the Professional Practice of Internal Auditing.

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 and Deputy Chief Executive and S151 Officer.

The Head of Internal Audit has unrestricted access to the Chair of 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 organisation 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.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior management who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board of directors - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. Corporate Governance Group).

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 organisation where audits will be performed, including other specialised services from within or outside the organisation.

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

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- 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 organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

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 PSIAS use the terms Board and Senior management. For the purposes of our internal audit services to Rushcliffe Borough Council, these are defined as:

The board refers to the Corporate Governance Group which assumes responsibility for overseeing the work of internal audit.

Senior management is defined as those responsible for the leadership and direction of the organisation.

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.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under PSIAS, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Corporate Governance Group.

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 10 working days.
- 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

Name: Amjad Ali, Senior Manager

Email address: Amjad.Ali@rsmuk.com

Telephone: 07800 617 139

rsmuk.com

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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of Rushcliffe Borough Council and solely for the purposes set out herein. 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 third party which obtains access to this report or a copy and chooses to rely on it (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 you 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.

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 <p>Corporate Governance Group</p> <p>10th May 2018</p> <p>GDPR & ISO27001 Update</p>	8
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Report of the Interim Chief Information Officer

1. Summary

1.1 This paper deals with two separate but related matters:

- The Council's approach to implementing actions and changes in readiness for the General Data Protection Regulation (GDPR) on the 25th May 2018. The Council has made good progress in identifying, assessing and implementing the changes to meet its obligations associated with the new data protection legislation. More details of the work completed to date are provided below.
- Progress with and current status of a gap analysis of the Council's information management arrangements against the Information Security Management Standard ISO27001:2013. The gap analysis is still in progress but indicates the Council has managed systems in place across a number of control areas. Consideration is being given to applying for an external assessment to validate the internal analysis. More details of the work completed to date are provided below.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group note the contents of the report and the accompanying presentation.

3. General Data Protection Regulation (2016)

Governance

- 3.1 The GDPR comes into effect on the 25th May 2018, and will be enacted in the UK through the Data Protection Act 2018. In November 2017 a formal GDPR Project Board was established, chaired by the Interim CIO, with support from the four Service Managers and ICT representation. An action plan was established based on the twelve work streams recommended by the Information Commissioners Office.
- 3.2 The Board has met regularly to assess progress and review and update the GDPR action plan. At the time of this report significant progress has been achieved and the action plan provides a framework for delivering and embedding further improvements relating to information management in general, and data protection in particular.
- 3.3 The current suite of Information & Security Management policies have been reviewed and updated and a number of new policies have been drafted, including a Data Protection Impact Assessment policy. A number of other corporate

templates, e.g. Project Management documents, have been reviewed and updated to reflect the changes associated with GDPR.

3.4 An internal audit conducted in February 2017 did not identify any significant weaknesses with the approach the Council was taking with respect to GDPR. The sections below provide further details on the twelve work streams within the action plan.

3.5 Awareness

A GDPR Communications Plan was implemented in late 2017. A new e-learning package was developed, tested and implemented and it is mandatory for all office-based staff to complete this training. At the time of this report 85% of staff had completed the training and active steps are being taken to ensure the remainder have done so no later than the 11th May. For field based staff a briefing session is planned for mid-May highlighting what GDPR means to them.

A new 'At a Glance' GDPR leaflet was produced and circulated to staff and Members during April. On-going communications via 'staff matters' have been issued, including a series of posters / screen savers, FAQs, a specific GDPR intranet page and electronic contact form.

A series of GDPR presentations have been delivered by the Interim CIO, including:

- Employee Liaison Group (December 2017);
- Leadership Forum (February 2018);
- Councillors Briefing (April 2018);
- Development Managers Liaison Group (April 2018);
- Town and Parish Councillors Forum (May 2018)
- Leadership Forum (booked for 17th May 2018)

3.6 Information the Council holds

The Council reviewed and updated its existing Information Asset Register (IAR) to ensure it captured all of the requirements of GDPR. All Information Asset Owners (IAOs, typically Lead Specialists) engaged with the process of updating their IAR. Actions arising from this update, for example, identifying where a data sharing agreement is required, are being addressed as part of the CIO Work programme for 2018/19.

3.7 Communicating Privacy Information

As part of the update of the IAR, identifying opportunities to introduce, change or replace existing or new privacy notices were identified. Under GDPR, privacy notices need to be more comprehensive and explicit when informing the public about how the Council will manage and protect their personal and sensitive information. A number of privacy notice templates have been created and are being implemented with the IAOs.

3.8 Individual's Rights

The implementation of GDPR introduces enhanced rights for citizens, otherwise known as 'data subjects'. The Council has been reviewing how current systems

enable these rights to be exercised, e.g. through the provision of an appropriate privacy notice.

3.9 Subject Access Requests

GDPR introduces two notable changes compared to the current subject access rights under the Data Protection Act (1998):

- A reduced time limit to respond to such requests - 30 calendar days rather than 40;
- In most cases, a standard £10 charge to process such requests cannot be charged.

Historically, the Council's Senior Solicitor has dealt with subject access requests and the number of requests has generally been low. Since the retirement of the Senior Solicitor in April 2018 other members of the Legal Services team have assumed interim ownership of any submitted requests.

A new Subject Access Request policy has been drafted along with a new range of supporting procedures, notices and template letters.

3.10 Legal Basis for Processing Personal Data

Through the updates to the IAR, each personal data process or flow has identified the legal basis underpinning that process or flow. In cases where the process or flow involves a third party acting as a 'data processor', proactive engagement has taken place to ensure the Council obtains written assurances that these providers are themselves GDPR ready. The contracts management arrangement and systems are being updated to provide a robust framework for the future, at all stages of the contract lifecycle.

Where the IAR has indicated the requirement for a formal contract or data sharing/processing agreement, these are being addressed as part of on-going work. New data sharing and data processing templates have been created and are now being implemented as part of a phased roll-out.

3.11 Consent

The updates to the IAR have identified a small number of personal data processes or flows which rely on consent as the legal basis for data processing. Work is underway with the relevant IAOs to ensure this processing is underpinned by robust systems for capturing and recording consent, for reviewing these consents on a regular basis and for acting on instructions where consent is withdrawn.

In February 2017, the RCCC changed its processes to include the ability for members of the public who had contacted them to provide their consent to receive official information from the Council about matters of general interest. By the end of April, approximately 2400 citizens had provided this consent and work is underway to agree how to utilise this information to keep local residents informed and up to date (in a cost effective manner) about activities the Council is organising or facilitating.

3.12 Children

Under GDPR, 'children' are defined as anyone under 16. The UK has applied a derogation which reduces this to 13. The main effect of this is to enable UK citizens aged 13 and above the legal right to provide their own consent rather than having to obtain this from their parents or other legal guardian. Particular care relating to the management of children's personal data (including the ability to verify the actual age of the child) is required where they may be accessing or using 'information society services' such as social networking platforms.

To date, this has not been identified as a significant issue for the Council but this is being kept under review as part of on-going work.

3.13 Data Breaches

One of the biggest areas of impact arising from GDPR is the additional requirements and responsibilities in the event of a personal data breach. The scope of what needs to be captured and reported, internally and externally, represents a marked change to the current reporting regime. Third party data processors are also impacted by these changes. The penalties and fines under GDPR are significantly higher than under DPA (1998).

The Information Commissioners Office (ICO) has published guidance on the management of personal data breaches and the Council is applying this guidance to update of our internal policy. A desktop 'breach incident' exercise is planned for May.

3.14 Data Protection by Design (DPbD) & Data Protection Impact Assessments (DPIA)

Previously recommended as good practice, DPbD and DPIAs are now enshrined as part of GDPR. The Council has carried out Privacy Impact Assessments in the past but there will be higher expectations to ensure both DPbD and DPIA are incorporated into project governance and change management arrangements going forward.

A specific policy has been drafted to address this requirement and project management templates are being updated. The Interim CIO will be attending the Leadership Forum on the 17th May to give the EMT, Service Managers and Lead Specialists a presentation on this particular area of change associated with data protection.

3.15 Data Protection Officer (DPO)

As a public authority the Council is legally required to have a DPO in post as part of the GDPR accountability framework. The Interim CIO is the designated DPO (and SIRO) at the current time. It is anticipated this responsibility will revert back to the substantive CIO in late July / early August.

To embed this role within the Council, the roles and responsibilities of the DPO have been reflected in the policy review process and the 'Guidance on Mandatory Roles' training document aimed at Lead Specialists and above.

The SIRO Audit template has also been updated to include additional questions to reflect GDPR. This audit is underway and the outputs and actions arising will be reported to EMT and form part of the DPO work programme for 2018/19.

The designation, position and tasks of the DPO (as described in GDPR Articles 37-39) will be kept under review going forward to ensure the requirements of the role continue to be met.

3.16 International

This relates to organisations who operate internationally so does not apply to the Council. Through the updates to the IAR we have confirmed that there are no international data transfers in place. This issue will be kept under review as part of the maintenance of the IARs.

ISO27001: 2013 Gap Analysis

- 3.17 The Council has, for a period of time, been tracking its compliance against ISO27001 (“the standard”) as part of the information management strategy and related policies. More recently, the Council achieved certification against the Cyber Essentials standard which is comprised of a smaller set of security control objectives. A recent ‘Cyber Security and ISO27001’ internal audit report highlighted six low priority recommendations which will be fed into further improvement activities.
- 3.18 The standard is generally regarded as a more comprehensive set of controls, covering not just technical controls but addressing related areas such as physical security, human resources, training, information classification, supplier management and compliance with legal and contractual requirements. In some respects, therefore, there are overlaps with GDPR and it is already clear that progress made with the latter, e.g. in relation to the management and due diligence around ICT systems and supplier contracts, is having a positive impact on some control areas within the standard.
- 3.19 Certification against the standard is considered as the benchmark for any organisation seeking to obtain independent assurance that its own control environment is robust. It is also a *de facto* requirement for organisations offering a commercial, professional ICT service to others and is increasingly becoming essential if an organisation is applying for government or other public sector contracts, especially where personal or sensitive data is involved.
- 3.20 A gap analysis against the standard is in progress. The scope of the analysis is the ICT team and systems. Two meetings have taken place with the ICT Manager and wider team (February and April) to review each control objective in turn. When deciding on the status, reference was made to the auditing guidelines published by the ISO27k Forum.
- 3.21 For each control objective an assessment was made using the criteria below. The number of requirements in each category indicated:

N/A	Not Applicable	4
Initial (Red)	Development has barely started and will require significant work to fulfil the requirements	3
Defined	Development is more or less complete although detail is	26

(Amber)	lacking and/or it is not yet implemented, enforced and actively supported by top management	
Managed (Green)	Development is complete, the process/control has been implemented and recently started operating	81
	Total	114

- 3.22 During May-June the gap analysis will be developed further. A separate ISMS document will be developed, cross-referencing individual policies and procedures already in place, and encapsulating the wider security governance arrangements relevant to the standard. Active consideration is being given to the introduction of a subset of security metrics derived from ISO27004/2016 to provide security management indicators in support of specific control objectives related to the standard. These will be agreed and implemented during this same time period.
- 3.23 Two external organisations have provided a non-binding quote to carry out an external assessment against the standard, using the ISMS and gap analysis completed internally, along with a separate on-site visit. This will cost approximately £1000 and could be completed before the end of July 2018.
- 3.24 The Council has been following many aspects of the standard over recent years. The gap analysis to date suggests that this has led to a level of maturity which would stand the Council in good stead if it were to apply for certification. At the very least, the gap analysis has identified a number of improvement opportunities that are being progressed with the ICT team.
- 3.25 If certification was sought and achieved, this external and independent endorsement would demonstrate high standards and a professional approach to ICT management which could be a valuable selling point as the Council seeks further commercialisation opportunities in the future.

4. Standards

- 4.1 **Appendix A** lists a number of standards that the Council is either certified against or maintains compliance with. Certain standards incur cost to achieve certification; as a result, a decision is made whether to simply maintain compliance with a standard or whether to invest funds to achieve certification.

5. Implications

5.1 Finance

Dependent on approval, the Council may commit to obtaining an external assessment against the ISO27001 standard within the next three months. The costs received to date indicate this will be in the region of £1000. Costs associated with the changes relating to GDPR are being met within existing resources.

5.2 Legal

The Council needs to abide by the requirements of the Freedom of Information and Data Protection Acts. The Council is obligated to look after data and sensitive data in the appropriate way. If a member of the public is unhappy with the way his or her data has been handled they can make a complaint to the Council or to the Information Commissioner.

5.3 Corporate Priorities

The implementation of the requirements associated with GDPR aligns with and supports the Council's Corporate Priorities. Achieving certification against ISO27001 would further strengthen and underpin the general responsibility for the Council to demonstrate it has a robust information security and governance framework in place, and could further contribute to achieving future commercialisation income.


5.4 Other implications

There are no other implications.

For more information contact:	Ken Thompson Interim Chief Information Officer 07817 319431 kthompson@rushcliffe.gov.uk
Background papers Available for Inspection:	GDPR Project Board Terms of Reference, Minutes and Action Plan GDPR Communications Plan ISO27001 Gap Analysis assessment
List of appendices (if any):	Appendix A – Glossary of terms / standards

Glossary of terms / standards

CoCo	Code of connection – the standards that must be met in order for a local authority to be connected to the Public Services Network (PSN). Currently provides for example secure email and access to Department of Work and Pensions data to support the Council's processing of Housing Benefits. (The Council is certified against this standard)
Cyber Essentials	Is a UK government scheme encouraging organisations to adopt good practice in information security. It includes an assurance framework and a simple set of security controls to protect information from threats coming from the internet. (The Council achieved certification against this standard in February 2018)
GDPR	General Data Protection Regulation, which will be enacted in the UK through the Data Protection Act 2018. (The Council is compliant with its legal responsibilities as a Data Controller)
ISO 27001	Is a specification for an information security management system (ISMS). An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. (The Council aims to remain compliant with this standard as a minimum, and seek external assessment in 2018)
PCI/DSS	Payment Card Industry - Data Security Standards. The Council must be compliant with this set of standards in order to enable it to process payments made using credit or debit cards. (The Council is certified against this standard)
PSN	Public Services Network. (The Council is certified against this standard)

 <p style="margin: 0;">Corporate Governance Group</p> <p style="margin: 0;">10 May 2018</p> <p style="margin: 0;">Risk Management and Emergency Planning Update</p>	9
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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 8 December 2017 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.

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 Executive Management Team met as the Council's Risk Management Group (RMG), on 24 April 2018 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 registers, 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 registers taking into account the changing nature of the Council's business and its priorities.

3.2 There are currently 34 corporate risks, unchanged since the last report. The number of operational risks has remained at 29 although there has been one deleted and one new risk, and therefore the total number of risks is 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**.

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

Risks removed:

- OR_FCS04 Failure to implement Paperlite working practice for Members. This risk has been removed following successful implementation.

Risks added or proposed by Service Managers or Risk Management Group:

- OR_NS30 Reduced levels of performance and leisure provision at East Leake Leisure Centre. The risk assessment is 2 impact and 2 likelihood. This risk is has been added as a result of Carillion going into liquidation.

Risks amended:

Five risks have been amended, these are:

- CRR_CO02 Failure of public sector partnerships/ withdrawal of financial support– the likelihood has been decreased from 3 to 2 following Rushcliffe NHS securing funding for the jointly funded Health Development Officer post
- CRR_FCS07 Central Government policy changes – the likelihood for this risk has reduced from 3 to 2 following advice from RMG
- CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales – the likelihood has increased from 2 to 3, due to applications pending with the Local Enterprise Partnership (D2N2) to use the funding against new schemes
- CRR_TR20 Failure to successfully complete the Rushcliffe Arena snagging list – the likelihood has reduced from 3 to 2 as a result of regular meetings and progress to date
- CRR_TR21 Failure to comply with the Data Protection Act – the impact has increased from 2 to 3 due to the penalties associated with not meeting compliance with the new General Data Protection Regulation (GDPR).

4 Emergency Planning Update – Incident response

- 4.1 To develop the resilience of Rushcliffe's response to incidents, three staff with GIS skills have been trained in addition to the emergency planning officer as map users on the Resilience Direct incident response mapping software. These staff can now support the Executive Management team or also support a multi-agency tactical coordinating group or recovery coordinating group. The mapping system allows for one picture of understanding of the incident to be shared by all partners. The level of detail allows for postcode level information of affected areas to be produced, which aids among other things the identification of vulnerable people through existing systems and allows targeted support.
- 4.2 The Kerslake Report into the response to the Manchester Arena attacks has very recently been released; this will be reviewed for any local authority lessons that can be incorporated into Rushcliffe's plans.

5 Emergency Planning Update – Training

- 5.1 Water awareness training was delivered to three new depot duty officers who work on the out of hours on-call system, who will be responsible for responding to flooding incidents and deploying staff and maintaining their safety. A further programme of training will be delivered later this autumn as operational staff are due their water awareness refresher training.

- 5.2 Work has been conducted with police and counter terrorism colleagues to develop a workshop for event teams and event organisers around counter terrorism at events. These are aimed at educating organisers and staff of crowded places events of the current threats and precautions and vigilance they can employ to disrupt any hostile planning. It allows them to understand the police response and to apply their new knowledge to any incident given events could have event participants injured through driver heart attacks, not just vehicle born attack.
- 5.3 The emergency planning officer attended a presentation provided by staff from MI5 on hostile vehicle mitigation measures. This was part of a programme of events to raise knowledge around the resources available to create deterrents and barriers to vehicle born attacks. Currently multi agency work is being led by Nottinghamshire County Council emergency planning team focused on replacing temporary barriers around the two major sporting facilities within Rushcliffe with permanent structures. Rushcliffe planning team are being involved in this work.

6 Emergency Planning Update – Exercising

- 6.1 A member of EMT and the emergency planning officer attended a multi-agency move to critical exercise, aimed at testing organisational move to critical plans produced following the September workshop.
- 6.2 Staff attended a communications exercise run by Nottinghamshire Police. This looked at incident response, mutual aid and the hand over from police to local authorities as the communications lead in recovery.
- 6.3 Members of EMT took part in the Local Resilience Forums (LRF) major exercise for 2017/2018 “Diamond IV”. This was a four day table top exercise based on a large scale flooding incident within Nottinghamshire. The exercise also fed into a regional exercise based on wider river Trent flooding affecting the region and requiring military assistance. Over the three days there were a number of tactical and strategic coordinating groups at the multi-agency coordinating centre. The scenario involved major flooding based above the year 2000 flood levels with the real possibility that large parts of Rushcliffe would be flooded.
- 6.4 The LRF major exercise for 2018/2019 is Exercise Silver Siren. This is a joint military and multi-agency exercise based on air crash post management procedures and will involve the simulation of a military plane crash on the A46. For the purpose of the exercise a runway at RAF Syerston is being recreated into the A46 complete with plane fuselage and crashed cars.

7 Implications

7.1 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.

7.2 Legal

The Risk Management Group ensure that the Section 17 implications are contained within the risk register.

7.3 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 kmarriott@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_FCS05 Revaluation of major business rate payer		12
CRR_FCS06 Lack of funding from partners		4
CRR_FCS07 Central Government policy changes		6
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		6
CRR_FCS13 Failure to deliver the Transformation Strategy		8*
CRR_FCS20 Failure to properly manage and deliver significant projects		4
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		12
CRR_TR20 Failure to successfully complete the Rushcliffe Arena snagging list		4
CRR_TR21 Failure to comply with the Data Protection Act		6
CRR_TR22 Loss or compromise of confidential or restricted information or data		3
CRR_TR23 Grenfell Tower post incident risk to commercial buildings in Rushcliffe.		1

*The risk score was shown in error as 6 in the last report.















Added to the register















Risk Code & Title	Status	Current Rating

New risks in development


Risk Code & Title	Status	Current Rating
None		

Operational Risks

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_CO06 Loss of income as a result of the refund of planning application fees (under the provisions of the Government's Planning Performance and Planning Guarantee).		4
OR_FCS01 Failure to meet major statutory duties or take on board new legislation		4
OR_FCS03 Inadvertent illegal activity, taking illegal decisions		2
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		6
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_NS25 Failure to deliver mandatory DFG grant due to insufficient funding		2

OR_NS28 Delivery of social rented affordable housing		6
OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place (resulting in reduced standards or increased levels of resident dissatisfaction).		3
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		2
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_TR23 Challenge to ensure sufficient car parking spaces at Rushcliffe Arena		4
OR_TR24 Failure to successfully review the day to day operation of the Rushcliffe Arena		4

Added to the register

Risk Code & Title	Status	Current Rating
OR_NS30 Reduced levels of performance and leisure provision at East Leake Leisure Centre. New risk as a result of Carillion going into liquidation. Likelihood and impact score 2.		4

New risks in development

Risk Code & Title	Status	Current Rating
None		

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 <p>Rushcliffe Borough Council</p>	<p>Corporate Governance Group</p> <p>10 May 2018</p> <p>Annual Governance Statement 2017/18</p>	<h1>10</h1>
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Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 In accordance with the Accounts and Audit Regulations 2015 the Council is required to prepare an Annual Governance Statement (AGS). This is published alongside the Council's Statement of Accounts. The Corporate Governance Group, by reviewing this Statement, scrutinises the Council's governance arrangements.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) Review and approve the 2017/18 Annual Governance Statement (**Appendix A**).

3 Reasons for Recommendation

- 3.1 To conform with best practice with regards to corporate governance and comply with relevant legislation.

4 Supporting Information

- 4.1 The Council is required to publish an Annual Governance Statement (see Appendix A) alongside the Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS, 'Delivering Good Governance in Local Government (2016 Edition)'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 4.3 It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size. The AGS is attached at Appendix A and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The leader and the Chief Executive are required to sign the AGS and this will be completed in July Statement of Accounts.

4.4 The AGS reflects the requirements of the updated the CIPFA/SOLACE “Delivering good Governance in local government framework (2016)”. The Corporate Governance Group adopted the new code last year and the 7 principles within the Local Code are referenced in the relevant sections of the AGS. Other content surrounding, for example, Section 4 ‘Significant Governance Issues’ will inevitably alter as new risks and opportunities arise and the environment we operate in alters.

4.5 Cabinet, at its meeting on 15 May 2018, will consider the outcomes from the Corporate Peer Challenge. It is envisaged that any governance related outcomes from this report, along with any governance issues raised by KPMG as part of their annual audit of the accounts, will form the basis of the AGS action plan. This action plan will be incorporated into the final version of the AGS and will be considered by this Group, at its meeting on 17 July 2018, as part of the review of the Statement of Accounts 2017/18.

5. Other Options Considered

5.1 Not Applicable

6. Risk and Uncertainties

6.1 The process of preparing and reviewing the AGS adds value to the corporate governance and internal control framework of the Council.

7 Implications

7.1 Finance

There are no direct financial implications arising from this report.

7.2 Legal

Compliance with the Accounts and Audit Regulations 2015.

7.3 Corporate Priorities

Not applicable

7.4 Other Implications

None

For more information contact:	Nigel Carter Service Manager - Finance and Commercial 0115 914 8430 ncarter@rushcliffe.gov.uk
Background papers Available for	KPMG – External Audit report 2017/18

Inspection:	RSM – Annual Report 2017/18 Local Code of Corporate Governance
List of appendices (if any):	Appendix A - Annual Governance Statement 2017/18

Annual Governance Statement 2017/18

1. ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

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

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

Principles C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them*

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2022/23 and introduce its sixth Corporate Strategy covering the period 2016 to 2020. The three key themes for this strategy are:

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

The integration of service and financial planning has continued through the budgets for both 2017/18 and 2018/19, and the financial strategy to 2022/23.

During 2017/18 the Council reviewed its approach to the financial pressures facing all public bodies through the continued development of its Transformation Strategy. This outlines how the Council will meet its financial challenges until 2022/23. The Transformation Strategy focuses upon three key elements income generation, service re-design and business cost reduction. It highlights the relationship between the Corporate Strategy, the Medium Term Financial Strategy and the Transformation Strategy. As part of the service re-design process the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

Progress against previous priorities and actions, as laid down in previous service plans, has been reported to the Performance Management Board during the course of the year. All key tasks within the current service delivery plans have been linked directly to the Council's objectives.

2.2 Improvement and Efficiency

As with other public bodies the Council faces unprecedented financial pressures. The impact of the reductions in Revenue Support Grant of around £3.25m (from 2013/14 to 2019/20) has meant the Council has to find significant efficiencies, maximise its income streams and be increasingly innovative and commercial. The Transformation Programme has delivered in excess of £4m in efficiencies and the Council's commitment to utilising its own resources to fund commercial property investments, along with other cost constraints and income generation, has meant that what was a £1m target by 2019/20, reported last year, has substantially reduced to £0.29m and the Council is on-track to be self-sufficient and not reliant upon Government grant. This is subject to the Council continuing to deliver on both its Asset Investment Strategy commitment and other areas of the Transformation Programme. There remains the need to continue to identify savings and continue to raise additional income via the Transformation Strategy in order to meet financial pressures in the medium term, the Transformation Strategy fulfilling the role of the Council's Efficiency Statement, a requirement in accepting the four year settlement from the Government. The following thematic areas summarise how the budget will be balanced in future years:-

- (a) Service Efficiencies – focusing on cost management, income maximisation, mechanisation and streamlining services;
- (b) Management budget reviews – challenging base budgets each year;
- (c) Transformational Projects - projects such as building control and garage partnerships; and

- (d) 'Thinking big' reviews – for example the continued activation of the Leisure Strategy and Depot relocation projects.

To secure a medium term financial position the Council will maintain progress and focus on managing budget reductions where appropriate, manage inflationary pressures on its operational costs, whilst increasing income where appropriate, to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. An important pillar of this is property investments with the Council's Asset Investment Fund rising to £20m. The Council's Capital and Investment Strategy now incorporates reporting on commercial investments (complying with professional recommended practice) governing the risk of such investments individually; and collectively in relation to the Council's other income streams. The Transformation Programme anticipates a further £300k income in relation to such investments. Other areas covered include Streetwise as mentioned in section 4.1.

2.3 The Constitution

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

A comprehensive document detailing the Council's constitution exists which sets out the clearly defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions;
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet is supported by four scrutiny groups;
- Scrutiny groups develop their own work programme for the review of Council policies in addition to scrutinising the work of the Cabinet;
- Separate committees exist for Planning, Employment Appeals, Alcohol and Entertainments Licensing, Interviewing and Licensing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution as a whole is reviewed when necessary and appropriate. The last review was undertaken in 2017/18. This was a significant review, overseen by the Corporate Governance

Group and led by a Member working group, advised by the Monitoring Officer, rationalising the document and improving its accessibility and transparency.

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Chief Executive, the Section 151 Officer and the Monitoring Officer. The Chief Executive has overall corporate management and operational responsibility (as such is the Head of Paid Service) including overall management responsibility for all officers. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is up-to-date.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2017/18, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2017/18 the Executive Manager (Finance and Corporate Services) held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The post holder also has direct access to the Corporate Governance Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by RSM. The effectiveness of this service is monitored by the Corporate Governance Group.

Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Operations and Transformation).

2.5 Risk Management

Principle F – *Managing risks and performance through robust internal control and strong public financial management*

The Council's risk management arrangements are regularly reviewed. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group (CGG) throughout the year. As part of the annual review of Risk Management (December 2017) the CGG considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2017/18 Annual Report by Internal Audit acknowledges that the Council has an adequate and effective

framework for risk management, governance and internal control with further enhancements required.

2.6 Development and training needs

Principle E – *Developing the council's capacity including the capability of council leadership and staff*

The Council achieved Councillor Member Development Charter status in March 2011 and has a cross party Member Development Group (MDG) to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis.

Each Councillor is offered the opportunity to undertake an annual Personal Development Plan the results of which are used to inform the on-going Member Development Programme. Development needs are also identified directly by feedback from Councillors and in response to issues which may occur throughout the year.

To support new and returning Councillors a comprehensive induction programme has been developed for delivery after the local elections. The delivery of this is overseen by the cross party MDG who evaluates its effectiveness upon its completion based on Councillor feedback. A revised programme of training was agreed by the MDG in 2016/17 and has been subsequently monitored and refreshed at its meeting in August 2017 and January 2018.

The identification and delivery of appropriate training for officers is dealt with via the Learning and Development Plan which links to the annual performance development review (PDR) process. The Council recognises the importance of training to its workforce this includes, for example, the offer of the Masters in Public Administration Programme, working as a triumvirate with Gedling and Newark and Sherwood District Councils.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all 48,000 households and these set out details of a number of key service changes, and ask for customer feedback.

The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultation was undertaken, for example on Local Plan 2, car park charging, West Bridgford Commissioners survey. We use social media (Facebook, Twitter and LinkedIn) and the Council's website to promote these consultations in a timely fashion, linking through to online consultation to encourage responses.

The Council's resident satisfaction survey was last completed in October 2015 when over 700 residents completed the survey which was available online and through Rushcliffe Reports. 90% of residents responding to the survey are happy with the borough as a place to live, 76% are satisfied with the way the Council runs things, and 65% believe the Council provides value-for-money. On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises is used to improve services to all customers. The next resident satisfaction survey is planned for summer 2018.

The Council also undertakes consultation to inform decisions relating to policy changes. In December 2017, the Council's staff completed a survey with 97% of staff reporting that they

understand the values of this organisation and 'how I am expected to do things', 81% felt the Chief Executive and Executive Managers are more visible and accessible in the new office and 77% said they are enjoying new ways of working. Overall, the results were excellent, and this positive response was echoed in the initial findings of the Corporate Peer Challenge undertaken in January 2018. The findings are due to be reported to Cabinet in May 2018.

2.8 Partnerships

The Council has in place a scrutiny group that reviews significant partnerships with which the Council is involved. The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion. There are also quarterly meetings of the Streetwise Board chaired by the Leader of the Council. Whilst Streetwise brings opportunity there is also risk in terms of how the Company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces.

2.9 Transparency

<p>Principle G – <i>Implementing good practice in transparency, reporting and audit to deliver effective accountability</i></p>
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All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken. Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports. Reports from the Council's internal (RSM) and external (KPMG) auditors are published online, including their annual reports.

The Corporate Governance Group and Performance Management Board monitor performance against targets on a quarterly basis. Internal Audit comply with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and all staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate. In April 2017 the Planning Peer Review was reported upon and was largely complimentary on the work of the Planning Service and the challenges it faces.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates and this review is considered by the Corporate Governance Group.

3.2 **The Council**

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework

3.3 **The Cabinet**

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions

3.4 **Scrutiny groups- Corporate Governance Group**

The Corporate Governance Group is the group within the Council that is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts prior to its agreement by Full Council
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements.

3.5 **Other Scrutiny Groups**

The Performance Management Board reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year the group has considered the equality and diversity plan, the contract with Streetwise Environmental Ltd and the leisure services contracts with Parkwood Leisure, Glendale Golf and Carillion.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Community Development looks at areas that affect

the community such as reputational management and the Leisure Strategy. The other group is Partnership Delivery which is tasked with looking at the effectiveness of current and future potential partnerships across all areas of the Council in achieving the Corporate Plan.

Linked to the Corporate Peer Challenge the Council will be reviewing scrutiny arrangements during 2018/19.

3.6 Executive Managers

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary. In December 2015 the Council re-structured the Executive Management team with there now being four Executive Managers and temporarily employing a Monitoring Officer for that particular function.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Broxtowe and Gedling Councils in 2015/16 this contract was awarded to RSM until 2019/20. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology. The current Strategy now covers the period from 2016/17 to 2018/19.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Corporate Governance Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Corporate Governance Group. As mentioned at Section 2.5 the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 External Audit

The external auditors, KPMG, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In the annual report for 2017/18 KPMG concluded that Rushcliffe Borough Council has good processes in place for the production of the accounts and provided a strong draft for audit. This was supported by good quality supporting working

papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. In terms of value for money, KPMG concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The current external audit contract expires 31 March 2018, with KPMG auditing the 2017/18 Final Accounts, before the newly appointed Mazars take over for 5 years commencing with the 2018/19 accounts.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified and remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council therefore remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

In recent years the Council's external auditors have recognised the quality in the production of the Statement of Accounts. In terms of delivering value for money it is recognised that delivering on-going savings remains a challenge given anticipated future funding reductions. Mitigation regarding this is covered in Section 2.2 and the delivery of the Transformation Strategy. The Council in July 2016, also introduced the Asset Investment Strategy (AIS) which is subject to continued review (and revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

The Council has agreed £20m to be allocated for asset investment (to resource the AIS). In 2015/16 the Authority awarded a Loan of £2.7m to Nottinghamshire County Cricket Club (NCCC). The Section 151 Officer continues to review the position regarding the loan and the project progress with the s151 Officers of Nottinghamshire County Council and Nottingham City Council and the Director of Finance of NCCC. £2.5m has been committed to town centre development and industrial units at Cotgrave, which should realise around £140k of income. During 2017/18 the Council has committed the Asset Investment Fund to invest in up to 15 industrial units at Moorbridge Road, Bingham and the purchase of Bardon at Coalville, Leicestershire and Finch Close, Lenton Lane. These amount to a commitment of £4.6m all of which will contribute approximately £230k in additional income, with other purchases in the pipeline for 2018/19.

Cabinet, at its meeting on 13 June 2017, adopted the Leisure Facilities Strategy 2017-2027. Within this strategy Bingham Leisure Centre, as the largest and oldest of the sites assessed, is identified as requiring the most significant works in the short, medium and long term of the Council's leisure property portfolio. The cost of maintaining Bingham continues to increase within each five year time frame over the fifteen year period. Bingham is therefore highlighted as a priority site for replacement/substantial improvement. Cabinet therefore supported the development of an options appraisal and business case for capital investment for major facility improvement of leisure facilities at Bingham within 5 years.

During 2018/19 the Council will need to manage a number of challenges arising from the on-going financial pressures as a result of reduction in central government revenue support grant and the movement to funding via business rates and in the future 100% of business rates income being devolved to local government (currently the Council receives 40%). One of the biggest financial risks to the Council remains power station appeals given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation. In addition, the likely de-

commissioning of the power station, given it accounts for around one quarter of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is actively looking at options to mitigate this risk. The Medium Term Financial Strategy does highlight an improving position on business rates; this is subject to risks concerning the level, and success, of ongoing Business Rates appeals.

Challenges arising from welfare reform and the continued phased introduction of Universal Credit, now planned for October 2018 for the majority of Rushcliffe, are further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, the work is on-going to identify preferred options for Local Plan part 2, which was approved by Full Council on 27 April 2018. The Council has obtained £9.95m of Housing Infrastructure Fund funding earmarked to deliver 3,000 new homes at land south of Clifton.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall; and the 'Growth Deal' for employment and housing sites alongside the A46. This is indicative of the Council's commitment to support housing and business growth. As already mentioned the Council is committed to utilising the Asset Investment Strategy as the catalyst to release up to £20m to both grow the local economy and provide a financial return to enable the Council to balance the budget and meet its corporate objectives.

The Council continues to be involved in various collaboration activities including payroll, green bins, tree advice, ICT provision and Building Control, with further opportunities being considered, such as extending the green bin service to other Councils and consideration of how other services can be delivered in the future. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- The completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;
- The Council is making the appropriate steps for a 'faster' closedown (given the 31 May deadline for the production of the financial statements and the requirement that they are approved by Full Council by the 31 July 2018);
- The level of Business Rates appeals are reasonable;
- Financial resilience – the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- Governance over the Asset Investment Strategy Fund.

Other challenges and risks for 2018/19 include: the Depot relocation project, linked to this the Council has also strategically acquired land at Chapel Lane, Bingham to be part used by Streetwise and the green waste service. The Council is increasingly innovative using alternative service delivery vehicles. This includes the implementation of both a new holding company and a new management structure for Streetwise Environmental Ltd and the potential

development of a company to manage and invest in property. These will help address issues raised by the Corporate Peer Challenge.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements has been undertaken during 2017/18 to ensure compliance with the General Data Protection Regulations which came into force in May 2018, this work will be ongoing.

The CIPFA Prudential Code and CIPFA Treasury Code were updated in December 2017. In addition, the Government issued revised guidance on local authority investments in February 2016. These change the emphasis of the Treasury Management code resulting in the Council producing a Capital and Investment Strategy (presented to Council as part of the Medium Term Financial Strategy). The revised definition of investments in the CIPFA Treasury Code now includes assets which the organisation holds primarily for financial returns, such as investment property portfolios. Whilst not required to fully adopt these changes until 2019/20, the Council decided to reflect the changes in its Capital and Investment Strategy 2018/19, acknowledging that due to the short timescale between the notification of the guidance and the report, the Strategy will need to be given the opportunity to evolve.

Finally, the Council continues to be mindful of significant uncertainty created by the Government's ongoing review of local government finance with both the Fair Funding and Business Rates reviews and a review of negative revenue support grant due imminently. This is compounded by the fact that what was a 'four year settlement' only has two years remaining, and the impact of BREXIT, making financial projections beyond 2019/20 subject to heightened risk.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed, with new actions planned, are outlined above.


We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....
Councillor S Robinson (Leader)

Signed.....
A Graham (Chief Executive)

Date July 2018

Date July 2018

 <p>Corporate Governance Group 10 May 2018 Work Programme</p>	11
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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

17 July 2018

- Statement of Accounts 2017/18
- External Auditors Annual Governance Report 2017/18
- Health and Safety Annual Report
- Corporate Governance Group Annual Report 2017/18
- Work Programme

20 September 2018

- Internal Audit Progress Report 2018/19
- Treasury Management Outturn 2017/18
- Revenue and Capital Budget Monitoring – Quarter 1 2018/19
- Annual Audit Letter
- Work Programme

4 December 2018

- Internal Audit Progress Report – Quarter 2 2018/19
- Health and Safety Interim Report
- Treasury Management 2018/19 – Six Monthly Update
- Risk Management Progress Report
- Revenue and Capital Budget Monitoring - Quarter 2 2018/18
- Work Programme

7 February 2019

- Internal Audit Progress Report – Quarter 3 2018/19
- Treasury Management Strategy 2019/20
- Revenue and Capital Budget Monitoring – Quarter 3 2018/19
- Certification of Grants and Return Annual Report 2017/18
- Work Programme

9 May 2019

- External Audit Plan 2019/20
- Internal Audit Progress Report 2018/19
- Internal Audit Annual Report 2018/19
- Internal Audit Strategy 2018 – 2021
- IT Progress Report
- Risk Management Progress Report
- Annual Governance Statement
- Work Programme

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.

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