

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

Our reference:
Your reference:
Date: Tuesday, 30 April 2019



**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, 9 May 2019 at 7.00 pm in the 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 'S Sull'.

Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Minutes of the Meeting held on 7 February 2019 (Pages 1 - 10)
4. Internal Audit Progress Report 2018/19 (Pages 11 - 28)

The report of the Executive Manager – Finance and Corporate Services is attached.
5. Internal Audit Annual Report 2018/19 (Pages 29 - 44)

The report of the Executive Manager – Finance and Corporate Services is attached.
6. Annual Governance Statement (Pages 45 - 60)

The report of the Executive Manager – Finance and Corporate Services is attached.

Membership

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



Chairman: Councillor K Beardsall
Vice-Chairman: Councillor G Davidson
Councillors: A Brown, B Cooper, R Hetherington, N Lawrence, A MacInnes,
F Purdue-Horan and R Walker

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.

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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.

Recording at Meetings

The Openness of Local Government Bodies Regulations 2014 allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Rushcliffe Borough Council is committed to being open and transparent in its decision making. As such, the Council will undertake audio recording of meetings which are open to the public, except where it is resolved that the public be excluded, as the information being discussed is confidential or otherwise exempt.

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**MINUTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY, 7 FEBRUARY 2019**

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

PRESENT:

Councillors K Beardsall (Chairman), A Brown, B Cooper, R Hetherington,
N Lawrence, A MacInnes, F Purdue-Horan and R Walker

OFFICERS IN ATTENDANCE:

P Linfield	Executive Manager - Finance and Corporate Services
S Whittaker	Financial Services Manager
T Coop	Constitutional Services Officer
D Hoose	Mazars - Partner
A Pipes	Mazars - Manager
A Ali	RSM - Internal Audit

APOLOGIES:

Councillors G Davidson

25 Declarations of Interest

There were no declarations of interest.

26 Minutes of the meeting held on 29 November 2018

The minutes of the meeting held on 29 November, were approved as a correct record and signed by the Chairman.

27 Internal Audit Progress Report - Quarter 3 2018/19

Mr Ali – Internal Audit – RSM provided the Internal Audit Progress Report for Quarter 3. It is the third progress report for the financial year 2018/19 and shows the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period.

Mr Ali provided information on four assignments that had been completed since the last meeting of Corporate Governance Group: Markets, Contract Management – Garages and Fleet, Community Facilities and Contract Management – Car Parking.

- All four audits had returned findings of Substantial Assurance.

- The Markets audit resulted in one medium priority recommendation and one low priority recommendation – both of which had been agreed and appropriate measures will be taken.
- The community Facilities audit resulted in three low priority recommendations and management action had been agreed.

It was **RESOLVED** that the internal Audit Progress Report – Quarter 3 be noted.

28 External Audit Strategy 2019

Mr Hoose – Mazars provided a report that summarised Mazars 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 2018/19.

The report provided a detailed approach that Mazars will use when auditing the 2018/19 Statement of Accounts and specified the work they will undertake, when they anticipate completing the work, and how they will liaise with Council officers. The report also detailed the key risks with regards to 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 account;
- The level of various provisions are reasonable, including bad debt provision, Business Rates appeals and Minimum Revenue Provision are reasonable;
- Financial resilience – both potential changes to local government funding and continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- The appropriateness of commercialisation decisions.

Members considered the report and asked specific questions regarding fraud, and whether Mazars would be able to provide advice and support in the instance of fraud within the Council.

Mr Hoose directed members to the Engagement and Responsibilities Summary in the Appendix to the report advising that:

'As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.'

Members also requested that Group members continue to be given adequate

training and information when making financial decisions.

The Executive Manager – Finance and Corporate Services advised that a training programme is provided for Councillors throughout the year which incorporates financial training such as that provided by Arlingclose the Council's treasury advisors.

It was **RESOLVED** that the External Audit Strategy be approved.

29 **Internal Audit Strategy 2019 - 2022**

Mr Ali – Internal Audit - RSM provided the Internal Audit Strategy for 2019-22, which was approved by the Group at its meeting on 10 May 2018 and is based on discussions with officers and the Chairman of the Corporate Governance Group. He continued to advise members that the Internal Audit team examine the underlying risks facing the Council and update the strategy and the resultant audit plan with senior officers on an annual basis. He added that there are four questions to assist Members in their consideration of the audit plan. These are:

- 1) Is the Corporate Governance Group satisfied that sufficient assurances are being received within the annual plan (as set out at appendix A of the strategy) to monitor the council's risk profile effectively?
- 2) Does the strategy for the internal audit (as set out in appendix B of the strategy) cover the Council's key risks as they are recognised by the Corporate Governance Group?
- 3) Are the areas selected for coverage this coming year appropriate?
- 4) 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?

On the assumption that Members believe the four questions are positively answered then the level of resource should be adequate. RSM have been challenged to continue to provide value for money with their audit fee and Mr Ali confirmed that the audit fee for 2019/20 is £48,750 (excluding VAT).

Members considered the report and asked specific questions in respect of Asset Investment and why this was marked as advisory and will not be audited again until 2021/22. The Executive Manager – Finance and corporate Governance advised that there were new CIPFA guidelines and external auditors are also involved in auditing Asset Investment. Mr Ali added that the Audit Strategy is subject to changes if the group wished to look at Asset investment before 2021/22. Mr Ali to feedback views on whether changes to the audit Plan were necessary given the risk profile of asset investment.

Members thanked Mr Ali for a comprehensive report, but questioned the fee for 2019/20 and whether this was considered value for money. The Executive Manager – Finance and Corporate Services responded by explaining the fee was necessary. Local Authorities are having to respond to national financial challenges and Council's are having to do things differently in an increasingly risky environment.

It was **RESOLVED** that the Internal audit Strategy and Audit Plan for 2019/22 be approved.

30 **Capital and Investment Strategy 2019/20**

The Service Manager – Finance provided the Capital and Investment Strategy 2019/20 report, which focused on traditional treasury activity and the Council's commercial property investments.

The Service Manager – Finance advised the Group that the Local government Act 2003 requires the council to comply with the CIPFA Prudential Code for Capital Finance in Local authorities when Carrying out capital and treasury management activities. Adding that the objectives of the CIPFA Prudential code is to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the treasury management strategy.

The Service Manager – Finance referred to Appendix A, attached to the report, which provided the Group with information on the:

- Capital Prudential Indicators
- Minimum Revenue Provision Policy (MRP)
- Treasury Management Strategy
- Commercial Investments

She added that the Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans, and confirmed the documents comply with best professional practice and as such are recommended for approval by Full Council.

The Service Manager – Finance confirmed that the report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in light of prevailing uncertainty with BREXIT and global financial markets.

Members considered the report and asked specific questions. In respect of underspends on Capital Budgets - why are these so excessive?

The Executive Manager – Finance and Corporate Services advised the Group that Capital Investment is fraught with risk and that there are good reasons why there are the underspends. He added that delays in completion on some of the Council's larger projects, for example the Depot can lead to an under spend. A change in the environment for property investments and a requirement to invest more in the Borough has meant a planned slowdown in asset investments (the largest 2018/19 underspend).

Members questioned how often the Capital Programme is reviewed, and whether there is a mix of discussion with the management team and the auditors. Mr Hoose – External Auditor assured the Group that as the Council's auditors, regular checks were carried out and they were comfortable with the Council's investments.

Members raised their concerns and questioned the underlying need for the Council to borrow as projected in the Capital Expenditure and Financing section. The Executive Manager – Finance and Corporate Services advised that the £25m is the maximum the Council could borrow in the short term and effectively acts as a back-stop should the Council need to borrow.

It was **RESOLVED** that the Group approve the following for Full Council on 7 March 2019.

- a) The Capital Strategy and Prudential Indicators and Limits for 2019/20 to 2023/24 in Appendix A (paragraphs 5 to 13) of the report.
- b) The Minimum Revenue Provision (MRP) Statement in Appendix A (paragraph 19) which sets out the Council's policy on MRP.
- c) The treasury Management Strategy 2019/20 to 2023/24 and the Treasury Indicators in Appendix A (paragraphs 20 to 63) of the report.
- d) The commercial Investments Indicators and Limits for 2019/20 to 2023/24 in appendix A (paragraphs 64 to 77).

31 **Revenue and Capital Budget Monitoring - Quarter 3 2018/19**

The Service Manager – Finance provided the Revenue and Capital Budget Monitoring 2018/19 for quarter 3 which summarised the budget position for revenue and capital as at 31 December 2018, with a recommendation for referral to Cabinet on 12 February 2019.

The Service Manager – Finance informed the Group that the financial position has moved from a relatively small adverse variance to a more favourable variance of £1.01m. This is due to three one off items of income:

- Additional income from planning applications (£275k)
- Improved position on business rates as a result of a renewable energy assets (£255k)
- The Nottinghamshire Business Rates Pool had an uncommitted surplus for 2017/18 which were shared proportionately according to the pool contribution (£127k)

The overall position of £1.007m favourable variance represents a -9.63% variation against the Council's net expenditure.

The Service Manager – Finance explained that as a result of the one off items of income, the amount transferred to reserves is £2.09m which is £313k more than the original budget. She added that this is to be used to mitigate future deficits and the impact of future risks associated with changes to the retention of Business Rates and Fairer Funding expected in 2020/21.

The Service Manger – Finance added that the Capital Programme shows a planned underspend of £12.698m due to the 'slow down' in asset investment due to risk in the property market and also the decision to no longer build a

replacement Depot. She added that the overall position may still change in the final quarter of 2018/19 as managers continue to drive cost savings, and raise income, against existing budgets.

It was **RESOLVED** that report be referred to Cabinet for approval noting:

- a) The projected revenue position for the year with a -9.63% variance (1.007m) in revenue position and;
- b) The capital underspend of £12.698m as a result of capital scheme re-phasing and projected savings

32 **Certification of Grants and Return Annual Report 2017/18**

The Executive Manager – Finance and Corporate Services provided the Certification of Grants and Return Annual Report 2017/18, which summarises the work undertaken by KPMG during 2018/19 in relation to grants and returns for the financial year 2017/18.

The audit conducted by KPMG provided in a separate Appendix to the report, summarised the results of the audit of the Housing Benefit Subsidy Claim 2017/18 and the resultant costs of the audit. The audit identified no significant issues or errors and KPMG certified the claim without amendment.

It was **RESOLVED** that the Group note the report.

33 **Work Programme**

It was **RESOLVED** that the work programme, as detailed below be approved.

9 May 2019

- Internal Audit Progress Report 2018/19
- Internal Audit Annual Report 2018/19
- IT Progress Report
- Risk Management Progress Report
- Annual Governance Statement
- Work Programme

ACTION SHEET

Corporate Governance Group – 7 February 2019

Minute Number	Action	Officer Responsible
28	Training is provided around current CIPFA guidelines to enable Members to have clear information regarding risks and rewards when making decisions.	Executive Manager – Finance and Corporate Services
29	RSM to provide a note on views whether Asset Investment needs to be more regularly considered in the Audit Programme.	Executive Manager – Finance and Corporate Services

The meeting closed at 8.24 pm.

CHAIRMAN

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ACTION SHEET

Corporate Governance Group - 7 February 2019 - RESPONSES

Minute Number	Action	Officer Responsible	Response
28	Training is provided around current CIPFA guidelines to enable Members to have clear information regarding risks and rewards when making decisions.	Executive Manager – Finance and Corporate Services	Arlingclose provide specific training on treasury management and commercial investments on an annual basis.
29	RSM to provide a note on views whether Asset Investment needs to be more regularly considered in the Audit Programme.	Executive Manager – Finance and Corporate Services	<p><i>Comments from RSM:</i> Asset investment and the application of the new CIPFA code was looked at by Internal Audit in 2018/19 as an advisory review resulting in one low priority action. No further review has been included in the 2019/20 audit plan but the audit plan is a fluid document and during the year at the request of CGG and/ or management, we can undertake any additional reviews as requested. If the Council's asset investment operations increase, we would certainly suggest an increased IA focus in that area.</p> <p><i>Addendum from Executive Manager (F and CS):</i> Areas of specific risk have already been identified in the audit plan eg the crematorium and Bingham Leisure projects. Furthermore the area is scrutinised by external audit both in terms of reviewing the Councils Property on the balance sheet as commercial activity and the council demonstrating value for money are key areas of risk that are assessed as part of the audit.</p>



Corporate Governance Group

Thursday, 9 May 2019

Internal Audit Progress Report - Quarter 4 2018/19

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors RSM. It is the fourth, and final, progress report for the financial year 2018/19 and shows the current position on the audit programme, along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group notes the final progress report for 2018/19 (**Appendix A**) from the Council's Internal Auditor.

3. Reasons for Recommendation

- 3.1. To conform to 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 2018/19 was approved by the Corporate Governance Group at its meeting on 10 May 2018 and includes 20 planned reviews. All scheduled reviews have been completed. The attached report highlights the completion and issuing of four reports: Budgetary Control and Setting, Safeguarding, Health and Safety, and Follow-Up. In terms of findings:
 - Three substantive audits have returned findings of Substantial Assurance; the Follow-Up audit is scored differently but received a 'Good Progress' finding
 - The Budgetary Control and Setting audit did not result in any management actions.
 - The Safeguarding audit resulted in two low level recommendations and management actions have been agreed.
 - The Health and Safety audit resulted in one medium and three low level priority recommendations – the medium priority recommendation related to closer monitoring of the completion of Health and Safety e-learning modules by staff. Management actions have been agreed for all recommendations.
 - The Follow-Up audit resulted in one medium and five low priority findings being re-raised. Management actions were agreed in respect of all the

findings. The medium priority finding relates to Garden Waste where procedure notes had not been updated following the introduction of GDPR.

5. Alternative options considered and reasons for rejection

5.1. Not applicable.

6. Risks 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. Financial Implications

7.1.1. 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 Implications

7.2.1. The recommendation supports good risk management.

7.3. Equalities Implications

7.3.1. There are no equalities implications identified for this report

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

7.4.1. There are no such implications.

7.5. Other implications

7.5.1. There are no such implications.

8. Link to Corporate Priorities

8.1. Maintaining a proactive internal audit programme each year contributes to the Corporate Priority of:

- Transforming the Council to enable the delivery of efficient high quality services

9. Recommendations

It is RECOMMENDED that the Corporate Governance Group notes the final progress report for 2018/19 (**Appendix A**) from the Council's Internal Auditor.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 - Internal Audit Progress Report – RSM



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report

Corporate Governance Group

9 May 2019

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

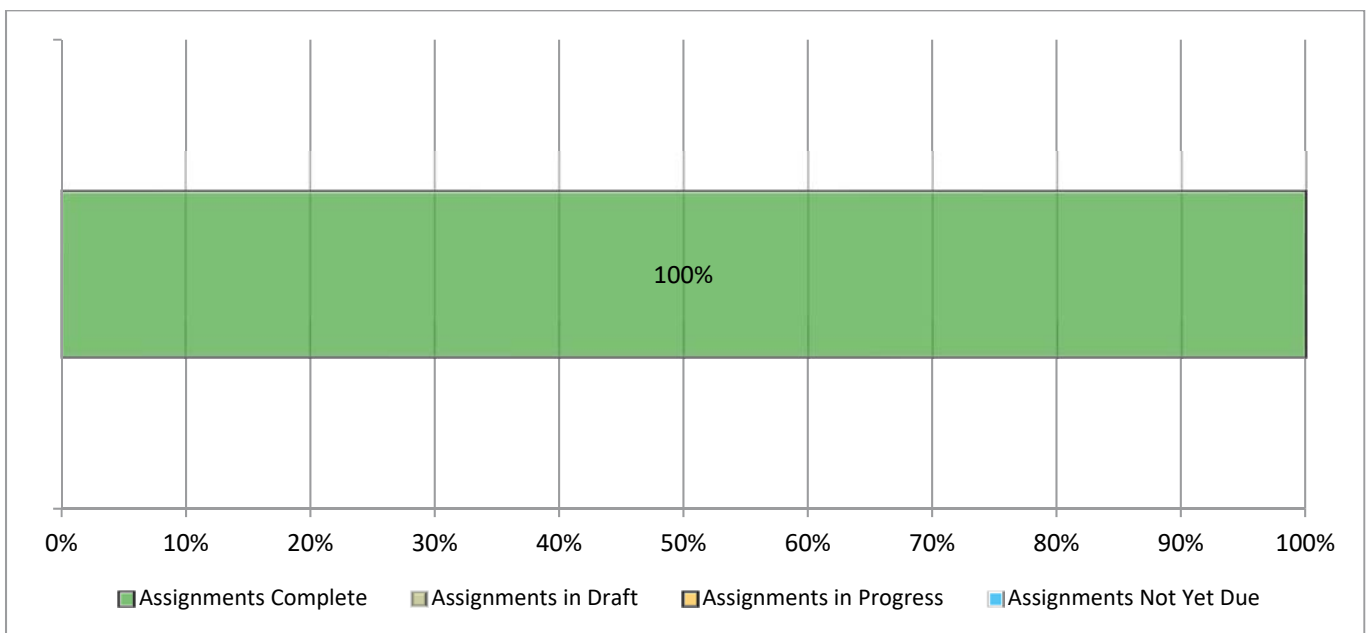
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1 INTRODUCTION

The internal audit plan for 2018/19 was approved by the Corporate Governance Group on 10 May 2018.

Below, we provide a summary update on progress against that plan and summarises the results of our work to date. All audit work included in the 2018/19 internal audit plan is now complete.



2 REPORTS CONSIDERED AT THIS CORPORATE GOVERNANCE GROUP

This table informs of the audit assignments that have been completed and the impacts of those findings since the last Corporate Governance Group held. The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
Budgetary Control and Setting (15.18/19)	Final		0	0	0
Follow Up (16.18/19)	Final	Good Progress	0	1	5
Safeguarding (17.18/19)	Final		0	0	2
Health and Safety (18.18/19)	Final		0	1	3

2.1 Impact of findings to date



Budgetary Control and Setting (15.18/19)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing, no management actions were raised from this audit review.



Follow Up (16.18/19)

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium and five low priority findings were re-raised. Management actions were agreed in respect of all the findings.

The medium priority finding relates to Garden Waste:

- Procedure notes have been put in place and it was noted that these include screenshots of customers personal data (name, address, etc.) and this is not in line with GDPR.
-



Safeguarding (17.18/19)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing, two low priority findings were identified. Management actions were agreed in respect of these findings.



Health and Safety (18.18/19)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing, one medium and three low priority findings were identified. Management actions were agreed in respect of these findings.

The medium priority finding relates to:

- On review of mandatory Health and Safety e-training records it was noted that the training is not always being carried out. It was also noted that the target for the completion of the training has not been set and this has not been monitored to ensure that the training is being undertaken.
-

3 OTHER MATTERS

3.1 Changes to the audit plan

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

3.2 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 being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of: Ross Wood (Manager, Quality Assurance Department) with support from other team members across the Department. All reports are reviewed by James Farmbrough as the Head of the Quality Assurance Department.

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

3.3 Post Assignment Surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each product (current option);
- Monthly / quarterly / annual feedback request; and
- Executive lead only, or executive lead and key team members.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Report previously seen by the Corporate Governance Group and included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Risk Management (1.18/19)	Final		0	0	0
Business Continuity (2.18/19)	Final		0	0	1
General Data Protection Regulations (GDPR) Governance – Post Implementation Review (3.18/19)	Final	Advisory	Seven management actions to consider		
Council Tax (4.18/19)	Final		0	0	3
Asset Investment (5.18/19)	Final	Advisory	0	0	1
NNDR (6.18/19)	Final		0	0	2
IT Strategy Review (7.18/19)	Final		0	1	4
Payroll and Expenses (8.18/19)	Final		0	0	1
Income and Debtors (9.18/19)	Final		0	0	4

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Markets (10.18/19)	Final		0	1	1
Contract Management – Garages and Fleet (12.18/19)	Final		0	0	0
Community Facilities (13.18/19)	Final		0	0	3
Contract Management – Car Parking (14.18/19)	Final		0	0	0

FOR FURTHER INFORMATION CONTACT

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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.

FOLLOW UP - FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

ASSIGNMENT TITLE: 17.16/17 Follow Up 2

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
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ASSIGNMENT TITLE: 1.17/18 Garden Waste

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
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3	We will produce an operational Garden Waste procedure note and make this available to staff. The procedure note will also cover the requirement to perform stock reconciliations which we will be adding to the garden waste process, and the requirement to verify payment before issuing replacement stickers.	30 September 2017	Low	An overarching Garden Waste procedure note has been implemented alongside a Garden Waste eFin Account Amendments procedure note. Review of the procedure notes confirmed that they are comprehensive with screenshots of the system to illustrate the process and reflect actual practice. However, it was noted that the system screenshots within the procedure notes contain personal data of customers (name, address etc.), this is not in line with GDPR as personal	2	An email will be sent to staff reminding them that personal data should be removed from procedure notes, for example where screenshots of systems are used to illustrate a process. Procedure notes will not include personal data.	Medium	28 February 2019	Customer Services Supervisor
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data must be protected and not shared except for the purpose for which it was provided.

HEALTH AND SAFETY - 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
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Risk: 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.

3	Mandatory training courses on Health and Safety are made available via the eLearning portal. Fire Safety, Display screen equipment and Manual Handling training is mandatory for all staff. Legionella and Asbestos is mandatory and is dependent on the role and responsibility of the member of staff	Yes	No	On review of the mandatory training reports it was identified that: a) There were 181 course enrolments dated pre-2018 and 31 course enrolments in 2018 that had not been started by the members of staff. b) There were 17 course enrolments dated pre-2018 and two course enrolments in 2018 that were in progress. Target times for the completion of the Health and Safety training are	Medium	a) A review will be undertaken of the training records to ensure that staff have been provided with up to date mandatory Health and Safety training. Where the mandatory training is not in place or is not up to date the member of staff will be required to undertake the training as soon as possible. b) Target times for the completion of the	30 August 2019	Health and Safety Advisor
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Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	and will be for selected staff only. The Manual Handling course has been re-issued again recently and staff have been asked to complete the new course if they haven't completed the old course in the last three years.			not set and Health and Safety training is not always being undertaken by the staff. There is an increased risk of staff being unaware of the Council's Health and Safety procedures and this may result in an increase of accidents/incidents.		mandatory Health and Safety training be agreed and all mandatory training will be required to be undertaken within the target times set. c) Monitoring will be undertaken on the mandatory training to ensure that all members of staff are undertaking the mandatory training.		

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Corporate Governance Group

Thursday, 9 May 2019

Internal Audit Annual Report 2018/19

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors RSM. It summarises the work undertaken during the course of 2018/19 and the management actions arising from the audits. It also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

2. Recommendation

It is **RECOMMENDED** that the Corporate Governance Group notes Internal Audit's Annual Report in relation to 2018/19 (**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 2018/19. 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 2018/19 RSM has concluded that the Council has an adequate and effective framework for risk management, governance and internal control.
- 4.2. In 2018/19, RSM undertook 13 audits, two advisory reviews, one follow-up review and one procedural review.
- 4.3. As reported previously in the quarterly progress reports, of the 13 audits, 12 resulted in a green substantial assurance rating being provided and one review resulted in amber reasonable assurance rating. A total of 28 management actions were identified including one 'medium' priority and 27 'low' priority. Management actions have been agreed in all cases.

- 4.4. A further two advisory audits were undertaken for Asset Investment and Streetwise resulting in three 'medium' and two 'low' priority actions being raised across both audits.
- 4.5. RSM concluded that 'good' progress' was made in implementing previously agreed management actions from a follow-up review undertaken this year.
- 4.6. A separate agreed upon procedural review of General Data Protection Regulations (GDPR) Governance – Post Implementation was undertaken resulting in seven management actions.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

- 6.1.1. 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.

6.2. Legal Implications

- 6.2.1. There are no legal implications arising from this report.

6.3. Equalities Implications

- 6.3.1. There are no equalities implications arising from this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

- 6.4.1. There are no Section 17 implications arising from this report.

6.5. Other implications

- 6.5.1. There are no other implications arising from this report.

7. Link to Corporate Priorities

Maintaining a proactive internal audit programme each year contributes to the Corporate Priority of:

- Transforming the Council to enable the delivery of efficient high quality services

8. Recommendations

It is RECOMMENDED that the Corporate Governance Group notes Internal Audit's Annual Report in relation to 2018/19 (**Appendix A**).

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 – Internal Audit Annual Report 2018/19

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RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2018/19

9 May 2019

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



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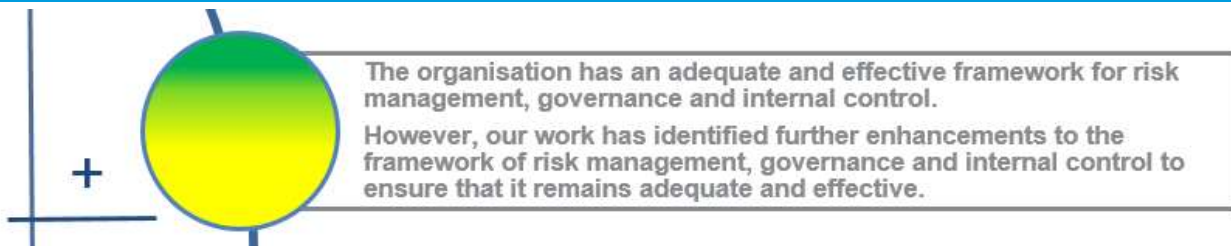
1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. The opinion should contribute to the Council's annual governance reporting.

1.1 The opinion

For the 12 months ended 31 March 2019, the Head of Internal Audit opinion for Rushcliffe Borough Council is as follows:

Head of internal audit opinion 2018/2019



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 completing its annual governance reporting;
- 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

Governance

We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2018/19 internal audit plan. There is a sound governance framework in place and we have observed that the Corporate Governance Group is effective in monitoring and challenging management and holding them to account.

Risk Management

Risk Management systems and processes were reviewed throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area.

A review of Risk Management was undertaken at the Council as part of the approved internal audit periodic plan for 2018/19. The review reported positively on the risk management framework in place and concluded that the Council could take substantial assurance.

Internal Control

We undertook 14 internal audit reviews in 2018/19 which resulted in an assurance opinion. There were 13 reviews (93%) from which the Council can take substantial assurance and one review (7%) from which the Council can take reasonable assurance.

We also confirmed 'good' progress was made in implementing previously agreed management actions from a 'Follow Up' review undertaken.

During the year we raised a total of 33 management actions across assurance and follow up reviews. Of the 33 actions raised: Four (12%) were 'medium' priority and 29 (88%) were 'low' priority actions.

To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place.

A separate agreed upon procedures review of General Data Protection Regulations (GDPR) Governance – Post Implementation was undertaken resulting in seven management actions.

A further two advisory audits were undertaken for Asset Investment and Streetwise resulting in three 'medium' and two 'low' priority actions being raised across both audits.

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.

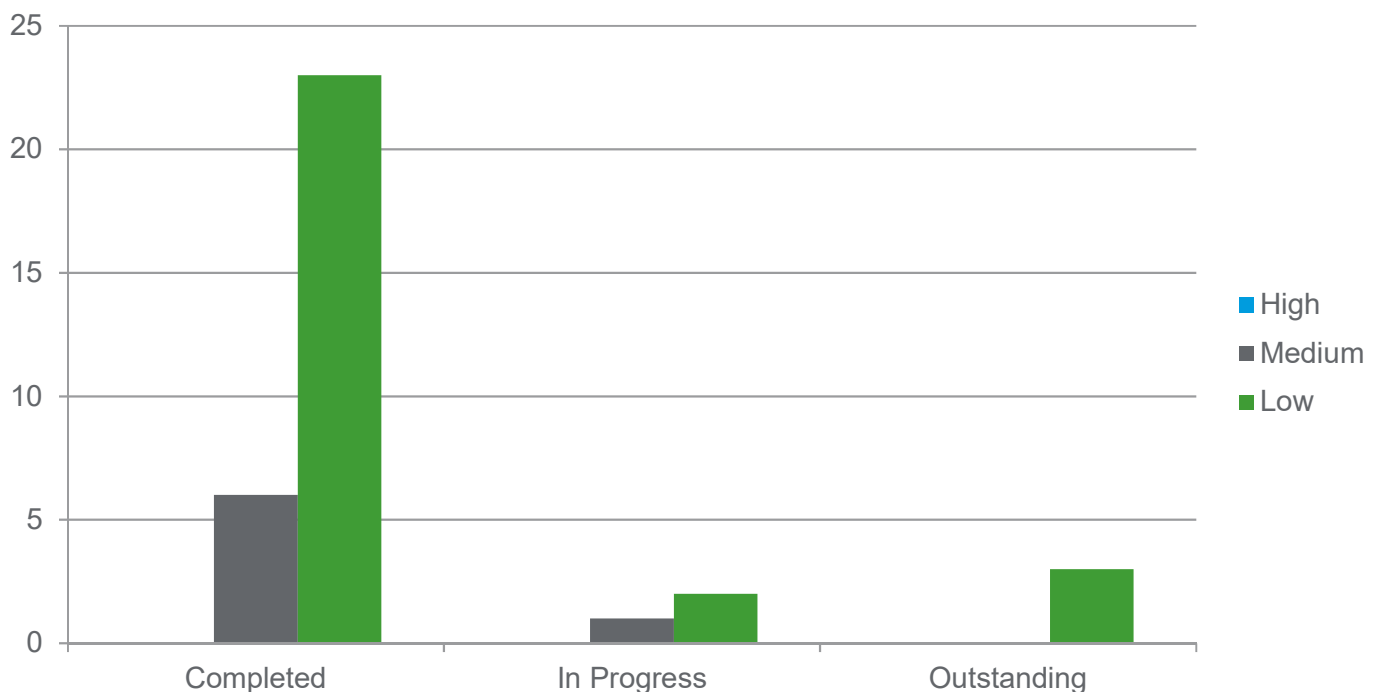
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/2019.

2.2 Implementation of internal management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Corporate Governance Group, with the validation of the action status confirmed by internal audit through the follow up audit.

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.



Our review considered 35 management actions (seven 'Medium' and 28 'Low' priority). We confirmed that 28 of these had either been implemented in full or had been superseded.

The ongoing management actions were in relation to:

- Personal data had been included in screen prints in the garden waste procedure notes (medium);

- Income reconciliations had not been completed between the finance and planning systems; however management are investigation the ways in which data can be extracted to allow for these reconciliations to be performed (low); and
- Finance operation procedure notes had not been fully completed (low).

The outstanding management actions were in relation to:

- The Members Learning and Development Policy had not been updated since 2010 (low);
- The Corporate Procurement Strategy had not been updated (low); and
- The Business Unit had not taken over the role of direct notification of Land Charges (low).

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 2018/2019 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.


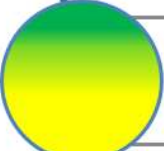
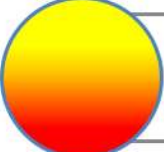
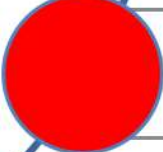
3.3 Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) 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.

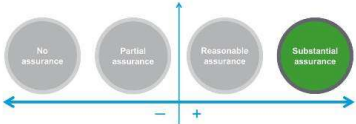
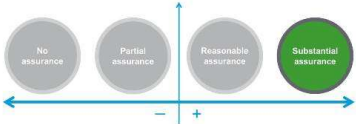
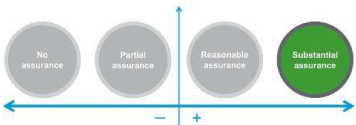
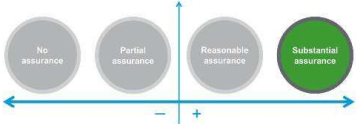
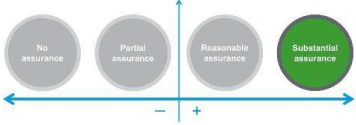
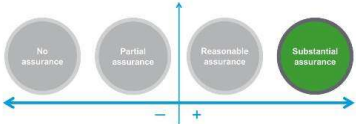
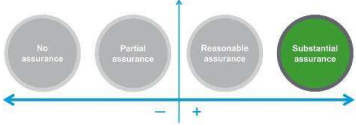
APPENDIX A: ANNUAL OPINIONS

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
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> inherent risk in the area being audited;
<p>+</p>  <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	<ul style="list-style-type: none"> limitations in the individual audit assignments;
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> the adequacy and effectiveness of the risk management and / or governance control framework;
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> 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 2018/2019

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Risk Management (01.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Business Continuity (02.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
General Data Protection Regulation (GDPR) Governance – Post Implementation (03.18/19)	Katherine Marriott, Executive Manager Operations and Transformation	Agreed upon procedures audit and therefore no assurance given or priorities provided for the seven actions raised.			
Council Tax (04.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	3
Asset Investment (05.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services	Advisory	0	0	1
NNDR (06.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	2
IT Strategy Review (07.18/19)	Greg Dwyer, ICT Manager		0	1	4
Payroll and Expenses (08.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Income and Debtors (09.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	4

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Markets (10.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	1	1
Streetwise (11.18/19)	Dave Mitchell, Executive Manager Communities (RBC) and Chair Streetwise	Advisory	0	3	1
Contract Management – Garages and Fleet (12.18/19)	David Banks, Executive Manager Neighbourhoods		0	0	0
Community Facilities (13.18/19)	Dave Mitchell, Executive Manager Communities		0	0	3
Contract Management – Car Parking (14.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Budgetary Control and Setting (15.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Follow Up (16.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services	Good Progress	0	1	5
Safeguarding (17.18/19)	Dave Mitchell, Executive Manager Communities David Banks, Executive Manager Neighbourhoods		0	0	2
Health and Safety (18.18/19)	Katherine Marriott, Executive Manager Operations and Transformation		0	1	3

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

	<p>Taking account of the issues identified, the Council cannot take assurance that the controls upon which the Council 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>Taking account of the issues identified, the 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>Taking account of the issues identified, the Council 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>Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council 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

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T 0115 964 4450
M 07753 584993
chris.williams@rsmuk.com

rsmuk.com

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.



Corporate Governance Group

Thursday, 9 May 2019

Annual Governance Statement 2018/19

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of Report

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 2018/19 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 and accompany the Council's Statement of Accounts.

4.4 The AGS reflects the requirements of the updated CIPFA/SOLACE “Delivering good Governance in local government framework (2016)”. This incorporates the 7 principles within the Local Code and 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 over time.

4.5 The final AGS will be reported with the Statement of Accounts which will be approved at the next meeting of the Governance Scrutiny Group (23 July 2019).

5. Risk and Uncertainties

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

6 Implications

6.1 Finance

There are no direct financial implications arising from this report.

6.2 Legal

Compliance with the Accounts and Audit Regulations 2015.

6.3 Equalities Implications

There are no equalities implications identified for this report

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no such implications.

6.5 Other implications

There are no such implications.

7 Corporate Priorities

Not applicable

7.4 Other Implications

None.

8. Recommendation

- a) Review and approve the 2018/19 Annual Governance Statement (Appendix A).

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for	Mazars –Annual Report 2018/19
List of appendices	Appendix 1 – Annual Governance Statement

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Annual Governance Statement 2018/19

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, 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 2019 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 2023/24 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 2018/19 and 2019/20, and the financial strategy to 2023/24.

During 2018/19, 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 2023/24. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation 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.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic 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 plans for the minimum delivery of £4.8m 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, means the Council has a balanced budget for 2019/20 from what was a projected £0.690m deficit last year. The Council is self-sufficient and not reliant upon Revenue Support Grant. This is subject to the Council continuing to deliver both its Asset Investment Strategy commitment and other areas of the Transformation Programme. There are areas of significant uncertainty going forward; for example, the impact of the 2019 Spending Review, and thereafter changes to government funding mechanisms in relation to Fair Funding and Business Rates reviews (with outcomes expected late in the Autumn of 2019), and any impact on New Homes Bonus. There remains the need to continue to identify savings 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. 2019/20 is the last year of this settlement. The following thematic areas summarise how the budget will be balanced in future years:

- (a) Service Efficiencies – focusing on both the customer and streamlining services;
- (b) Management budget control – challenging base budgets each year;
- (c) Transformational Projects – projects such as moving to the Arena, and commercial asset investment activity ; and
- (d) 'Thinking big' reviews – for example the continued activation of the Leisure Strategy, Depot relocation (including the future use of the site) and crematorium projects.

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

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough has meant the Council has strategically decided to take the decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub, a potential crematorium, and housing and employment at Fairham Pastures. The Council's Capital and Investment Strategy 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. Over the term of the MTFs, the income generated from such investments is estimated to rise from £1.2m (2019/20) to £2.2m (2023/24).

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 clearly sets out the 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 take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. There has been a review of Scrutiny and this was reported to Full Council (7 March 2019). From May 2019, revised arrangements will be trialled realigning Scrutiny Groups that will consist of the Corporate Overview Group and supporting Governance, Growth and Communities scrutiny groups;
- The Corporate overview group will oversee the work programme for the review of Council policies in addition to all groups scrutinising the work of the Cabinet. Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; 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 (CGG) and led by a Member working group, rationalising the document and improving its accessibility and transparency. The Constitution is being updated at Full Council (in July 2019).

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. From 1 July 2019. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

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 2018/19, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2018/19, 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 CGG 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 CGG.
- 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

<p>Principle F – <i>Managing risks and performance through robust internal control and strong public financial management</i></p>
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The Council's risk management arrangements are regularly reviewed. The effectiveness of the overall risk management arrangements is monitored by the CGG throughout the year. As part of

the annual review of Risk Management (November 2018), the CGG considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2018/19 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 to review the delivery of the annual training programme and extend it in response to councillor requests or identified needs as appropriate. The group also looks at the Councillors' Community Grant Scheme and the Councillors' paperlite initiative as appropriate.

In May 2019 there are whole Council elections for Rushcliffe. To support new and returning Councillors a comprehensive induction programme has been developed by the MDG for delivery after the elections. The delivery of this, between May and July 2019, was overseen by the cross party MDG who will now evaluate its effectiveness based on Councillor feedback and use this as a starting point for the development of a forward looking training programme which will begin in September 2019.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive management team who ensure that organisational Learning and Development Plans linking to individual annual performance development reviews (PDR) is effectively managed and delivered. The Council recognises the importance of training to its workforce.

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 has increasingly implemented the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media. The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultations was undertaken, for example on Local Plan 2, Tudor Square improvements and our periodic Residents' Survey.

The Council's resident satisfaction survey was carried out over the summer of 2018. Over 500 residents completed the survey which was available online and through Rushcliffe Reports, and promoted at summer events and in village centres on busy shopping days. 83% of residents responding to the survey are happy with the borough as a place to live, 63% are satisfied with the way the Council runs things, and 47% believe the Council provides value-for-money. An action plan to address areas of concern, mainly highlighted by residents using the open comments section at the end of the survey, has been agreed and will be implemented over the coming year. 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.

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 (SEL) and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Mitie (note: Carillion formerly held the East Leake Leisure Centre contract prior to going into liquidation). There are also quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. 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. Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (Chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd.

2.9 Transparency

Principle G – *Implementing good practice in transparency, reporting and audit to deliver effective accountability*

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, and the Council has, this year, started to provide public access to audio recordings of meetings. 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 auditors (formerly KPMG now Mazars) are published online, including their annual reports.

The CGG 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 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. As a result of the Peer Review in 2018, a review of Scrutiny was undertaken by the Centre for Public Scrutiny during 2018 and the outcome reported to Full Council. The revised scrutiny structure is due to be in operation from May 2019 (as commented on in section 2.3).

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. This review is considered by the CGG.

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 CGG 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, Partnership Delivery, is tasked with looking at the effectiveness of current and potential partnerships across all areas of the Council.

As stated at Section 2.3, the Council reviewed scrutiny arrangements during 2018/19 with revised arrangements due to be implemented from May 2019.

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.

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 Bassetlaw 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 2017/18 to 2019/20.

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 CGG 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 CGG. 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, Mazars (previously KPMG until 31 March 2018), 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; and
- 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 their annual report for 2018/19, KPMG issued an unqualified audit opinion,

expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. In terms of value for money, KPMG concluded that the Authority developed a transformation strategy covering the five years up to 2022/23 which will ensure that the Authority is financially viable going forward.

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 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 within the Transformation Strategy. In July 2016, the Council also introduced the Asset Investment Strategy (AIS) which is subject to continued review (revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

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 Leisure Centre continues to increase with each five-year period over the fifteen-year strategy. The Bingham Leisure Hub (also including business/industrial units) is now included in the Capital Programme with an overall budget of £20m. Returns will be expected in terms efficiencies with the leisure contractor, and income from business/industrial units to help fund the anticipated £10m in future borrowing.

The Council has included in the capital programme provision for the possibility of investing in a crematorium, the timing and delivery of this is reliant upon the opportunity being presented by external agencies.

During 2019/20, 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, the movement to funding via business rates, and, in the future, with the anticipated 75% of business rates income being devolved to local government (currently the Council receives 40%). The timing of the Comprehensive Spending Review remains uncertain and the length of time the review will cover is unclear (ie is it for 1, 2, 3 or 4 years?). This is important as it will determine the overall funding available to the local government sector and, ultimately, to Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates as the country awaits the outcome of ongoing negotiations.

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 looking at options to mitigate this risk and has actively worked with the management of the site to prepare a long term re-development, which is now proposed to be included within a potential development corporation company. We have also raised concerns with MHCLG as part of the business rates consultation process. The Medium Term Financial Strategy highlights, in the short term, an improving position on business rates, but in the medium term less optimistic or prudent projections, given the systemic uncertainty (as

already stated above) regarding the further devolution of business rates. There are also risks concerning the level, and success, of ongoing Business Rates appeals and currently a lack of clarity on the full impact of the 'Check, Challenge, Appeal' process which the Valuation Office is solely in control of.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give 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 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. The Council's focus remains on 'growing the Borough'; examples in the Capital Programme include Fairham Pastures, a proposed crematorium and the Bingham Leisure Hub. The Council is therefore re-aligning its Asset Investment Strategy (AIS) priorities particularly with regards to investments outside of the Borough. However, commercial property investment still remains an important part of the Council's armoury in generating income returns and delivering employment and economic development across the Borough. The current direction of travel regarding asset investments could change if, for example, the Council chooses not to deliver a crematorium and income returns are, therefore, required from other sources.

The AIS currently identifies £1.2m in net income being generated from commercial investments expected to rise to £2.2m by 2023/24. The key point is that the Council has a range of such income streams and is not overly reliant on one source of income. It manages such risks proportionately and sensibly.

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; for example collaboration with Nottinghamshire County Council in areas such as Trading Standards. 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:

- Appropriate controls are in place to prevent 'management override';
- 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 level of minimum revenue provision (MRP) bad debt and business rates appeal provisions 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 commercialisation activities.

Other challenges and risks for 2019/20 include: identifying the best way forward for the Depot site, and as the Council becomes increasingly innovative the management of alternative service

delivery vehicles. This includes the ongoing development of Rushcliffe Enterprises Ltd and any associated companies.

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 2018/19 to ensure compliance with the General Data Protection Regulations, this work will be ongoing.

The Department for Environment, Food and Rural Affairs launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

In 2019/20, the results of the pensions' triennial review are due and this will dictate pension costs for the next 3 years. Given the current volatility of financial markets and the uncertain international political climate, the Council will pay particular attention to the year-end pensions' position for 2019.

Based on our review of the governance framework, the following significant issues will be addressed in 2019/20:

Issue	Reporting to	Methodology	Timescale
Monitor the delivery of the Transformation Strategy and ongoing budget position	Reports to EMT, CGG and Cabinet	On-going financial reports	Quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates and Fair Funding developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020
Monitor the potential impact of the Resources and Waste Strategy	Relevant reports to Scrutiny, Cabinet or Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020
Maximising both the financial and operational realisation of the Depot site	Relevant reports to Scrutiny, Cabinet or Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020

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 CGG. 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.....
K Marriott (Interim Chief Executive)

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

Date July 2019

Date July 2019