



22 June 2022

AUDIT AND ETHICS COMMITTEE – 30 JUNE 2022

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 30 June 2022 in the Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Executive Director

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 17 May 2022.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Annual Audit Report 2020/21 – Management Responses.
5. Treasury Management 2021/22 – Annual Report.
6. Risk Management Strategy and Strategic Risk Register.
7. Annual Report of Internal Audit.
8. External Audit Plan 2021/22.
9. Informing the Audit Risk Assessment 2021/22.
10. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

1. Whistleblowing Complaints and Response.
2. Whistle Blowing Incidents – Standing Item – to receive any updates.
3. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Mistry, Mrs Roberts, Roodhouse and Willis

Named Substitutes: Councillors Mrs A'Barrow, Lewis, Moran and Ms Watson-Merret

If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail veronika.beckova@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.

AGENDA MANAGEMENT SHEET

Report Title:	Annual Audit Report 2020/21- Management Responses
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	30 June 2022
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	Leadership Team
Contact Officer:	Jon Illingworth Section 151 and Chief Finance Officer jon.illingworth@rugby.gov.uk; 01788 533410
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report outlines the management responses that are required as part of the Annual Audit Report for 2020/21 that presented to the committee on the 17 May 2022.
Financial Implications:	None as a direct result of the report.

Risk Management/Health and Safety Implications:	None as a direct result of the report.
Environmental Implications:	None as a direct result of the report.
Legal Implications:	None as a direct result of the report.
Equality and Diversity:	None as a direct result of the report
Options:	Not applicable
Recommendation:	The management response to the Annual Audit report be endorsed by the Audit and Ethics Committee.
Reasons for Recommendation:	This is a collective Leadership Team response which was part of detailed discussion on the report. It also demonstrates that a lot of positive work has begun before the findings of the report were released.

Audit and Ethics Committee - 30 June 2022

Annual Audit Report 2020/21- Management Responses

Public Report of the Chief Officer - Finance and Performance

Recommendation

The management response to the Annual Audit report be endorsed by the Audit and Ethics Committee.

Background

At the Audit and Ethics Committee on 17 May 2022 Grant Thornton, the Council's external Auditors presented the Annual Audit report for 2020/21 which included the revised Value for Money Assessment for the period ending 31 March 2021 and the management of the Council is required to provide a response to the recommendations.

The Leadership Team has now carried out an assessment and the responses to each of the recommendations is attached in Appendix 1 to this report.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 30 June 2022
Subject Matter: Annual Audit Report 2020/21- Management Responses
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
	https://www.rugby.gov.uk/download/meetings/id/3423/download the agenda

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Financial sustainability

RAG rating	Annual report page	Recommendation	Management Response
Significant weakness	6	The Council should continue to review budgets and planned savings as necessary to deliver a balanced financial position over the medium term	<p>The CFO is introducing the concept of a rolling year MTFP which would have savings identified for the whole of the period not just a single year. As a result of this the budget setting process will ideally look to year 4 of the programme each year not year 1. This has been highlighted in the CT setting papers for 2021/22 and 2022/23. To support this, the CFO introduced a dedicated Budget Working Group for 2021/22 the which is a combination of officers and when appropriate Councillors of all political parties. The remit of the group is to provide strategic direction and challenge to deliver a balanced budget which will include holding officers to account for the delivery of the programme. This has been developed and enhanced for the 2023/24 financial year and the process began in March 2022 - giving the maximum time available to deliver the aims.</p> <p>It is also important to highlight that the savings required to balance the MTFP have been severely impacted by government decisions around the phasing out of the new homes bonuses, the delay in the fair funding/business rate reset and the legacy of COVID-19, not as a result of sub-optimal management decisions. The CFO is using networks including the MP to lobby for a positive impact as a result of future funding settlements.</p> <p>Identified during 2021/22, but implemented during 2022/23, a transformation programme which will be led by Programme Board but with a newly created transformation manager formed in 2021/22 will manage all of the projects that will deliver the Corporate Strategy Delivery plan and achieve financial sustainability. To complement this a business operating model took place in 2021/22, which identified areas to focus attention. To date approximately 40 potential projects have been identified, but 3 have been approved and are being pursued.</p>
Improvement recommendation	14	Consideration should be given to performing a dedicated review of savings after implementation and assessing whether there has been any impact on the quality of services	<p>Since 2021/22 Savings Delivery Plans have been introduced which are used to track the progress of savings and provide assurance on delivery. In 2021/22 the quarterly finance and performance reports presented to Cabinet had a summary of the delivery of savings and during the year. Also during 2021/22 monthly exception reports were introduced to leadership in the months between formal reporting which also included the delivery of savings.</p> <p>With the introduction of a programme board, a project management approach to delivering the transformation programme has been implemented and this uses a gateway approach to reporting. Gateway 6 includes a post implementation review which will include the impact of the delivery of the scheme/savings</p> <p>The organisation annually reviews reporting and enhances it were possible, post implementation assessments are now in progress, but the results will not be known until later in 2022/23 when projects are complete. In addition to this, during 2022/23 with the introduction of a monthly budget working group which will require officers to present updates where savings have been identified as amber/red (at risk of non delivery) The first discussions on this will take place in late June.</p> <p>With the implementation of a new performance management framework in 2022/23, performance management will get a renewed focus and will be aligned to deliver the Corporate Strategy delivery plan.</p>

Governance

RAG rating

	Comments	
Improvement recommendation	<p>20) 1) Risks included in the risk register should be mapped to corporate objectives to ensure cohesion of strategies; and</p> <p>21) 2) A review/refresh of anti fraud and corruption policies and strategies should be performed periodically</p>	<p>1) The new strategic risk register which was introduced IN 2021/22 AND has been developed in a way which ensures each risk is directly linked to a corporate strategy objective. This work has been undertaken in a workshop style with the Leadership Team. The potential causes of each corporate objective not being achieved have been discussed and documented with the Leadership Team, and this has helped formed the basis of the action plans developed to ensure the Corporate Strategy is successfully implemented. The new Strategic Risk Register and Risk Management Strategy will be presented to the Audit & Ethics Committee on 29th June 2022 and Cabinet on 1st August 2022.</p> <p>2) The Anti Fraud, Bribery and Corruption Strategy and associated documents will be reviewed and updated by the Corporate Assurance Manager & Transformation Lead by December 2022. The internal audit plan for 2022/23 already includes a review of the counter fraud framework. This review will be undertaken independently by an external organisation, once the framework has been updated, and the results will be reported to the Audit & Ethics Committee. Internal audit has just completed a review of fraud risks for those departments considered to be at higher risk of fraudulent activity. No significant new risks have been identified. The results of this work will be incorporated in the annual internal audit report, which will be presented to the Audit & Ethics Committee on 29th June 2022.</p> <p>The Council has undertaken a review during 2021/22 to identify all policies and strategies in operation and during quarter 1 of 2022/23 an internal constitution will be implemented which will provide all officers in the organisation guidance on all aspects of the organisation, which will include the policies - this will be used to ensure that regular updates and reviews take place.</p>
Improvement recommendation	<p>22) 1) The Council should consider including specific goals in relation to financial performance into senior management's annual appraisal,</p> <p>23) 2) A strategy should be developed to ensure a clear succession plan and build capacity and resilience in what is a key function (finance)</p>	<p>1) Through the delivery of the Corporate strategy is looking at all aspects of performance. During 2021/22 the Council has introduced Financial Regulations which identifies for the first time the responsibilities of Exec Directors/Chief Officers and the CFO on all financial activity,.. This was approved by the Audit and Ethics Committee and will be reviewed annually through the budget setting process. The CIPFA FM code delivery plan has also endorsed by the audit and ethics committee during 2021/22 and includes targets for the Leadership Team. The Council does not currently operate an annual performance appraisal process so introducing specific targets for each Chief Officer will be challenging.</p> <p>2) The Financial Services Team was restructured during 2021/22 and as a result of this a number of vacancies were established. Recruitment in Local Government as a whole is challenging at the moment, the CFO is working on a number of strategies to build resilience and continuity in the team which will investigate the use of apprentices and links with Universities and Colleges, however this will not see the true benefit for a number of years. In addition to this the CFO has actively supported the development of the team by supporting the team to undertake professional qualifications in both accountancy and finance business partnering but also encourage training and development by supporting colleagues to undertake training and development to enhance the knowledge base of the team.</p>
Improvement recommendation	<p>24) The Council should consider channels by which they can seek external engagement on the annual budget and medium term financial strategy.</p>	<p>For the 2021/22 budget setting process the Council undertook a consultation process which attracted around 1000 responses, however a deliberate pause took place for 2022/23 as the Council is considering a more targeted engagement exercise to incorporate a number of the new Corporate Strategy delivery plan objectives. The MTFs will be update as part of 2023/24 budget setting process and external comparison will be considered.</p> <p>The CFO has submitted an expression of interest to become part of the Society of District Council Treasurers which will give the Council greater access to the network. In addition to this the CFO is currently the Chair of the Warwickshire Association of Finance Officers.</p>

Improving economy, efficiency and effectiveness

RAG rating	Comments		
Improvement recommendation	31	<p>The Council should implement measures to create tangible outputs from their use of Local Government networks and other tools at their disposal and incorporate this into performance reporting.</p>	<p>The Council is establishing a new performance management framework which will use benchmarking as well as other appropriate tools to inform performance based decision making. In June 2022 the Council will be introducing CFO insights as a comparison/benchmarking tool to aid decision making.</p> <p>With the introduction of a Chief Officer for finance and performance the Council is demonstrating the importance of robust performance management. The performance management framework review is looking at all aspect of collecting and reporting KPIs which will include using external support to create a new suite of KPIs which will be formally reported to Cabinet, but more importantly used for decision making in the organisation to drive improve and challenge weaknesses. In 2021/22 Finance Business Partners were introduced and the remit includes performance management. The Corporate Strategy Delivery plan is clear that looking to other organisations for best practice and benchmarking will help the Council deliver its aspirations.</p>
Improvement recommendation	32	<p>The Council should ensure the procurement strategy is updated on a timely basis as this run to 2016 so is now very out of date.</p>	<p>The procurement strategy review has begun in collaboration with our partner authority and will be adopted in winter 2022.</p>

AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management 2021/22 – Annual Report
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	30 June 2022
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	Not applicable
Contact Officer:	Jon Illingworth Section 151 and Chief Finance Officer jon.illingworth@rugby.gov.uk; 01788 533410
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report sets out the Treasury Management activities for 2021/22.
Financial Implications:	None as a direct result of this report. The report ensures that Cabinet is aware of the final Treasury Management position for 2021/22.

Risk Management/Health and Safety Implications:	Risk management considerations are set out within the report.
Environmental Implications:	There are no environmental implications for this report.
Legal Implications:	There are no legal implications for this report.
Equality and Diversity:	There are no equality and diversity implications for this report.
Options:	As this report complies with the Treasury Management Code of Practice, which was approved by Council, no other options have been considered.
Recommendation:	1) The Treasury Management report for 2021/22 be considered. 2) The actual treasury management indicators, as within Cabinet 27 June 2022 report, be noted.
Reasons for Recommendation:	To provide Members with relevant information to make informed decisions around Treasury Management Activity and, in line with best practice, comply with the Code of Practice.

Audit and Ethics Committee - 30 June 2022

Treasury Management 2021/22 - Annual Report

Public Report of the Chief Officer - Finance and Performance

Recommendation

- 1) The Treasury Management report for 2021/22 be considered.
- 2) The actual treasury management indicators, as within Cabinet 27 June 2022 report, be noted.

Introduction

On 1 February 2021, in accordance with the CIPFA Code of Practice for Treasury Management in the Public Sector, Council approved the Treasury Management Strategy for 2022/23. The Code requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year and this is reported to both Cabinet and the Audit and Ethics Committee.

The Treasury Management Annual report for 2021/22 was presented to Cabinet on 27 June and can be found using the following link
<https://www.rugby.gov.uk/meetings/meeting/1268/cabinet>

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Subject Matter: Treasury Management 2021/22 – Annual Report

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

AGENDA MANAGEMENT SHEET

Report Title: Risk Management Strategy and Strategic Risk Register

Name of Committee: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance
Leadership Team
Strategic Risk Management Group

Contact Officer: Chris Green, Corporate Assurance Manager and Transformation Lead
01788 533451; chris.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The report sets out the updated Risk Management Strategy for approval. It also details the Council's

strategic risks and the arrangements in place for monitoring and managing those risks.

Financial Implications:

No direct implications.

Risk Management/Health and Safety Implications:

1. As contained within the revised Risk Management Strategy at **Appendix A**.
2. If the Audit and Ethics Committee does not endorse the strategy, the Council's approach to risk management will not be properly documented and outdated processes could be followed.
3. Failure to implement, improve and embed an effective risk management strategy would increase the risk that the Council does not achieve its objectives.

Environmental Implications:

No direct implications.

Legal Implications:

Section 3 of the Accounts and Audit Regulations 2015 states that the Council must ensure it has a sound system of internal control which includes effective arrangements for the management of risk.

Equality and Diversity:

There are no equality considerations arising from this report.

Options:

None

Recommendations:

- 1) The Risk Management Strategy be recommended for approval by Cabinet.
- 2) The Strategic Risk Register be considered and noted.

Reasons for Recommendation:

To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 30 June 2022

Risk Management Strategy and Strategic Risk Register

Public Report of the Chief Officer - Finance and Performance

Recommendations

- 1) The Risk Management Strategy be recommended for approval by Cabinet.
- 2) The Strategic Risk Register be considered and noted.

1. Introduction

- 1.1 The Council introduced its first Risk Management Strategy in 2003. Since then progress has been made in implementing both Operational and Strategic Risk Management across the organisation.
- 1.2 The previous Risk Management Strategy was endorsed by the Audit & Ethics Committee in March 2019.

2. Report Details

Risk Management Strategy

- 2.1 The new Risk Management Strategy is included with this report at **Appendix A**. The key changes within the new Strategy are as follows:
 - To add a statement that Council is committed from the top down to ensuring the strategy is implemented successfully.
 - To highlight two recent improvements to the Council's risk management framework. Firstly, the Council developed and implemented a corporate approach to risk management at speed during the pandemic emergency. Secondly, consideration of risk management implications is now an embedded process undertaken in advance of key decisions being taken by the Council.
 - Changes to reflect the new membership of the group following the Senior Management restructure and appointment of the new Leadership Team.
- 2.2 Development of the new Risk Management Strategy provided an opportunity to make the new Leadership Team aware of their role and responsibilities in this area as Risk Champions.
- 2.3 In addition to the above, the Corporate Assurance and Improvement Team has recently developed and delivered a training package for a cohort of new managers under as part of 'The Way We Manage' programme. This included training on managers' role and responsibilities in relation to risk management.

New Strategic Risk Register

- 2.4 A new Strategic Risk Register has been developed with the Leadership Team and Strategic Risk Management Group to align it with the Corporate Strategy. A separate risk register has been developed for each strand of the Corporate Strategy, under the headings of Economy (**Appendix B**), Climate (**Appendix C**), Homes and Communities (**Appendix D**), and Organisation (**Appendix E**).
- 2.5 In accordance with the Risk Management Strategy the Audit and Ethics Committee receives reports which provide assurance on the effective management of the Council's 'Top Level' risks. This report provides details of those risks but has been expanded to provide members with the full Strategic Risk Register.
- 2.6 It is not always possible to eliminate risk and given the nature and breadth of the Council's activity and the ever-changing climate within which it operates, high level risks are unavoidable. It is also possible that risks are rated as high level even though controls are in place to manage the level of risk. However, a high risk score is not necessarily a negative risk, it is purely the true indication of the likelihood of an event happening and the impact it could have. In such situations the level of risk could be even higher without those controls. Risk management is an ongoing process, which involves continual identification, analysis, treatment and monitoring. The Council's approach to managing each risk depends upon the nature of the issue at hand. There are four options:
- *Tolerate* – Decide to live with the risk and the possibility that it might occur and its possible consequences.
 - *Terminate* – Eliminate the risk, usually by deciding to change a course of action or stop a particular activity.
 - *Transfer* – Some of the financial risk may be transferred and it may be possible to transfer liability through contractual arrangements.
 - *Treat* – Control the risk and take action to reduce the likelihood that an event will occur or the impact if it does.
- 2.7 In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels:

Risk Rating	Level of Risk	Prioritisation
8-16	High (Red)	Immediate attention
4-6	Medium (Amber)	Moderate risk, mitigation action
1-3	Low (Green)	Regular review

The Council's 'Top Level' risks are those which are assessed as 'red'. There are seven 'Top Level' risks within this report and details are included within **Appendices B to E**.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Subject Matter: Risk Management Strategy and Strategic Risk Register

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Risk Management Strategy
Appx B	Strategic Risk Register - Economy
Appx C	Strategic Risk Register - Climate
Appx D	Strategic Risk Register - Homes and Communities
Appx E	Strategic Risk Register - Organisation

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



RISK MANAGEMENT STRATEGY

JUNE 2022

RIGHT FOR RUGBY

CONTENTS

SECTION		PAGE NO.
1	Statement	2
2	Introduction	3
3	Purpose and Objectives	5
4	Risk Management Process	6
5	Links with Existing Processes	9
6	Information and Communication	12
7	Roles and Responsibilities	13
 APPENDIX		
1	Risk Matrices	16
2	Strategic Risk Management Group - Terms of Reference	19
3	Contact Information	21

SECTION ONE - Rugby Borough Council Risk Management Statement

Risk Management is a business critical aspect for everyone at Rugby Borough Council. It is imperative that RBC demonstrate to the public, and all other stakeholders, that full consideration has been given to all risks when delivering services for the residents and businesses in the local area.

This Strategy outlines how RBC will manage risk through identification, analysis, treatment and monitoring of each risk. This Strategy also details the roles and responsibilities for all employees and members. The Council is committed from the top down to ensuring this strategy is implemented successfully. Everyone has a part to play to ensure that this process is embedded as an integral element of the daily operational and strategic thinking used at RBC. We will continue to embrace and develop risk management to ensure that it is built in and not bolted on to achieve a focused approach to risk management.



.....
Mannie Ketley
Executive Director

.....
Sebastian Lowe
Leader of the Council



.....
Jon Illingworth
Chief Officer
Finance and Performance

.....
Carolyn Robbins
Portfolio Holder
Finance, Performance, Legal
and Governance

SECTION TWO - Introduction

2.1 Background

The Council introduced its first Risk Management Strategy in 2003. Since then steady progress has been made in implementing Risk Management throughout the organisation with changes and improvements such as:

- An annual review of the Risk Management Strategy to ensure it is up to date and relevant as well as meeting the demands of continually changing audit requirements
- Utilisation of new software to manage and enhance the process, such as RPMS
- Regular reviews of the Strategic Risk Register by the Strategic Risk Management Group and ongoing re writing of this risk register to work alongside revised Corporate Strategies and Priorities
- Changes to the reports to Audit and Ethics Committee to meet the requirements of the committee
- Reviewing and amending how operational risk registers are monitored and reported
- Relaunching the Strategic Risk Management Group
- Implementing and developing project risk registers
- Inclusion of Risk Management as a topic on the Employee Induction Day
- The Risk Management and Insurance Officer becoming an active member of project groups such as the design and build of new housing projects
- Developing and implementing a corporate approach to risk management at speed during the pandemic emergency.
- Embedding consideration of risk management implications in advance of key decisions being taken by the Council.

This latest revision of the Strategy aims to look at the future plans for Risk Management in RBC and the future work planned to ensure that Risk Management becomes embedded in the every day work of the Council.

2.2 What is Risk Management?

Risk Management can be defined as: -

‘Risk is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its strategies. Risk Management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements’

(Audit Commission)

2.3 The Benefits of Risk Management

The benefits of an effective Risk Management programme are numerous, a selection of the benefits are: -

- Increased focus on the action(s) that should be taken to meet objectives
- Improved delivery of services
- Effective management of change
- Delivering better Value For Money
- More efficient use of resources
- Supporting innovation
- Reduced complaints
- Protection of, and improved, reputation
- Getting things right first time
- Continual assessment of business opportunities

The term Risk Management also includes the management of opportunities, as risk should not be considered just as a negative. The management of opportunities is as important as the management of risk, and we should always look to see if there is a positive outcome to any risk.

An opportunity is the chance to take a positive outcome from a risk. It is an action that could enhance the ability to achieve the objective and could be shared to maximise the potential benefits to others as well as the operational business area. It could be the chance to take advantage of a new system, process or technology. Taking that action could increase the likelihood of positive impact of that opportunity.

2.4 Risk Appetite

The Council must take risks in order to achieve its strategic objectives and deliver beneficial outcomes to the community. Risks will be taken in a considered and controlled manner. Exposure to risks will be kept to a level of impact deemed acceptable by the Strategic Risk Management Group, and the level of acceptable risk may vary from time to time.

SECTION THREE – Purpose & Objectives

3.1 Purpose

The purpose of this Strategy is to set out Rugby Borough Council's approach to Risk Management, including outlining roles and responsibilities, reporting and communication methods and a description of the 4 stages of the Risk Management process.

It is a continuous and developing process, which ultimately aims to create a culture of risk awareness within the Council whereby staff and Members naturally consider risk issues as a part of day-to-day activities.

The Strategy is designed to be a reference source rather than to provide detailed answers to specific questions. It is a foundation for embedding a Risk Management culture across the organisation but is not intended to be a manual.

3.2 Objectives

The objectives of the Risk Management Strategy are to:

- 3.2.1 Develop Risk Management and raise its profile across the Council
- 3.2.2 Integrate Risk Management into the culture of the Council
- 3.2.3 Embed Risk Management through the ownership and management of risk as part of all business planning and decision making processes
- 3.2.4 Manage risks in accordance with best practice
- 3.2.5 Prevent injury, damage and losses and to reduce the cost of risk
- 3.2.6 Raise awareness of the need for Risk Management by all those connected with the Council's delivery of services

These objectives will be achieved by: -

- Establishing clear roles and responsibilities and reporting lines within the Council for Risk Management
- Reinforcing the importance of effective Risk Management as part of the everyday work of employees
- Developing training and awareness
- Including Risk Management as an agenda item at meetings
- Providing relevant training on Risk Management to employees and Members
- Continuing to demonstrate the application of Risk Management principles
- Making all partners, providers and delivery agents aware of the Council's expectations on risk, both generally as set out in its Risk Management policy, and where necessary in particular areas of service delivery
- Maintaining a Risk Management framework that will secure the consideration and review on a rolling basis of the Strategic and Operational risks confronted by the Council
- Inclusion of Risk Management in service plans

SECTION FOUR – Risk Management Process

4.1 Process

Risk Management is an ongoing process, which involves continual identification, analysis, treatment and monitoring of the risks and opportunities faced by the Council.

4.2 Risk Identification

The first step is to identify the ‘significant’ risks that could cause an objective not to be achieved as expected and, as a result, have an adverse impact upon the Council. (*Section 4.3 describes what is classed as a significant risk*). It is important that those involved with the process clearly understand the service or organisation’s key business objectives to be able to identify the potential barriers to their achievement.

The identification of risk should happen in all business areas.

4.3 Risk Analysis

The information gathered is then analysed by completing a Risk Assessment. The assessment details the risks to the achievement of a specific business objective, the opportunities that can be gained from that risk, the consequences of the risk and any existing internal controls.

The analysis will then consider the likelihood and impact of the risks. An initial score against likelihood and impact is made (see Appendix 1, Risk Matrices).

In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels: -

Risk rating:

8–16	High Risk (Red)	Immediate attention
4-6	Medium Risk (Amber)	Moderate risk, mitigation action required
1–3	Low risk (Green)	Regular review

Amber and red risks are classed as ‘significant’ risks. All risks are to be kept under review so as to identify when the likelihood or impact is changing (or will change) and to therefore enable further control actions to be determined and implemented.

4.4 Risk Treatment / Control

Once a risk has been identified and analysed, a decision must be made as to how the Council will react. There are four options: -

1. *Tolerate* – Decide to live with the risk and the possibility that it might occur and its possible consequences, but continue to monitor
2. *Terminate* – Eliminate the risk, usually by deciding to change a course of action or stop a particular activity

3. *Transfer* – Some of the financial impact of a risk may be transferred and it may be possible to transfer liability through contractual arrangements
4. *Treat* – Control the risk and take action to reduce the likelihood that an event will occur or the impact if it does.

The existing controls need to be reviewed before considering further action as these controls may no longer be relevant.

The potential for controlling the risks identified further will be investigated through an Action Plan. The implementation of the Action Plan is monitored through RPMS, the Council's performance management system.

4.5 Risk Monitoring and Reporting

Effective Risk Management requires an appropriate reporting and review structure to ensure that risks and opportunities are effectively identified and assessed and that appropriate control measures are in place.

The process requires regular reviews in order to provide the maximum benefit to the Council, including the Strategy, and all the processes and activities outlined within it, to ensure their effectiveness.

A framework of monitoring & reporting has been established to allow regular monitoring to take place.

This requires: -

Cabinet - To receive annual updates on the position of the Council's Risk Management programme; to review the Strategic Risk Register and any amendments made to it and to agree the Risk Management Strategy and any changes made. To appraise options contained within submitted reports.

Audit and Ethics Committee – To consider the effectiveness of the Council's Risk Management arrangements. To receive annual reports which provide assurance on the effective management of the Council's 'Top Level' risks and to agree the Risk Management Strategy and any changes made.

Leadership Team - To review the Strategic Risks on a quarterly basis and respond to any actions for which they are responsible in the interim.

Individual Risk Owners – To regularly monitor Risk Registers and Action Plans at team meetings – making any adjustments within RPMS or reporting them to the Risk Management and Insurance Officer; to implement and monitor outstanding actions and monitor the effectiveness of the actions in controlling the risks; to identify new risks / opportunities and to regularly review the Operational Risk Registers.

Strategic Risk Management Group – to consider and discuss regular updates received from the Risk Management and Insurance Officer and Risk Owners on outstanding risk actions and to annually review the Risk Management Strategy.

The risk process itself will be reviewed annually to ensure that it is still appropriate and includes learning from other Authorities. Training and research can be applied.

4.6 Risk Management Fund

The Corporate Assurance Manager & Transformation Lead is responsible for a small Risk Management fund. Service areas can 'bid' for full or partial funding for Risk Management initiatives that will benefit the Council as a whole.

SECTION FIVE – Links with Existing Processes

As detailed in Section 1, the Risk Management Statement, Risk Management is a business critical aspect for everyone at Rugby Borough Council. Everyone has a part to play to ensure that this process is embedded as an integral element of the daily operational and strategic thinking used at RBC. It is imperative that we demonstrate that full consideration has been given to all risks when delivering services for the residents and businesses in the local area.

Effective risk management is fundamental to the success of any organisation and the diagram below illustrates how it links with other management processes.



The following paragraphs set out each stage of our risk management process in detail.

5.1 Action Planning

The Council's objectives are set out within the Corporate Strategy. The current Corporate Strategy covers the period 2021-2024 and details the objectives for each portfolio area.

The action planning process is the mechanism through which the Council's objectives are translated into actions. The process involves, for each operational team:

- Identifying and documenting the key projects and change initiatives (actions) which will enable services to achieve their objectives in line with the Corporate Strategy;
- Identifying and documenting the risks associated with delivering those projects and initiatives (and therefore the Council's objectives); and
- Identifying and documenting the key performance indicators (KPIs) which demonstrate that Council services are performing well.

Risk Owners are expected to monitor the risks associated with delivering service objectives during team meetings and as part of normal day to day business.

5.2 Performance Management

The monitoring of the Risk Management action plans is facilitated through the performance management software RPMS. Risk Owners will monitor and update risk assessments and actions plans on a regular basis.

5.3 Project Management

Work is currently underway to improve the robustness of Risk Management within projects, with project risk registers being used more now than ever before with a register in place for each specific project.

5.4 Partnerships

The Council defines a partnership as “working with another organisation to deliver common objectives with a formal agreement of roles (through contract, memorandum of understanding, funding agreement, Service Level Agreement etc)”.

The Council has entered into a number of partnerships which have common objectives in line with its Corporate Strategy. Decision making processes are documented for each partnership and there are risk registers in place for significant partnerships, which are effectively managed and monitored.

5.5 Reporting

Each report prepared for Cabinet / Panels requires that the report writer consider the risks and benefits associated with each option presented within the report.

5.6 Emergency Planning and Business Continuity

It is a requirement under the Civil Contingency's Act that the Council assess the risk of emergencies occurring and use this to inform contingency planning; and put in place emergency plans and business continuity arrangements. Rugby Borough Council chaired the Warwickshire Local Resilience Forum Risk Group which updated the Warwickshire Risk Assessment (September 2015) and created the public facing 'Preparing for Emergencies in Warwickshire' publication (January 2017).

The Council has a Major Emergency Plan (December 2016), a public facing version of which can be found on the website.

The Council has a Business Continuity Strategy (2015) and a Council wide Business Continuity Plan (May 2016) as well as service specific business continuity plans for 'critical services'.

5.7 Health and Safety

The Council has demonstrated a commitment to Health and Safety with the development of policies and guidance specifically addressing the management of risk.

It is essential that the established links to the Risk Management process be maintained with emphasis on identification, analysis, treatment/control and

Commented [VK1]: I've looked on Sharepoint for the most recent versions of the five documents mentioned here that quote a date, but cannot locate any of them, are you able to find them? Also, weirdly, the Business Continuity Strategy shows that Amy modified it on 26/9/2012, she wasn't at RBC then!

monitoring of risks. The commitment and involvement of all employees will be supported at service level by specific training and guidance.

5.8 Corporate Strategy

The Strategic Risk Register aims to address all elements of risk in delivering the Council's corporate objectives. These in turn cascade into the Operational Risk Registers. The Leadership Team need to consider the Risk Management Strategy in line with the Corporate Strategy.

5.9 Internal Audit

The Council has implemented Risk Based Internal Auditing (RBIA), which is recognised best practice. Actions arising from internal audits are subject of a risk assessment. The linkages between the results of internal audits, relevant risks, and their mitigating actions is therefore enhanced. The process also facilitates more regular and timely updates of the Operational Risk Registers by Risk Owners during the course of the year with the Corporate Assurance and Improvement Team providing oversight and challenge as required.

5.10 Insurance

Insurance is a key form of risk management and the Council has a number of policies in place which are designed to protect it from contingent or uncertain losses. The policies cover the Council's assets including property and fleet, as well as employers' and public liability.

The Council's insurance premiums are determined by a number of factors, one of which is its claims history. Minimising the level and impact of insurance claims helps the Council to keep its insurance premium costs as low as possible. The Council therefore proactively manages the risk of insurance claims in a number of ways, including through operational health and safety management and education of fleet vehicle users.

SECTION SIX – Information and Communication

6.1 Information

Risk Management information is available from a number of different sources:

- Intranet web page
- Individual managers
- Risk Champions (see Appendix 3, Contact Information)
- Corporate Assurance Manager & Transformation Lead (see Appendix 3, Contact Information)
- Risk Management and Insurance Officer (see Appendix 3, Contact Information)

6.2 Communication

Risk Management at Rugby Borough Council is an evolving process, therefore regular communication with staff and managers is essential to ensure everyone is kept up to date and has the opportunity to further their understanding of the Council's risk programme.

Risk information updates and general awareness are communicated through a number of different sources:

- Intranet updates
- Team meetings
- Workshops and awareness sessions
- New employee induction day
- Members Briefings

SECTION SEVEN – Roles and Responsibilities

The following describes the roles and responsibilities that Members and Officers will play in embedding and owning Risk Management:-

7.1 Cabinet and other Elected Members

- To oversee the effective management of risk by Council Officers
- To annually consider the Strategic Risk Register
- To take decisions which are informed by an assessment of associated risks
- To approve overall strategic Risk Management proposals
- To agree the Risk Management Strategy and any changes to the Strategy

7.2 Leadership Team

- To ensure that the Council manages risk effectively through the development of a comprehensive Risk Management Strategy and the analysis and control of strategic risks
- To take decisions which are informed by an assessment of associated risks
- To provide corporate direction to all Risk Management proposals and to support the Strategic Risk Management Group
- To review the Strategic Risk Register
- To receive and consider an annual report on the Risk Management Strategy
- To identify any emerging strategic risks and report them to the Strategic Risk Management Group
- To identify any movements in the likelihood and / or impact severity of existing Strategic risks
- To be the service liaison for strategic and operational risks
- To include Risk Management and emerging risks through business planning and decision making
- To provide oversight and challenge

7.3 Strategic Risk Management Group

- To support the Council and its services in the effective development, implementation and review of the Risk Management Strategy
- To review the Risk Management Strategy on an annual basis
- To review the Strategic Risk Register and to identify and support any emerging Strategic risks
- To provide training on and to otherwise facilitate the practice of good Risk Management for Councillors and Officers
- To provide oversight and challenge
- To review the full risk portfolio to ensure it is acceptable

7.4 Risk Champions

(see appendix 3, Contact Information)

- To be a member of the Strategic Risk Management Group
- To support the Leadership Team and Service Managers in the effective management of risk
- To champion Risk Management within their service
- To be their service liaison for Strategic and Operational risks
- To disseminate Risk Management information
- To facilitate and encourage good Risk Management practices
- To co-ordinate the Operational Risk Assessment programme for their service

7.5 Service Managers

- To manage their service whilst taking in to account all associated risks
- To consider the positive and negative aspects of risk in all decisions taken
- To consider and produce/review and take ownership of Operational Risk Registers for their service areas during their business planning process and to report these assessments to the Risk Management and Insurance Officer
- To consider and record additional or strengthened controls that are needed to protect their service area and to incorporate these in to their service action and improvement plans
- To report these assessments, actions and improvement plans to the Risk Management and Insurance Officer

7.6 Risk Management and Insurance Officer

Although the Risk Management and Insurance Officer does not own the risk, this sits with the Risk Owner, they do provide the following areas of support and advice

- To advise and assist the Strategic Risk Management Group in their functions
- To facilitate meetings of the Strategic Risk Management Group
- To provide day-to-day Risk Management advice to Council Officers and Members
- To assist in the development of the Council's Risk Management programme in association with external advisors and Council Officers
- To advise and assist the Leadership Team with the quarterly reviews of the Strategic Risk Register
- To maintain a continuous review of the adequacy of the Risk Management programme
- To advise on progress reports to Cabinet and to Audit and Ethics Committee
- To advise on annual reports on the Council's 'Top Level' risks to Audit and Ethics Committee
- To advise on an annual report on the Strategic Risk Register to Cabinet
- To advise on an annual report on the Risk Management Strategy to Cabinet and to Audit and Ethics Committee
- To review systems and procedures for Risk Management and implement improved working practices wherever possible
- To review Strategic and Operational risk registers on a regular basis

- To maintain a continuous review of the adequacy of the Risk Management programme
- To identify instances of best practice through networking and discussions with brokers

7.7 All Employees

- To manage risk effectively in their job
- To report risks to their Service Managers, Risk Champions or the Risk Management and Insurance Officer
- To have an understanding of the risks identified within their service area
- To assist in the identification and control of risk
- To complete the options appraisal on all Leadership Team, Panel and Cabinet reports

STRATEGIC RISK MATRIX

APPENDIX 1

LIKELIHOOD		
Almost certain	= Strong/very strong/inevitable possibility (over 75%)	Score 4
Possible	= Likely to occur (50% – 75%)	Score 3
Unlikely	= Slight chance/could occur (10% – 49%)	Score 2
Remote	= Almost impossible/only occurring in exceptional circumstances (Below 10%)	Score 1

IMPACT		
Extreme	= Financial loss over £1m, significant service disruption, disabling injury/death, adverse national media coverage, severe stakeholder concern	Score 4
Major	= Financial loss of between £250,000 and £1m, major service disruption, major injury, adverse regional media coverage, significant stakeholder concern	Score 3
Moderate	= Financial loss of between £50,000 and £250,000, moderate service disruption, loss time injury, local media coverage, more service user complaints, moderate stakeholder concern	Score 2
Minor	= Financial loss up to £50,000, short term inconvenience, minor injury, isolated user service complaints, stakeholder concerns	Score 1

		Likelihood			
		1	2	3	4
Impact	4	M	H	H	H
	3	L	M	H	H
	2	L	M	M	H
	1	L	L	L	M
		1	2	3	4

OPERATIONAL RISK MATRIX

LIKELIHOOD		
Almost certain	= Strong/very strong/inevitable possibility (over 75%)	Score 4
Possible	= Likely to occur (50% - 75%)	Score 3
Unlikely	= Slight chance/could occur (10% - 49%)	Score 2
Remote	= Almost impossible /only occurring in exceptional circumstances (Below 10%)	Score 1

IMPACT		
Extreme	= Financial loss over £250,000, total service loss for a significant period, fatality/disabling injury, adverse national media coverage, severe stakeholder concern, mass complaints	Score 4
Major	= Financial loss of between £75,000 and £250,000, major service disruption, major injury, regional media coverage, significant user complaints, significant stakeholder concern	Score 3
Moderate	= Financial loss of between £10,000 and £75,000, moderate service disruption, loss time injury, local media coverage, more service user complaints, stakeholder concern	Score 2
Minor	= Financial loss up to £10,000, short term inconvenience, minor injury, isolated user service complaints, minor local media coverage, minor stakeholder concerns	Score 1

		Likelihood			
		1	2	3	4
Impact	4	M	H	H	H
	3	L	M	H	H
	2	L	M	M	H
	1	L	L	L	M
		1	2	3	4

PROJECT RISK MATRIX

LIKELIHOOD		
Almost certain =	In excess of 50% possibility	Score 4
Possible =	Between 25% and 50% possibility	Score 3
Unlikely =	Between 10% and 25%	Score 2
Remote =	Below 10%	Score 1

IMPACT		
Extreme =	Financial change in excess of 20% of budget National media coverage, permanent impact on reputation Change in output of more than 80%	Score 4
Major =	Financial change of between 11% and 20% of budget Local media/TV coverage, long term impact on reputation Change in output of between 50% and 80%	Score 3
Serious =	Financial change of between 5% and 10% of budget Local newspaper coverage, temporary impact on reputation Change in output of between 25% and 50%	Score 2
Minor =	Financial change of less than 5% of budget Local gossip, internal impact on reputation Change in output of under 5%	Score 1

		Likelihood			
		1	2	3	4
Impact	4	M	H	H	H
	3	L	M	H	H
	2	L	M	M	H
	1	L	L	M	M
		1	2	3	4

APPENDIX 2

STRATEGIC RISK MANAGEMENT GROUP**TERMS OF REFERENCE**

The role of the Strategic Risk Management Group (SRMG) is crucial to the implementation of a successful Risk Management programme.

The SRMG is a facilitating group and will enable and empower all aspects of a Risk Management programme, providing where necessary, links with Insurance, Health and Safety, Emergency Planning and Business Continuity.

The SRMG will be the focal point for co-ordinating the Strategic and Operational Risk Registers.

The terms of reference of the SRMG are:-

- To support the Council and its services in the effective development, implementation and review of the Risk Management Strategy
- To identify and monitor key Risk Management indicators and matrices
- To produce an annual report reviewing the Risk Management Strategy to the Audit and Ethics Committee and Cabinet
- To identify and support the identification of any emerging Strategic risks
- To review the Strategic Risk Register on a quarterly basis and respond to any actions for which they are responsible in the interim
- To share good Risk Management practice within the Authority
- To provide training on, and to otherwise facilitate, the practice of good Risk Management for Councillors and Service Officers
- To review and consider progress on the delivery of the Annual Governance Statement Action Plan
- To review significant issues arising from the work of Internal Audit

MEMBERS

The Strategic Risk Management Group comprises of the following staff:-

- Chief officer representatives from:
 - Leisure and Wellbeing
 - Legal and Governance
 - Finance and Performance
 - Regulation and Safety
 - Digital Communications
 - Growth and Investment
 - Operations and Traded Services
 - Communities and Homes
- Executive Director
- Deputy Executive Director
- Corporate Assurance and Improvement Manager
- Risk Management and Insurance Officer
- Safety and Resilience Manager

- The Council's Risk Management and Insurance consultant representative
- The Council's Risk Member Champion (usually the Finance, Performance, Legal and Governance Portfolio Holder)

The Chief Officer – Finance & Performance will act as the Group Chairman. Additional members of staff will attend the Group as and when their expertise are needed.

Each of the representatives is a Risk Champion for their area and will be responsible for co-ordinating the Risk Management programme within their own service. This will include:

- To be a member of the Strategic Risk Management Group
- To support Service Managers in the effective management of risk
- To champion Risk Management within their service
- To be their service liaison officer for Strategic and Operational risks
- To disseminate Risk Management information
- To facilitate and encourage good Risk Management practices
- To co-ordinate the Operational Risk Register reviews for their service areas

APPENDIX 3

CONTACT INFORMATION

Risk Champions:

Elected Members	Cllr Carolyn Robbins	Ext: 3401
	carolyn.robbins@rugby.gov.uk	
Communities and Homes	Michelle Dickson	Ext: 3843
	michelle.dickson@rugby.gov.uk	
Leisure and Wellbeing	Tom Kittendorf	Ext: 3749
	tom.kittendorf@rugby.gov.uk	
Growth and Investment	Nicola Smith	Ext: 3720
	nicola.smith@rugby.gov.uk	
Legal and Governance	Aftab Razzaq	Ext: 3521
	aftab.razzaq@rugby.gov.uk	
Finance and Performance	Jon Illingworth	Ext: 3410
	jon.illingworth@rugby.gov.uk	
Regulation and Safety	David Burrows	Ext: 3806
	david.burrows@rugby.gov.uk	
Digital Communications	Mike Connell	Ext: 3466
	Mike.connell@rugby.gov.uk	
Operations and Traded Services	Claire Preston	Ext: 3309
	claire.preston@rugby.gov.uk	
Executive Director Group Chairman	Mannie Ketley	Ext: 3430
	mannie.ketley@rugby.gov.uk	
Deputy Executive Director	Dan Green	Ext: 3801
	Dan.green@rugby.gov.uk	
Safety and Resilience Manager	Steve Agutter	Ext: 3841
	stephen.agutter@rugby.gov.uk	

Corporate Assurance and Improvement Chris Green Ext: 3451
chris.green@rugby.gov.uk

Risk Management and Insurance Verity Knighton Ext: 3418
verity.knighton@rugby.gov.uk

APPENDIX B

**RUGBY BOROUGH COUNCIL
STRATEGIC RISK REGISTER**

CORPORATE STRATEGY PRIORITY : ECONOMY	<i>[Risk Management Officer to complete]</i>
RISK TYPE : Strategic	Risk Code :
COMPLETED BY: Leadership Team	DATE: May 2022
	Category :

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Lack of resource, or no strategies to identify where economic development will be supported. (1) Owner: Nicola Smith	- Learn lessons and identify more innovative solutions	-Loss of income -Stakeholder concern -Political intervention -Adverse media coverage -Unemployment and poverty -Reputational damage -Corporate Strategy objective not achieved. The borough might not be successfully promoted as a place to do business.	-Town Centre and local masterplans in place -Local Plan adopted -Alignment of strategic objectives with those of partners including the Combined Authority, Local Enterprise Partnership, Business Improvement District and the Growth Hub -Promotional website in place -Promotion and support of town centre events such as Bike Fest and the Christmas Lights switch on	2	3	6	New
Insufficient or ineffective engagement with partners. (2) Owner: Nicola Smith		-Stakeholder concern -Political intervention -Adverse media coverage -Reputational damage -Corporate Strategy objective not achieved. Economic growth might not be consistent with social and environmental priorities	-Various Supplementary Planning Documents in place -Adopted Local Plan in place -Housing Strategy	2	2	4	New

APPENDIX B

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of funding, or a lack of local skills, or other external factors.</p> <p>(3)</p> <p>Owner: Nicola Smith</p>		<ul style="list-style-type: none"> -Stakeholder concern -Political intervention -Adverse media coverage -Unemployment and poverty <p>-Corporate Strategy objective not achieved. Local businesses might not thrive and provide jobs for residents.</p>	<ul style="list-style-type: none"> - Provision of grant support to businesses - Financial support provided to the Business Improvement District - Additional grants provided to businesses via the Growth Hub 	2	2	4	New
<p>The town centre strategy might be poorly designed.</p> <p>(4)</p> <p>Owner: Nicola Smith</p>		<ul style="list-style-type: none"> -Stakeholder concern -Political intervention -Adverse media coverage -Reputational damage -Business failures, economic decline, and deprivation <p>- Corporate Strategy objective not achieved. The Council might not develop and promote the town centre successfully as a place to live, socialise and work.</p>	<ul style="list-style-type: none"> - Engagement with stakeholders – businesses, public, experts, so the strategy reflects what the Borough needs - Effectively designed process for review and approval of the strategy - Flexibility built into the strategy 	1	3	3	New

APPENDIX B

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Local education providers might not offer the right courses.</p> <p>(5)</p> <p>Owner: Michelle Dickson</p>		<ul style="list-style-type: none"> -Stakeholder concern -Adverse media coverage -Deprivation -Local jobs taken by people from outside the borough - Corporate Strategy objective not achieved. Residents might not have the skills they need to meet local demand. 	<ul style="list-style-type: none"> - Very wide range of courses and qualifications available - Significant number of education providers available 	1	3	3	New
<p>Development policies have insufficient flexibility, or there is insufficient funding or capacity.</p> <p>(6)</p> <p>Owner: Nicola Smith</p>		<ul style="list-style-type: none"> -Stakeholder concern -Adverse media coverage -Deprivation -Reputational damage - Corporate Strategy objective not achieved. The Council might not regenerate neighbourhoods that need support and build communities that sustain change 	<ul style="list-style-type: none"> - Supplementary Planning Documents in place - Local Plan and review in place - Capital Strategy - New Housing Strategy approved 	2	3	6	New

APPENDIX B

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
6	Develop and approve the Economic Development Strategy	1	3	3	In progress	Nicola Smith	31/03/2023		Quarterly
	Develop and approve the Town Centre Regeneration Strategy.				In progress	Nicola Smith	31/03/2023		Quarterly
(1)	Restructure of the Economic Development function and appointment to posts.				In progress	Nicola Smith	30/09/2022		Quarterly
6	Develop and approve the new Climate Change strategy	1	2	2	In progress	Dan Green	31/07/2022		Quarterly
(2)									
9	Digital communications – review and implement new arrangements for online promotion and engagement with businesses.	1	2	2	In progress	Nicola Smith	31/03/2023		Quarterly
(3)	Baseline assessment to identify any local skills gaps.				Being considered	Nicola Smith	31/03/2023		Quarterly
6	Develop and approve the Town Centre Strategy	1	3	3	In progress	Chief Officer Growth & Investment	31/07/2022		Quarterly
(4)									
6	Improve partnership working with education providers	1	3	3	Being considered	Michelle Dickson	31/03/2023		Quarterly
(5)									
9	Develop and approve the HRA business plan	1	3	3	In progress	Michelle Dickson	31/03/2023		Quarterly
(6)									

APPENDIX C

**RUGBY BOROUGH COUNCIL
STRATEGIC RISK REGISTER**

CORPORATE STRATEGY PRIORITY : CLIMATE	<i>[Risk Management Officer to complete]</i>
RISK TYPE : Strategic	Risk Code :
COMPLETED BY: Leadership Team	DATE: May 2022
	Category :

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Lack of resources or technology and/ or a return to pre pandemic ways of working. (1) Owner: Dan Green	-The Council could potentially seek to offset its emissions	-Reputational damage -Adverse media coverage -Stakeholder concern -Complaints -Political intervention - Corporate strategy objective not achieved. The Council might not achieve net zero carbon footprint by 2030.	-Council decisions are subject to climate change and environmental impact assessment. -Procurement procedures enable the Council to work with organisations which adopt environmentally sustainable practices. - Programme to make homes more energy efficient. - Agile working policy and hybrid working arrangements in place. -Horizon scanning to identify funding opportunities to support initiatives. - Working with partners and the third sector in order to influence businesses and the government. - Completion of baseline assessment of the impact of the Council's activities on the environment.	3	3	9	New

APPENDIX C

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Lack of influence, willingness and desire of residents. (2) Owner: Dan Green		-Reputational damage -Adverse media coverage -Stakeholder concern -Complaints - Corporate Strategy objective not achieved. Connectivity and use of greener travel might not improve.	- Climate Change strategy in development (see action below)	2	3	6	New
Lack of funding for retraining, reconfiguration of the Council's fleet, and for implementing a charging structure. (3) Owner: Dan Green		-Reputational damage -Adverse media coverage -Stakeholder concern -Complaints - Corporate Strategy objective not achieved. The use of greener travel might not improve.	- Climate Change strategy in development (see action below).	2	3	6	New
Misinformation, denial, or a lack of willingness, desire and funding. (4) Owner: Dan Green		-Reputational damage -Adverse media coverage -Stakeholder concern -Political intervention - Corporate Strategy objective not achieved. The impact of residents and businesses on the environment might not be reduced.	-Climate Change strategy in development (see action below).	1	3	3	New
Insufficient funding, unsuitable properties, or if tenants don't allow access to their properties. (5) Owner: Michelle Dickson	- Regenerate residential areas rather than seeking to improve existing housing stock.	-Reputational damage -Adverse media coverage -Stakeholder concern -Political intervention - Corporate Strategy objective not achieved. The carbon footprint and environmental sustainability of the Council's housing stock will not improve by 2027.	- Tenancy agreements provide for access to properties - Coaching of residents to make them more aware of the benefits of reducing the carbon footprint of their homes, such as reduced fuel bills - New Housing Strategy approved in March 2022	3	3	9	New

APPENDIX C

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Insufficient funding, residents don't share the same priorities, or conflicts between development decisions and environmental sustainability.</p> <p>(6)</p> <p>Owner: Dan Green</p>		<ul style="list-style-type: none"> -Reputational damage -Adverse media coverage -Stakeholder concern -Political intervention -Complaints - Corporate Strategy objective not achieved. The Council might not deliver good quality green infrastructure and improved biodiversity. 	<ul style="list-style-type: none"> - Coton Park East Supplementary Planning Document approved - South West Rugby Masterplan approved - Housing Needs and Air Quality Supplementary Planning Document approved - Biodiversity plans have to be included in new developments 	3	3	9	New

APPENDIX C

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
9									
(1)									
6	Develop and approve a Climate Change Strategy	1	3	3	In progress	Dan Green	31/07/2022		Quarterly
(2)	Develop an electric vehicle strategy, including: <ul style="list-style-type: none"> • Identification and sourcing of grant funding • Identifying what support could be provided to help residents instal charging points 				Being considered	Dan Green	31/12/2022		Quarterly
6	Develop and approve a Climate Change Strategy.	1	3	3	In progress	Dan Green	31/07/2022		Quarterly
(3)									
6	Develop and approve a Climate Change Strategy.	1	3	3	In progress	Dan Green	31/07/2022		Quarterly
(4)	Increase engagement with and involvement of residents and businesses.				Being considered	Dan Green	31/12/2022		Quarterly

APPENDIX C

9	Develop and approve a Climate Change Strategy	1	3	3	In progress	Dan Green	31/07/2022		Quarterly
(5)	Develop new HRA Business Plan				In progress	Michelle Dickson	30/09/2022		Quarterly
	Coaching of residents to make them more aware of the benefits of reducing the carbon footprint of their homes, such as reduced fuel bills.				Being considered	Michelle Dickson	31/12/2022		Quarterly
	Develop new Asset Management Strategy				Being considered	Mannie Ketley	31/12/2022		Quarterly
9	Develop and approve an Economic Development Strategy	1	3	3	In progress	Nicola Smith	TBC following recruitment		Quarterly
(6)	Approve the Sustainable Design & Construction Supplementary Planning Document				In progress	Nicola Smith	31/12/2022		Quarterly
	Approve the Planning Obligations Supplementary Planning Document				In progress	Nicola Smith	31/12/2022		Quarterly
	Develop and approve the new Green Space Audit				Being considered	Nicola Smith	31/07/2022		Quarterly
	Work with other land owners/ other stakeholders to improve biodiversity on their land				Being considered	Nicola Smith	31/03/2023		Quarterly

APPENDIX D

**RUGBY BOROUGH COUNCIL
STRATEGIC RISK REGISTER**

CORPORATE STRATEGY PRIORITY : HEALTH & COMMUNITIES	<i>[Risk Management Officer to complete]</i>
RISK TYPE : Strategic	Risk Code :
COMPLETED BY: Leadership Team & SRMG	DATE: June 2022
	Category :

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Lack of, or insufficient resources. (1) Owner: Tom Kittendorf	Review community grants and service level agreements funding	-Reputational damage -Political intervention -Adverse media coverage -Health inequality gap continues or widens -Stakeholder concern -Corporate objective not achieved: The Council might not be able to invest in the mental health and wellbeing of residents and close the health inequality gap.	-Family Lifestyle programme in place, externally funded -Delivery of youth intervention programmes -Youth clubs, school programmes -Community grants programme -SLAs with community associations -Management of Parks and Open Spaces for residents access -Housing Pathway – trailblazers – additional support to get people into independent living -Lottery raises funds which provide support for community initiatives -Leisure centre, art gallery and museum, and Benn Hall all support the mental health & wellbeing of residents.	2	3	6	New

APPENDIX D

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Adverse publicity or social media, misinformation, anti-social behaviour, or withdrawal of project funding.</p> <p>(2)</p> <p>Owners: Michelle Dickson and Tom Kittendorf</p>	<p>Focus on promoting successes (action)</p>	<ul style="list-style-type: none"> -Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern -Business and people not attracted to live and invest in the borough <p>-Corporate objective not achieved: Residents might not be proud of their community and the borough</p>	<ul style="list-style-type: none"> -Project management of On Track to ensure outcomes are delivered. -The Council ensures it submits bids for new funding where it sees the opportunity to do so. -Councillor newsletters and proactive communications forward plan. -Close engagement and working with community groups. -Consultation undertaken in advance of key Council decisions. -Engagement and dialogue with partners including the Community Safety Partnership and Anti Social Behaviour group. 	2	3	6	New
<p>Insufficient resources, increased demand, diverse needs, dependence on partners, and/ or a lack of representative consultation data.</p> <p>(3)</p> <p>Owner: Tom Kittendorf</p>		<ul style="list-style-type: none"> -Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern <p>-Corporate objective not achieved: the Council might not develop services which meet local needs with a focus on prevention and early intervention.</p>	<ul style="list-style-type: none"> -Family lifestyle programme, Play and On Track services in place. -Rough sleeper initiatives -Leisure centre externally contracted out, which secures delivery of the service through a specialist provider -Review of Customer Advice and Support team with an increased focus on upfront preventative work. 	2	3	6	New

APPENDIX D

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of resources, poor economic situation, lack of engagement with rough sleepers, or complex needs.</p> <p>(4)</p> <p>Owner: Michelle Dickson</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern</p> <p>-Corporate objective not achieved: the Council might not be able to support residents who are, or at risk of, being homeless or sleeping rough.</p>	<p>-Ongoing liaison with community groups -Rough sleeper initiatives in place with additional funding applied for -Review of Customer Advice and Support team, with an increased focus on upfront preventative work. -The BEAM project supports rough sleepers and potential homeless people into training and employment. -PHIL project in place to prevent homelessness and improve lives.</p>	2	3	6	New
<p>Lack of funding, engagement, adverse perceptions of the available facilities, or inertia.</p> <p>(5)</p> <p>Owner: Tom Kittendorf</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern</p> <p>-Corporate objective not achieved: the Council might not support residents to live active lives, with high quality accessible green space and recreational facilities.</p>	<p>-Family lifestyle programme, Play and On Track services in place. -Rough sleeper initiatives -Leisure centre facilities, delivered in partnership -The Council's parks and open spaces have received green flag awards -Ongoing management of parks and open spaces for residents access.</p>	2	3	6	New

APPENDIX D

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of funding, engagement or understanding, hate crime, or misinformation</p> <p>(6)</p> <p>Owner: David Burrows</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern -Loss of “excellent” Equality & Diversity accreditation</p> <p>Corporate objective not achieved: Diversity and inclusion might not be successfully promoted and celebrated so that everyone feels welcome in the borough.</p>	<p>-‘Excellent’ equalities & diversity accreditation achieved. -Council decisions are taken only after consideration of the equalities and diversity implications. -Close engagement and working with community groups. -The Council ensures it submits bids for new funding where it sees the opportunity to do so. -Proactive communications forward plan. - Review & Update Equality, Diversity & Inclusion Strategy in 2022.</p>	2	3	6	New
<p>Lack of engagement or land supply, or if developers don’t meet the requirements.</p> <p>(7)</p> <p>Owner: Michelle Dickson</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern</p> <p>Corporate objective not achieved: residents might not have access to high quality, affordable and environmentally sustainable homes.</p>	<p>-Establishment of Joint Venture company to acquire/ build affordable homes. -Programme of work to improve energy efficiency of homes -Kitchen and bathroom refurbishment programmes -Property repairs service in place to ensure quality is maintained -HRA reserves in place, and loan facilities available. -Biert Place and Rounds Gardens regeneration programmes. -Planning controls in place to ensure developers meet their requirements. -Relationship management arrangements in place with registered providers. -New Housing Strategy adopted.</p>	2	3	6	New

APPENDIX D

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of funding or resources, ineffective engagement, or incorrect assumptions.</p> <p>(8)</p> <p>Owner: Tom Kittendorf</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern</p> <p>Corporate objective not achieved: the Council might not effectively invest in extra support for families and young people.</p>	<p>-Family Lifestyle programme in place, externally funded -Play and On-Track services in place. -Delivery of youth intervention programmes -Youth clubs and school programmes in place.</p>	2	3	6	New
<p>Ineffective collaboration, engagement or management of expectations.</p> <p>New legislation, lack of resources, or misinformation.</p> <p>(9)</p> <p>Owner: David Burrows</p>		<p>-Reputational damage -Political intervention -Adverse media coverage -Stakeholder concern</p> <p>Corporate objective not achieved: the Council might not ensure communities are safe.</p>	<p>-Delivery of youth intervention programmes -Engagement and dialogue with partners including the Community Safety Partnership, Anti Social Behaviour group, Warwickshire Police, and the Crime Commissioner. -Annual report on the work of the Community Safety Partnership submitted to Scrutiny each year. -A Board arrangement is in place chaired by the Deputy Leader, which a number of multi-agency groups report to including Anti Social Behaviour, Priority Action Group, Domestic Homicide Review Group, Domestic Assault Group, serious organised crime tactical group and violence against women and girls. -The Council supports Futures Unlocked, a local charity involved in rehabilitating ex-offenders. -Support to the current anti-knife school campaign.</p>	2	3	6	New

APPENDIX D

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
6	Develop Playing Pitch Strategy	1	3	3		Tom Kittendorf	30/09/2022		Quarterly
(1)	Develop Built Facilities Strategy					Tom Kittendorf	30/09/2022		Quarterly
6	Develop Cultural Strategy	1	3	3		Tom Kittendorf	30/09/2022		Quarterly
(2)									
6	Develop Financial Inclusion approach/ strategy	1	3	3		Michelle Dickson	31/12/2022		Quarterly
(3)									
6	Develop Homelessness Strategy, including acquisition of more one bedroomed properties.	1	3	3		Michelle Dickson	30/11/2022		Quarterly
(4)	Review the potential redesignation of housing stock to meet one bedroomed accommodation needs.					Michelle Dickson	31/03/2023		Quarterly
	Completion of the purchase of 12 units at Woodside Park.					Michelle Dickson	31/08/2022		Monthly
6	Develop Green Space Strategy	1	3	3		Tom Kittendorf	30/09/2022		Quarterly
(5)									
(6)									
6	Develop HRA Business Plan	1	3	3		Michelle Dickson	30/06/2023		Quarterly
(7)									
(8)									
6	Develop Safety Strategy, including a review of the Community Safety Partnership	1	3	3		David Burrows	31/03/2023		Quarterly
(9)									

APPENDIX E

**RUGBY BOROUGH COUNCIL
STRATEGIC RISK REGISTER**

<p>CORPORATE STRATEGY PRIORITY : ORGANISATION</p> <p>RISK TYPE : Strategic</p> <p>COMPLETED BY: Leadership Team DATE: May 2022</p>	<p><i>[Risk Management Officer to complete]</i></p> <p>Risk Code :</p> <p>Category :</p>
---	--

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of resources, capability, resistance or a lack of engagement.</p> <p>(1)</p> <p>Owner: Mike Connell</p>		<ul style="list-style-type: none"> -Service reductions/ redundancies -Adverse media coverage -Stakeholder concern -Reputational damage -Political intervention - Corporate Strategy objective not achieved. The Council might not embrace digital opportunities and nurture a culture of innovation. 	<ul style="list-style-type: none"> - Transformation unit created including a financial reserve - Dedicated Chief Officer in place for Digital & Communications, with oversight by the Leadership Team - IT & Digital Services Strategy - Stakeholder engagement and funding bids submitted where appropriate - Programme Board in place 	3	4	12	New

APPENDIX E

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>The economic environment worsens, or the fair funding review results in a poor outcome, or there is a lack of buy in for difficult decisions.</p> <p>(2)</p> <p>Owner: Jon Illingworth</p>		<ul style="list-style-type: none"> - Service reductions/ redundancies - Adverse media coverage - Stakeholder concern - Substantial reputational damage - Political and government intervention - S151 officer may issue a S114 notice - Corporate Strategy objective not achieved. The Council might not be able to set robust, comprehensive and achievable budgets. 	<ul style="list-style-type: none"> - Financial plans are reviewed and updated at least annually to reflect any changes in the outlook. - Monitoring and oversight of the Council's financial management by the Leadership Team. - Ongoing engagement with Cabinet and Members - Established budget setting and monitoring procedures - Implementation of finance business partnering to support services in effective control of their budgets and financial planning. - Transformation programme and oversight board in place to ensure projects are implemented which will support financial self sufficiency. - Budget working group - Annual Governance Statement review of control framework 	3	4	12	New

APPENDIX E

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>The Constitution is not fit for purpose, or there is a lack of awareness and understanding, single points of failure, or deliberate avoidance-</p> <p>(3)</p> <p>Owner: Aftab Razzaq</p>		<ul style="list-style-type: none"> -Adverse media coverage -Stakeholder concern -Substantial reputational damage -Political and government intervention -Legal action against the Council -Corporate Strategy objective not achieved. The Council might not have robust systems of governance that ensure fairness, accountability and transparency. 	<ul style="list-style-type: none"> -Constitution is subject to periodic review and update by the Chief Officer Legal & Governance. - Annual Governance Statement and delivery of action plans provides a substantial level of assurance - Annual report of internal audit provides a substantial level of assurance - Monitoring and oversight by Strategic Risk Management Group and Audit & Ethics Committee - Confidential Reporting Code in place - Financial Regulations reviewed and updated - Monitoring Officer and Deputy Monitoring Officer in post. - Updated Scheme of Delegation approved in December 2022 - Updated member Code of Conduct in place - New project governance framework developed and implemented - New Treasury Management and Capital strategies approved 	2	3	6	New

APPENDIX E

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of buy in, poor performance management, poor staff wellbeing, or a lack of capacity to support change.</p> <p>(4)</p> <p>Owner: Mannie Ketley</p>		<ul style="list-style-type: none"> -Stakeholder concern -Reputational damage -Adverse financial impact - Corporate Strategy objective not achieved. The Council's structure and working methods won't be agile, efficient and effective. 	<ul style="list-style-type: none"> - Office based staff have adapted to home based as one of the agile means of working - Review and monitoring of complaints by the Leadership Team - Framework in place for 1-2-1s and team meetings - Staff surveys are analysed and action taken to address issues raised - Wellness Action Plans in place - Management Team in place with a developing remit 	2	3	6	New
<p>Lack of risk appetite or capacity, or conflicting needs and considerations when making decisions.</p> <p>(5)</p> <p>Owner: Mannie Ketley</p>		<ul style="list-style-type: none"> -Service reductions/ redundancies -Adverse media coverage -Stakeholder concern -Political intervention -Corporate Strategy objective not achieved. The Council might not undertake responsible and sustainable commercial activities in the open market. 	<ul style="list-style-type: none"> - Newly updated risk management strategy - Transformation unit in place with financial reserve - Programme board in place - Independent external review to identify commercialisation opportunities - Commercial pillars developed - External advice and support sought where required - Shareholders Committee in place with independent chair 	2	4	8	New

APPENDIX E

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>The Council's governance framework might not be followed, or there are external factors such as the pandemic emergency.</p> <p>(6)</p> <p>Owner: Jon Illingworth</p>		<ul style="list-style-type: none"> -Adverse media coverage -Adverse internal and external audit opinions -Stakeholder concern -Reputational damage -Adverse financial impact - Corporate Strategy objective not achieved. Services might not demonstrate value for money. 	<ul style="list-style-type: none"> - Published constitution in place - Frameworks, policies and procedures in place to ensure good governance, for example the Financial Regulations. - Annual Governance Statement and Internal Audit opinions provide substantial assurance - Oversight by Strategic Risk Management Group - Self assessment completed against new CIPFA Financial Management Code - Financial performance indicators are in place such as monitoring of any off contract procurement activity. -Procurement of CFO Insights data comparison and benchmarking system. - Programme board & transformation unit in place. -Use of external support where required - Financial regulations reviewed and updated in 2021/22 	2	3	6	New

APPENDIX E

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
<p>Lack of resources, capability, or motivation.</p> <p>(7)</p> <p>Owner: Mike Connell</p>		<ul style="list-style-type: none"> -Stakeholder concern -Reputational damage -Adverse financial impact due to inefficient and/ or ineffective services -Political intervention - Corporate Strategy objective not achieved. The Council might not make the best use of data and customer insight to design services and interventions. Residents might not be provided with the service they need when they need it. 	<ul style="list-style-type: none"> - Public consultation arrangements in place - Council decisions are subject to evaluation of impacts including equality and diversity. - Updated Equalities & Diversity strategy in place - Power BI in place to enable live data reporting and dashboards. - Customer complaints and feedback procedures - Programme Board and transformation unit in place - IT Digital Services team in place - Performance Indicators in place with benchmarking 	2	3	6	New

APPENDIX E

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
12	Approve the Digital Strategy.	1	2	2	In progress	Mike Connell	31/07/2022		Quarterly
(1)	Develop and approve the Transformation Strategy and Programme.				In progress	Jon Illingworth	31/07/2022		Quarterly
	Implementation of the Rugby Blueprint.				In progress	Mike Connell	30/09/2022		Quarterly
	Develop and approve the Customer Access Strategy.				In progress	Mike Connell	31/07/2022		Quarterly
12	Develop and approve the new Medium Term Financial Strategy.	1	2	2	In progress	Jon Illingworth	28/02/2023		Quarterly
(2)	Develop and approve the Transformation Strategy and Programme.				In progress	Jon Illingworth	30/06/2022		Monthly
	Develop and approve the Commercial Framework.				In progress	Jon Illingworth	30/06/2022		Monthly
	Review and update the Asset Management Strategy.				In progress	Mannie Ketley	31/12/2022		Quarterly
	Implement actions arising from the external audit VFM review.				Being considered	Jon Illingworth	31/03/2023		Quarterly
6	Prepare and approve the Annual Governance Statement.	1	3	3	In progress	Aftab Razzaq	31/07/2022		Monthly
(3)	Develop and approve the new internal constitution.				In progress	Aftab Razzaq	31/07/2022		Quarterly
	Finish the review and update of the Constitution.				In progress	Aftab Razzaq	31/08/2022		Quarterly
	Develop and approve the new Member Learning and Development policy.				In progress	Aftab Razzaq	31/07/2022		Quarterly

APPENDIX E

6	Develop and approve the new HR Strategy, and workforce development and planning framework.	1	3	3	Being considered	Mannie Ketley	31/03/2023		Quarterly
(4)	Develop and approve the new internal constitution.				In progress	Aftab Razzaq	31/07/2022		Quarterly
	Implementation of the Rugby Blueprint.				In progress	Mike Connell	30/09/2022		Quarterly
8	Develop and approve the Commercial Framework.	1	3	3	In progress	Jon Illingworth	31/07/2022		Quarterly
(5)									
6	Implement the action plan arising from the CIPFA Financial Management Code self assessment.	1	2	2	In progress	Jon Illingworth	31/03/2023		Quarterly
	Implement actions arising from the external audit VFM review.				Being considered	Jon Illingworth	31/03/2023		Quarterly
(6)	Develop and approve the new internal constitution.				In progress	Aftab Razzaq	31/07/2022		Quarterly
6	Develop and approve the new Communications Strategy.				In progress	Mike Connell	31/07/2022		Quarterly
(7)	Complete recruitment and appointment to the new Data Analyst post.				In progress	Mike Connell	31/08/2022		Quarterly

AGENDA MANAGEMENT SHEET

Report Title:	Annual Report of Internal Audit
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	30 June 2022
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	None
Prior Consultation:	Chief Officer - Finance and Performance
Contact Officer:	Chris Green, Corporate Assurance Manager and Transformation Lead 01788 533451; chris.green@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report sets out the Corporate Assurance Manager's annual opinion of the overall adequacy and effectiveness of the Council's internal control environment, with an appended summary of the audit work undertaken to formulate the opinion.
Financial Implications:	None

Risk Management/Health and Safety Implications:	No direct implications. This report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks.
Environmental Implications:	None
Legal Implications:	No direct implications
Equality and Diversity:	No implications
Options:	None
Recommendation:	The report be considered and noted.
Reasons for Recommendation:	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 30 June 2022

Annual Report of Internal Audit

Public Report of the Chief Officer - Finance and Performance

Recommendation

The report be considered and noted.

1. Introduction

1.1 The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance Manager (CAM) to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Report Details

Opinion on the Overall Adequacy and Effectiveness of the Council's Control Environment

2.1 It is the responsibility of the CAM to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2021/22, the CAM's overall opinion is that **Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. Whilst some elements of the control environment require attention, agreed actions have been put in place to address those issues and responsible managers have agreed reasonable timetables for their implementation. The progress made by management in implementing the agreed actions has been generally sound.

2.2 **Appendix A** to this report provides a copy of the Internal Audit Annual Report which includes the CAM's opinion on the control framework for 2021/22 and the basis for this opinion.

Effectiveness of Internal Audit

- 2.3 The Annual Report also includes an overview of the performance of the Internal Audit service against its key performance measures and ways in which it has added value to the Council during 2021/22.

Compliance with the Public Sector Internal Audit Standards

- 2.4 The Internal Audit service, in the opinion of the CAM, is operating in general conformance to the Standards. Further details are contained within the Annual Report, the Quality Assurance and Improvement Plan (**Appendix C**) and the self-assessment (**Appendix D**). An external quality assessment will be commissioned and completed in the 2022/23 financial year.

Statement of Organisational Independence and Objectivity

- 2.5 If independence or objectivity is impaired in fact or appearance, the CAM is required to disclose this. The CAM can confirm that the internal audit service is independent and objective, and this is currently demonstrated in a number of ways:

- The CAM reports directly to the Chief Officer Finance and Performance (s151 officer) and the Audit and Ethics Committee and has unfettered access to the Executive Director and Chair of the Audit and Ethics Committee.
- Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the CAM to the Executive Director and the Chair of the Audit and Ethics Committee.
- All officers responsible for internal audit work are required to complete an annual Register of Interests declaration form, which is in turn reviewed by their line manager. In the case of the CAM, the annual declaration of interests is reviewed by the Chief Officer Finance and Performance. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
- The Audit and Ethics Committee approves any consultancy activity included in the Audit Plan.

Further details are set out in the Audit Charter, which was approved by the Audit and Ethics Committee in December 2021.

- 2.6 As previously reported to the Committee, the role and responsibilities of the CAM extend beyond internal auditing. There would be an actual or perceived impairment to independence and objectivity were the CAM to undertake internal audit reviews of areas for which he is operationally responsible for. Specific safeguards have been established in order to avoid any actual or perceived impairment to independence and objectivity; these safeguards have been reported to, considered and approved separately by the Committee. They are also set out in the Audit Charter.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Subject Matter: Annual Report of Internal Audit

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Annual Report
Appx B	Results of Annual Survey
Appx C	Quality Assurance and Improvement Programme
Appx D	Self Assessment against the Public Sector Internal Audit Standards

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



APPENDIX A

ANNUAL REPORT OF INTERNAL AUDIT

2021/22

Date: June 2022

Annual Report of Internal Audit 2021/22

1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance and Improvement Manager to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - A summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

2. INTERNAL AUDIT OPINION 2021/22

- 2.1 Based upon the work undertaken by Internal Audit during the year, the Corporate Assurance and Improvement Manager's overall opinion on the Council's system of internal control is that:

Substantial Assurance can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives.

Of the 14 graded assignments undertaken for 2021/22, 13 (93%) resulted in an opinion of either High or Substantial Assurance, and 1 (7%) resulted in an opinion of Limited Assurance.

The progress made by management in implementing the actions arising from audits has been good. 75% of agreed actions arising from audits were implemented within the agreed timescale and a further 22% were implemented late, resulting in an overall implementation rate of 97%. This is an improvement compared with the outturn of 92% for previous year, which represents a good performance. There were 6 agreed actions which were overdue as at 31st March 2022, compared with 17 as at 31st March 2021. None of the overdue actions were graded as High risk; 4 were graded as Medium risk. A total of 48 agreed actions have been implemented by the Council during 2021/22 as a result of internal audit work.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 It is pleasing to report that despite the continued challenges posed by the Covid 19 pandemic during 2021/22, the Corporate Assurance and Improvement team has been able to deliver an annual internal audit plan in accordance with the requirements of the Public Sector Internal Audit Standards. The basis for the annual opinion is derived from an assessment of the range of individual opinions arising from assignments within the agreed internal audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.

2.3 A summary of Audit assurance opinions is shown in Table 1 below:

Table 1 – Summary of Audit Opinions 2021/22

Assurance Area	High	Substantial	Limited	No
Financial	2	4	0	0
IT	0	2	0	0
Counter Fraud*	0	1	0	0
Governance & Ethics	0	1	0	0
Strategic & Operational Risks	0	3	1	0
Total	2	11	1	0
Summary	14%	79%	7%	0%

* In relation to Counter Fraud, in addition to the review of fraud risks across a range of departments, fraud risks are evaluated and tested on a sample basis as standard practice for all audits.

3. REVIEW OF AUDIT COVERAGE

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 2 – Assurance Categories

Assurance Level	Design of Control Framework	Operation of Controls
HIGH	There is a robust framework of controls making it likely that corporate/ service objectives will be delivered.	Controls are operated continuously and consistently, with only infrequent minor lapses.
SUBSTANTIAL	The control framework includes generally sound key controls that promote the delivery of corporate/ service objectives.	Controls are applied, although some lapses and/ or inconsistencies were identified.
LIMITED	There is an absence of key controls, with an increased risk that corporate/ service objectives will not be achieved.	There have been significant and extensive breakdowns in the operation of key controls.
NO	There is an absence of basic controls resulting in inability to deliver corporate/ service objectives.	The fundamental controls are not being operated or complied with.

The Auditor's Opinion of the level of risk exposure is based on an assessment of the level of the likelihood of corporate/ service objectives not being achieved, and an assessment of the impact of any failure to achieve objectives. The assessments are conducted in line with the Council's Strategic and Operational Risk Matrix. In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels:

Risk Rating	Risk Score	Prioritisation of Action
HIGH	8 – 16	Immediate Attention
MEDIUM	4 – 6	Moderate Risk, Mitigation Action Required
LOW	1 – 3	Regular Review

3.2 Summary of Audit Work

Table 3 details the assurance levels resulting from all audits undertaken in 2021/22 and the assessment of the levels of risk exposure:

Table 3 – Details of Audit Opinions Issued in 2021/22

Audit Area	Assurance Opinion	Risk Exposure Opinion
Finance		
Treasury Management	Substantial	Low
Budget Setting & Control	Substantial	Medium
Council Tax	Substantial	Low
CIPFA Financial Management Code	Substantial	Medium
Additional Restrictions Grants	High	Low
Homes England Grant Compliance	High	Low
IT		
Payment Card Industry Data Security Standards	Substantial	Medium
IT Service Desk	Substantial	
Counter Fraud		
Fraud Risk Assessments	Substantial	Medium
Governance & Ethics		
Annual Governance Statement	Substantial	Not Applicable
Strategic & Operational Risks		
Trade Waste	Limited	High
Housing Rent Arrears	Substantial	Medium
Health & Safety – Property Repairs Service	Substantial	Medium
Follow up of Recommendations	Substantial	Medium

Outlined at pages 12 to 22 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Audit & Ethics Committee.

3.3 Implementation of Internal Audit Recommendations

Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit & Ethics Committee during the course of the year. Details of the outstanding audit recommendations are provided in Table 4 below:

Table 4 – Outstanding Audit Recommendations

Summary: Outstanding Audit Recommendations as at March 2022

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Absence Management	1	0	4	3	0	0	8
Creditors	0	1	3	1	2	0	7
Cash & Bank	1	1	7	4	1	0	14
Customer Service Centre Demand Management	5	0	0	0	3	0	8
Housing Rent Arrears	3	1	1	0	5	0	10
IT Business Continuity	0	2	0	3	0	0	5
Completeness of Income	1	0	7	0	1	0	9
HR Capability & Disciplinary	2	0	5	0	4	0	11
Local Government Transparency Code	1	1	1	0	0	0	3
Payroll	1	0	2	1	2	0	6
Covid Business Grants	2	0	0	1	1	0	4

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Test and Trace Support Payments	1	0	1	0	1	1	4
Equal Pay & Single Status	5	0	2	0	1	0	8
Payment Card Industry Data Security Standards (PCI DSS)	9	0	0	0	0	0	9
Policies, Procedures and Strategies	1	0	0	0	0	0	1
Totals	33	6	33	13	21	1	107

Notes:

Extended time: This is where the Corporate Assurance Manager & Transformation Lead had agreed an extension to the original timescale.

Out of time: This is where the action was implemented later than the agreed timescale.

4. HOW HAS INTERNAL AUDIT ADDED VALUE?

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to proactively review and improve the control framework.
- 4.2 Beyond delivery of the core assurance assignments, the service added value in a number of additional areas during 2021/22. Examples are set out in Table 5 below:

Table 5 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Support towards the Council's Counter fraud activity in the following areas: <ul style="list-style-type: none"> • Provision of awareness training to a cohort of managers as part of 'The Way We Manage' programme. • Completion of one corporate investigation, with support from other managers as required. • Provision of assurance work in relation to Treasury Management, Council Tax, Procurement/ Contract Management, Covid Additional Restrictions Grants, and Fraud Risks. 	Greater strategic and procedural clarity, leading to a more consistent and coherent organisational approach to tackling the risks of fraud, bribery and corruption. Greater awareness amongst staff.
Covid 19 Business and Self Isolation Grants – the service again mobilised quickly, supporting the Council so that the various grant schemes were implemented at speed, but with measures in place to safeguard the public purse.	Local businesses and individuals received the vital support they needed in a timely manner.
A review of mileage, allowances, essential car users and the car salary sacrifice scheme processes which are currently carried out by staff in the Accounts Payable Team in the Finance Department, and/or the Payroll Team in the HR Department. This was to make sure they are being carried out a) efficiently and b) by the best placed team. Processes were mapped and a set of actions have been developed to digitalise processes and allocate tasks more efficiently.	The efficiency of processes will be improved.

Area of Activity	Benefit to the Council
Continued attendance and participation in the Council's pandemic tactical group, providing risk management advice and input where required.	Decisions were taken with awareness, consideration and management of the risks involved, leading to more successful outcomes.
Risk Management – co-ordination and support to the Strategic Risk Management Group including preparation of new strategic risk registers and action plans for each pillar of the new corporate strategy, working with the Leadership Team.	Implementation of best practice in relation to risk management, leading to more successful outcomes.
A review to identify and document all the various groups, committees, boards, project teams and squads across the council, including officers' and members' groups. A number of enhancements were recommended, for example creating a corporate timetable of meetings, reviewing the terms of reference for the Corporate Management Forum, and improving the linkages between the Corporate Learning Forum and the Employee Network.	Improved strategic focus and alignment of work across the organisation.
Consultancy support was provided to management related to the design of processes for administering the Homes for Ukrainians' scheme.	Processes were implemented in a way which safeguarded public funds.
Provision of training to a cohort of new managers as part of the 'Way We Manage' course, on the subjects of internal audit, risk management, and systems thinking.	Greater awareness of the work of the Corporate Assurance service and of managers' responsibilities in relation to governance and control.
A total of 48 agreed actions have been implemented by management following completion of internal audit work. Furthermore, the internal audit service has, where appropriate, recommended actions to reduce or eliminate wasteful or inefficient processes.	Reduction in exposure to risk and improved organisational efficiency and effectiveness.

5. HOW WELL IS INTERNAL AUDIT PERFORMING?

5.1 Internal Audit maintains a number of agreed performance measures to enable ongoing monitoring by the Leadership Team and the Audit & Ethics Committee. Outturns against these indicators for the year ended 31st March 2021 are set out in Table 6 below:

Table 6 – Internal Audit Performance Indicators

Theme	Title of Performance Indicator	2021/22	2020/21	2019/20
Delivery	Average end to end time for audits (number of days) - new measure from 2018/19	87 days	88 days	110 days
Adding Value	Customer Satisfaction – Average Rating 3 = Good 2 = Satisfactory 1 = Poor	See paragraph 5.2 below	3.00	2.88
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	6.0 days	8.3 days	4.5 days
Effectiveness	Implementation of Agreed Actions by Officers – Percentage implemented within agreed timescale	75%	74%	76%

Note:

It took longer to complete file reviews during 2020/21, which has impacted on the timeliness data above. This was due to pandemic related work pressures; however, performance in this area was still satisfactory.

5.2 Owing to there being an inadequate number of responses to customer surveys issued following completion of audits during the year, an annual survey was issued to all members of the Corporate Management Forum in May 2022. The full results are set out at **Appendix B**. Overall, on a scale of 1 to 5 (1 being poor and 5 being excellent), the average score for the service based on the 16 responses received was 4.56. The team will take time to review the results and feedback, and incorporate any service improvements.

6. COMPLIANCE WITH PROFESSIONAL STANDARDS

- 6.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 6.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 6.3 An external quality assessment of the internal audit service was completed in 2017/18 and the results were reported to and considered by the Audit & Ethics Committee. In accordance the Standards, another external quality assessment will be commissioned and completed in 2022/23.
- 6.4 The Corporate Assurance and Improvement Manager can confirm that the requirements of the Quality Assurance and Improvement Programme have been met for 2021/22, with one exception in relation to the consistency of Terms of Reference documentation and review. During the pandemic the internal audit service was required to respond at pace to the evolving needs of the organisation. On a small number of occasions this meant that work took place following discussions with relevant officers but without formal terms of reference being documented. This was notified to and accepted at the time by the s151 officer and Audit & Ethics Committee. Going forward, and as the Council moves to a new norm, there is an expectation that all engagements of 5 days or more will have a formally documented and agreed terms of reference. The Quality Assurance and Improvement Programme can be found at **Appendix C**.
- 6.5 A self-assessment, which can be found at **Appendix D**, has been completed against the Standards and the service, in the opinion of the Corporate Assurance Manager & Transformation Lead, is operating in general conformance to the Standards. Of the 41 Standards, the service was self-assessed as complying with 39, and partially complying with the remaining 2. The areas of partial compliance related to the following:
- Consistent completion of Terms of Reference for assignments which needed to be instigated at speed (see above).
 - Update of the Audit Manual, which was last reviewed in February 2018.
- 6.6 An Improvement Plan has been prepared which will address the areas highlighted above. This is included at **Appendix C**.

7. SUMMARY OF AUDIT FINDINGS

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Treasury Management	Substantial	Low	<p>The audit was designed to provide assurance that an effective treasury management strategy and practices are in place, that investments and borrowings are made in line with the strategy and practices, that there is effective oversight of the function and that accounting records are accurate and complete.</p> <p>A recent restructure has provided the opportunity for a fresh look at the practices which have been in place for some years and to implement changes with reference to recommendations provided in an independent report produced by the Council's Treasury Management advisers in June 2020. A new system (Logotech) to help manage the Council's portfolio of investments & borrowings has been sourced and implemented, a more robust cashflow forecast created, the Treasury Management Practices updated and a revised strategy format introduced.</p> <p>Regular reconciliations of both investments and borrowings have not been completed for some time, relying on a single year end check. This is felt to be insufficient given the sums involved and regular reconciliations should therefore be reinstated for the forthcoming year.</p> <p>Whilst there had been breaches of the recently implemented overnight bank limits, the causes have been addressed.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Budget Setting and Control	Substantial	Medium	<p>The audit was designed to provide assurance that the budget setting process is robustly designed to mitigate the risk of significant error and that budget monitoring activity adequately identifies and addresses any in year financial pressures. Furthermore, that the new finance business partnering arrangements are operating efficiently and effectively.</p> <p>A substantial level of assurance is provided that well designed and operated processes were in place through the development of the 2022/23 budget. The involvement of the Leadership Team, Portfolio Holders and Members was found to have been sought throughout the budget setting process. Communication of the timetable of events was clear and significant emphasis was placed on providing all involved with sufficient background information to aid understanding, ownership and decision making particularly at Chief Officer level. The development of dashboards to summarise key budget positions and links to the MTFP were felt to be positive additions in the management information provided to the Leadership Team.</p> <p>Quarterly Finance & Performance monitoring reports are produced for Cabinet and the Leadership Team now receive monthly updates on the higher risk rated variances (+/-£50k) or service areas on an exception basis. This ensures Chief Officers are made aware of and consequently able to take the necessary mitigating actions to address any financial pressures promptly.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Budget Setting and Control (continued)			<p>There is mixed embedding of the new Finance Business Partner role with some notable successful relationships being developed leading to a greater understanding from both the service areas and finance colleague's perspectives with resultant efficiencies. The continued progress in this area, along with some co-ordinated training and sharing of best practices will help develop budget holder's knowledge and ownership of the financial aspects of their business area moving forward.</p>
Council Tax	Substantial	Low	<p>The purpose of this audit was to provide assurance that appropriately designed controls are in place to ensure accuracy and completeness of billing, system access, maximisation of collection and accuracy and completeness of accounting records.</p> <p>The audit found a well-established sound system of controls in place to provide assurance that the controls outlined above are in place and consistently applied. The Revenues Team managed to carry out most of their normal service despite the pandemic and whilst issuing grants to local businesses. Owing to the additional workload during the pandemic, lapses in completion were found with periodic reviews of discounts, including the matches found by participation in the National Fraud Initiative and keeping on schedule with the Visiting Officer regime.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
CIPFA Financial Management Code	Substantial	Medium	<p>During 2021/22 the Corporate Assurance Manager facilitated an independent review with the Chief Officer – Finance & Performance, and the Finance Team, to complete a self-assessment against each of the Financial Management Standards included in the Code.</p> <p>The self-assessment against each Financial Management Standard included an agreed rating of the current level of compliance. Four compliance ratings were used, ranging from non-compliant through to fully compliant. Of the 17 Financial Management Standards, the self-assessment shows the Council to be fully compliant with 4 standards, substantially compliant with 9 standards, and working towards compliance with the remaining 4 standards. A rigorous approach to the self-assessment was adopted, with a high bar being set for full compliance. The Corporate Assurance Manager agreed with the compliance ratings based upon the discussions held and the evidence reviewed.</p> <p>An action plan has been developed and agreed, and endorsed by the Leadership Team, to enable the Council to move towards full compliance with the Code in 2022/23. The immediate focus is on those standards against which the Council is “working towards” compliance. One key action relates to update and approval of the Financial Regulations and Instructions and cascading these to officers. This work is now complete.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Additional Restrictions Grants	High	Low	<p>On 31 October 2020 the Government announced the introduction of the Additional Restrictions Grant (ARG). This was a discretionary scheme which in part, was introduced to support businesses that were not eligible for the Local Restrictions Support Grant.</p> <p>Local Authorities were able to determine how much funding to provide to businesses from the ARG funding provided, and exactly which businesses to target.</p> <p>To provide clear guidance to potential applicants about the nature of the fund, the eligibility criteria, the types of businesses that this scheme was designed to assist and the level of grant funding that would be available, the Council produced an Additional Restrictions Grant policy.</p> <p>The Corporate Assurance and Improvement (CAI) Team initially expected they would be supporting the activities of the Economic Development Team who would be doing the bulk of the assessments. This was not the case, and the applications were processed by two members of the CAI Team. Because the role of the CAI Team evolved from providing assurance to administering the scheme, the Corporate Assurance Manager recommended that an external sample based audit is carried out later in 2021/22 by TIAA (an independent audit company). The scope of this review was to assess how effectively the administration of the scheme was carried out.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Additional Restrictions Grants (continued)			The audit provided a high level of assurance over the design and application of controls to administer the scheme. A random sample of 10% of all applications were reviewed. All applications were correctly processed. The grants awarded were in line with the approved scheme and appropriate controls were implemented to ensure segregation of duties between key tasks. No issues were identified.
Homes England Grant Compliance	High	Low	<p>The audit was completed by Homes England to provide assurance that the Council is operating in accordance with the terms and conditions attached to the grant funding received under the Shared Ownership and Affordable Homes programme for the empty homes scheme.</p> <p>No breaches of the terms and conditions were identified, and the Council was rated "Green".</p>
Annual Governance Statement	Substantial	Not Applicable	The overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2022/23.

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Payment Card Industry Data Security Standards	Substantial	Medium	<p>The objective of this review was to provide assurance that the Council is adopting good practices and procedures in order to protect customer card information from loss or misuse. Should the Council fail to comply with the requirements there is a risk of financial penalty for the noncompliance.</p> <p>Each of the payment systems used by the Council features encryption in order to protect card data in transit.</p> <p>A contractor was commissioned to complete system patching and infrastructure work identified by an external vulnerabilities test carried out in 2021. A security maturity self-assessment was carried out and the PCI self-assessment was in the process of being completed. No security issues were identified in relation to the day to day processing of card payments online or by Council departments.</p>
IT Service Desk	Substantial	Medium	<p>The objective of this review was to provide assurance that the Council's IT Service Desk function is operating efficiently and effectively. The Council has recently implemented a new Service Desk system.</p> <p>The audit found that the Service Desk has good general IT service management controls in place. Use of Freshservice has enabled improvements in the service, including increased process automation and standardisation as a result of the use of the ticketing system, and benefits from the use of the self-service portal.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
IT Service Desk (continued)			<p>Although the IT and Digital Services Manager is able to assist at a high level as the previous incumbent of the role, there is not currently a dedicated Service Desk Manager in place to undertake and drive forward continuous improvement of the service. Management are exploring options to address this.</p>
Fraud Risk Assessments	Substantial	Medium	<p>Twelve services were selected for this review, following consideration of the areas which may be most prone to the risk of fraud, bribery and corruption based upon cumulative knowledge and experience. The Council's controls have been assessed as generally appropriate to the risks identified and a Substantial level of assurance can be provided. There are 14 risks which have been assessed as being Medium. The actions arising from the previous review completed in 2018/19 were all found to have been implemented. This review identified a further 3 actions, which have all been agreed by management.</p> <p>It should be noted that in some instances, there are no further actions proposed despite the risk being assessed as Medium. This is because in some areas there would inherently be a high level of impact should the fraud take place and there were no feasible further improvements to controls identified, and in other areas it is considered that additional controls would not significantly reduce the likelihood of fraud/ theft/ bribery/ corruption occurring or the impact of that event.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Trade Waste	Limited	High	<p>The objective for this assignment was to review of the accuracy and completeness of billing, value for money of the service, financial sustainability, and environmental impact.</p> <p>The service is mainly administered by one person, which has both advantages and disadvantages. The officer in question is very experienced and knowledgeable about the service. However, there is little resilience and no customer database used- just a spreadsheet. The process of raising invoices and billing is robust, has a separation of duties and there were few errors identified. There were discrepancies identified with the billing of school accounts, which needs further investigation.</p> <p>The service has been running at a loss for the last three years. This is partly due to Covid, but there are other aspects such as increased waste disposal costs not being passed on to customers. Route optimisation will be introduced to make the rounds as efficient as possible, and the pricing structure reviewed for 2023-24 to allow the service to cover its costs and operate in a more commercial way.</p> <p>Owing to the issues around the financial sustainability of the service, only Limited Assurance was provided.</p> <p>A Trade Waste Squad has been set up to implement the recommendations examine options to take the service forward.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Housing Rent Arrears	Substantial	Medium	<p>This audit has been carried out to provide assurance that the Council is efficiently, effectively and proactively managing its housing rent arrears, in a way which is consistent with the needs of its tenants, many of whom may be in vulnerable situations.</p> <p>In July 2020, Cabinet approved the purchase of a web-based system called RentSense from MobySoft, which uses algorithms to predict tenants' payment patterns and only presents a list of those accounts which need action. The system was implemented in the same month. This has meant more focus can be given to those tenants who really need it. Substantial progress has been made. At 01/04/2020, tenant rent arrears stood at £329k whereas at 01/04/2022 they were below zero.</p> <p>Arrears in temporary accommodation, however, are high. Management plans to transfer responsibility for managing these arrears back to the Estates Management Team as soon as possible, so they can be managed in the same way as general needs and sheltered properties.</p>
Follow up of Recommendations	Substantial	Medium	<p>The progress made by management in implementing the actions arising from audits has been good. 75% of agreed actions arising from audits were implemented within the agreed timescale and a further 22% were implemented late, resulting in an overall implementation rate of 97%. This is an improvement compared with the outturn of 92% for previous year, which represents a good performance. There were 6 agreed actions which</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Follow up of Recommendations (continued)			were overdue as at 31 st March 2022, compared with 17 as at 31 st March 2021. None of the overdue actions were graded as High risk; 4 were graded as Medium risk. A total of 48 agreed actions have been implemented by the Council during 2021/22 as a result of internal audit work.
Health & Safety – Property Repairs Service	Substantial	Medium	<p>This review was undertaken to confirm whether the fundamentals of a Health and Safety Management system are in place within the Property Repairs Service Department. The audit reviewed compliance with the Management of Health and Safety at Work Regulations 1999 and accompanying guidance contained within the HSE Document 'Managing for Health & Safety' (HSG 65). The areas covered included policy, contractors, leadership, competency & training, planning, risk assessments, systems of work, emergency procedures, monitoring and review.</p> <p>The review used a points based system, and the overall score was 96 out of 114 (84%). The recommendations made included:</p> <ul style="list-style-type: none"> • Ensuring all staff signed to confirm their understanding of the service health & safety policy. • Updating the health & safety training matrix and ensuring that managers' training is documented on 121 forms. • Reviewing and updating fire, asbestos, legionella, and first aid risk assessments, and the emergency protocol. • Implementing a formal internal inspection programme.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments, or were not brought to the attention of Internal Audit. As a consequence, the Audit & Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Analysis of Responses to Audit Survey issued May 2022

16 responses were received, which was 25% of the survey links issued. The results for each question are summarised below.

Q1 Do you feel able to approach internal audit for advice on risks / issues/ procedures which affect your area?

100% of respondents answered Yes.

Q2 How would you rate the quality of the advice and guidance you have received from the team?

4.56 Average Rating out of 5 ☆☆☆☆☆

88% rated between "4 - 5" for this question

Q3 Do you believe the members of internal audit team are independent of the activities they audit?

100% of respondents answered Yes.

Q4 Do you feel internal audit are able to demonstrate insight and an appreciation of the risks and issues key to your service?

88% (14) answered Yes

1 answered No

1 used the 'Other' option stating 'Not always due to the nature of the operation but they are always happy to assist as much as possible'

Q5 Thinking about audit reports would you prefer:

43% answered a) a short narrative focusing on exceptions reporting

57% answered b) a longer more detailed report (as currently provided) evidencing the findings of the audit both positive and developmental

Q6 Thinking about audit recommendations, would you appreciate email reminders when agreed action due dates are approaching?

100% of respondents answered Yes.

Q7 What added value do you currently see and/or would like to see in the future from internal audit?

1	Check ins/ check ups on agreed actions and offer of assistance in prioritisation if resources prove a challenge
2	The team are realistic and supportive
3	No comments
4	This was my first internal audit and I found it very informative and supportive, to help point the service in the right direction.
5	I appreciate that an external service is able to review our systems and processes, resources and support mechanisms and provide an unbiased opinion of the service which enables us to provide the quality service that we endeavour to deliver.
6	Playing more of a role in preparation of financial statements (e.g. getting involved with the 'wordy' parts of the document) perhaps being involved, if they are not already, in the audit of the financial statements.
7	What you're doing is fine
8	N/A
9	Not sure what was exactly meant by 'exceptions reporting.'
10	I appreciate another pair of eyes (from outside the team) reviewing what we are doing, sometimes being too close is not helpful!
11	None
12	A standard way of requesting information, all in one place. At the moment requests during an audit can be email or phone and this can get difficult to keep a track of what information is required and by when. Perhaps there is a software solution for this (eg a portal)
13	
14	I see that the audit function allows us to reflect on the processes we undertake to ensure that we are compliant and do not open ourselves to risk or inequity.

15	I welcome the independent work of internal audit and the added value that they bring from having knowledge of other internal audits that have been undertaken and recommendations made that may not be service specific but could add value in other areas of audit to ensure consistency and compliance across the organisation
16	Enables to service to remain robust and identify arrears of improvement and security, a must in this service

Q8 In what way/s do you think the service could be improved?

1	I think the service IS improving and being less "scary". I'd suggest full engagement with MT (Management Team) will greatly assist too.
2	Carry on with the good work
3	No comments
4	I would like to see the auditor bring relevant best practice from other parts of the organisation.
5	Sharing best practice from other areas which may benefit our service.
6	The timing of scheduled audits needs to be considered (e.g. finance audits during final accounts)
7	No comments
8	No comments
9	No comments
10	I think more resource would allow you to help a larger number of areas within the council on a more regular basis.
11	FAQs on risk, training for managers
12	No comments
13	No comments

14	Perhaps advise staff which audits are being undertaken over the year to allow for employees to recognise both the work that the team undertake and also give assurance that teams are being audited to ensure they are compliant, just a thought!
15	It would be good to have visibility of the timescales for audit plans - both internal and external audits and also the scope of the audits. Also to see the outcomes from previous audits
16	Dare I say but more frequent visits and perhaps smaller audits of specific areas, this would reinforce and highlight areas which need investment to improve ie stock management and control



RUGBY BOROUGH COUNCIL

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1. INTRODUCTION

- 1.1 Internal auditing is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. (Source: Public Sector Internal Audit Standards – PSIAS).
- 1.2 The Council’s internal audit function aims to meet the expectations of its stakeholders and deliver consistently high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why PSIAS Standard 1300 requires the Corporate Assurance Manager & Transformation Lead to develop and maintain a Quality Assurance and Improvement Programme (QAIP).
- 1.3 Standard 1310 of the PSIAS states that the QAIP must include both internal and external assessments. This acknowledges that high standards can be delivered by internal audit managers but it also implies that further improvements can be delivered by subjecting the internal audit service to periodic external assessments.
- 1.4 In relation to quality assurance and improvement there are three key requirements of the PSIAS, as follows:
 - Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
 - Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge) of internal audit practices to assess conformance with the PSIAS.
 - External assessments of conformance to the PSIAS once every five years by a qualified, independent assessor from outside the Council. External assessments can be in the form of a full external assessment, or a self-assessment with an independent external validation. The Council’s internal

audit service received a full external assessment in 2017/18 and the next external assessment is due in 2022/23.

- 1.5 It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to the Council's Audit & Ethics Committee and senior management.
- 1.6 The QAIP is designed to provide stakeholders with assurance that internal audit:
- Performs its work in accordance with the Audit Charter (approved by the Audit & Ethics Committee in December 2021), which is consistent with the PSIAS definition of Internal Auditing and the Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and leading to improvements in the Council's operations.
- 1.7 This QAIP covers all aspects of the Internal Audit activity in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring internal audit to ensure it operates in an efficient and effective manner (PSIAS Standard 1300);
 - Evaluating compliance with the PSIAS Definition of Internal Auditing and Code of Ethics (PSIAS Standard 1300);
 - Helping internal audit to add value and improve the Council's operations (PSIAS Standard 1300);
 - Undertaking both periodic and on-going internal assessments of internal audit (PSIAS Standards 1311 and 1312);
 - Commissioning an external assessment of internal audit at least once every five years, and communicating the results to the Audit & Ethics Committee and Senior Management (PSIAS Standard 1320); and
 - Communicating the results of this QAIP to Senior Management and the Audit & Ethics Committee (PSIAS Standard 1320), including disclosure of
 - The scope and frequency of internal and external assessments;
 - The qualifications and independence of the assessor(s) or assessment team including any potential conflicts of interest;
 - The conclusions of the assessors; and
 - Details of any corrective action plans.
- 1.8 The Corporate Assurance Manager is responsible for the QAIP, which covers all areas of internal audit activity including consultancy engagements.

2. INTERNAL ASSESSMENTS

- 2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

Ongoing Reviews

- 2.2 Continual assessments are conducted through:
- Supervision of all engagements by the Corporate Assurance Manager & Transformation Lead or the Lead Auditor;
 - Structured, documented reviews of Terms of References, working papers and draft reports;
 - A detailed Audit Manual setting out the procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
 - Quality control checklist completed for each assignment;
 - In the case of audit work carried out by the Corporate Assurance Manager & Transformation Lead, review by another member of the team;
 - Feedback from clients obtained through satisfaction questionnaires issued at the closure of each engagement;
 - Monitoring of performance against agreed performance indicators and regular reporting to the Audit & Ethics Committee and Senior Management Team;
 - Periodic reporting to the Audit & Ethics Committee and the Chief Officer – Finance & Performance, setting out the content and progress on delivery of the improvement plan;
 - Review and approval of all draft and final reports, recommendations, levels of assurance and risk exposures by the Corporate Assurance Manager & Transformation Lead or the Lead Auditor;
 - Follow up and reporting on the implementation of actions agreed at the end of each engagement; and
 - Where appropriate, feedback on the quality of work during monthly one to one meetings.

Periodic Reviews

- 2.3 Internal periodic assessments are designed to assess conformance with the PSIAS and to ensure that internal audit is efficient and effective in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Progress and performance reports, presented to the Audit & Ethics Committee and periodically to the Leadership Team;
- Annual risk assessments completed for audit planning purposes completed in March each year;
- An annual self-assessment against the PSIAS;
- An annual review of compliance against the requirements of this QAIP, including progress on delivery of the agreed improvement plan.

2.4 The results of internal assessments are included in an improvement plan which is continually monitored and included in the annual report and opinion of the Corporate Assurance Manager & Transformation Lead. This is in turn used to inform the Council's Annual Governance Statement (AGS).

3. EXTERNAL ASSESSMENTS

3.1 External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS and will include recommendations for improvement, as appropriate.

3.2 An external assessment will be conducted at least every 5 years, as required by the PSIAS. The appointment of the external assessor and the scope of the external assessment will be formally determined and approved by the Audit and Ethics Committee.

3.3 An external assessment was completed in 2017/18 which provided an opinion on the level of compliance with the PSIAS and the Local Government Application Note. The assessment concluded that there were "no areas of non-compliance that would affect the overall scope or operation of the internal audit activity". A number of recommendations were made to ensure full compliance with the PSIAS. The report and associated action plan were reported to the Audit & Ethics Committee and Senior Management Team in November 2017, in line with the PSIAS.

3.4 The next external assessment is due in 2022/23. The scope of this review will be determined nearer the time. Any identified areas of significant non-compliance with the PSIAS will be included in the annual report of the Corporate Assurance Manager & Transformation Lead and, if applicable, in the AGS.

4. REVIEW OF THE QAIP

- 4.1 This document will be subject to periodic review and will be updated accordingly following any changes to the PSIAS or the operating environment of internal audit.

5. TIMELINE OF ASSESSMENT WORK

- 5.1 The following table sets out the timeline and frequency of the assessment work:

Nature of Assessment Work	Timeline and Frequency
Engagement supervision	Ongoing
Reviews of Terms of References, working papers and draft reports	Ongoing
Compliance with the Audit Manual	Ongoing
Quality control checklist	At completion of each assignment
Review of audit work completed by the Corporate Assurance and Improvement Manager	As and when required
Report consultation process	At completion of each assignment
Customer feedback	At completion of each assignment
Progress and performance monitoring	Aligned with each Audit & Ethics Committee meeting (5 times per year)
Progress reporting on improvement plan	Aligned with each Audit & Ethics Committee meeting (5 times per year)
Corporate Assurance Manager or Lead Auditor review and approval of: <ul style="list-style-type: none"> • Draft and final reports • Recommendations • Levels of assurance • Risk exposure assessments 	Ongoing
Follow up and reporting on the implementation of agreed audit actions	Aligned with each Audit & Ethics Committee meeting (five times per year)
One to one feedback on quality of audit work	Monthly
Audit plan risk assessments	Annually (March)
PSIAS self-assessments	Annually (May/ June)
Review of compliance with this QAIP	Annually (May/ June)
External assessment	Every 5 years (due in 2022/23)

6. IMPROVEMENT PLAN

ACTION NUMBER	ACTION DETAIL	RESPONSIBLE OFFICER & TARGET DATE
1	Ensure that Terms of Reference are fully documented for all engagements of 5 days or more.	Corporate Assurance Manager & Transformation Lead. With immediate effect and ongoing.
2	Review and update the Audit Manual.	Corporate Assurance Manager & Transformation Lead. By 31/12/2022
3	Review the results of the annual customer survey, and implement any service improvements identified.	Corporate Assurance Manager & Transformation Lead. By 30/09/2022

SELF ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1000	The Internal Audit Charter must: <ul style="list-style-type: none"> • Define the terms ‘board’ and ‘senior management’ • Cover arrangements for appropriate resourcing • Define the role of internal audit in any fraud work • Describe safeguards to limit impairments of independence or objectivity if internal audit or the Chief Audit Executive undertakes non-audit activities 	✓			The Charter covers the required areas. It was reviewed and updated in November 2021, and approved by the Audit & Ethics Committee.
	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter.	✓			The Internal Audit Charter reflects the mandatory nature of the relevant standards.
1100 – Independence and Objectivity	1110	Organisational independence. <i>The Chief Audit Executive (CAE) must report functionally to the board (Audit Committee), and must have effective communication with, and have free and unfettered access to, the chief executive and chair of the Audit Committee. The CAE must confirm, at least annually, the organisational independence of the internal audit activity.</i>	✓			The Corporate Assurance Manager & Transformation Lead (CAM) reports directly to the Section 151 Officer and the Audit & Ethics Committee, and has unfettered access to the Executive Director, and Chair of the Audit & Ethics Committee. Organisational independence is reconfirmed in writing within the written progress update provided to each meeting of the Audit & Ethics Committee, and in the annual report of the CAM. Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the CAM to the Executive Director and the Chair of the Audit & Ethics Committee.
	1111	Direct interaction with the board. <i>The CAE must communicate and interact directly with the board.</i>	✓			The CAM reports directly to the Audit & Ethics Committee.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	1120	Individual objectivity. <i>Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</i>	✓			All officers responsible for internal audit work are required to complete an annual Register of Interests declaration form, which is in turn reviewed by the line manager. In the case of the CAM, the annual declaration of interests is reviewed by the s151 officer. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
	1130	Impairment to independence or objectivity. <i>Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.</i>	✓			The Audit & Ethics Committee approves any significant consultancy activity included in the Audit Plan. The Chief Officer – Finance & Performance has been delegated authority to approve any significant additional consultancy activity in between Committee meetings, with such decisions then being ratified at the following meeting of the Committee.
1200 – Proficiency and Professional Care	1210	Proficiency. <i>The CAE must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.</i>	✓			The Corporate Assurance and Improvement Manager is CCAB qualified and suitably experienced for the role, having spent the last 14 years in a local government internal audit environment and having a total of 20 years of audit experience. The Lead Auditor is a professionally qualified auditor with the IIA. The Auditor is studying towards a professional IIA qualification.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	1220	Due professional care. <i>Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due care does not imply infallibility. Due care includes consideration of the adequacy and effectiveness of governance, risk management and control processes, and the cost of assurance in relation to the potential benefits.</i>	✓			Audit staff exercise due professional care when undertaking assignments. All assurance assignments incorporate a risk based evaluation of both the design and effectiveness of control processes. Assignments include consideration of the risk of fraud, failure to effectively manage performance, and failure to demonstrate value for money. These considerations are set out within the documented Terms of Reference for assignments. Relevant background information is incorporated within the Terms of Reference.
	1230	Continuing Professional Development. <i>Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.</i>	✓			A budget is available for attendance at developmental training seminars and conferences during the year. Personal development needs are evaluated on an ongoing basis and documented through the 121 process. The CAM and Lead Auditor are members of the Local Authority Chief Auditors Network and Midlands Audit Group. Staff are encouraged to join webinar/ online training sessions organised by the IIA and CIPFA. Opportunities for CPD are identified through a number of sources, for example HR communications and marketing emails.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
1300 - Quality Assurance and Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme. <i>The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The programme must include both internal and external assessments.</i>		✓		<p>A Quality Assurance and Improvement Plan (QAIP) is in place and is included with the annual report of the CAM. The CAM confirms in the annual report that the requirements of the QAIP have been followed for the year.</p> <p>During the pandemic the internal audit service was required to respond at pace to the evolving needs of the organisation. On some occasions this meant that work took place following discussions with relevant officers but without formal terms of reference being documented. This was notified to and accepted at the time by the s151 officer and Audit & Ethics Committee. Going forward, and as the Council moves to a new norm, there is an expectation that all engagements of 5 days or more will have a formally documented and agreed terms of reference. See Improvement Plan Action 1.</p> <p>A comprehensive Audit Manual is in place; however, this was last reviewed and updated in February 2018. The Manual will be reviewed and updated in 2022/23. See Improvement Plan Action 2.</p>
	1311	Internal Assessments. <i>Internal assessments must include ongoing monitoring of the performance of the internal audit activity, and periodic self-assessments, or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</i>	✓			Formal performance monitoring measures have been approved by the Audit & Ethics Committee. Results are reported periodically to Leadership Team and the Committee, and show trends over time. The results of the self-assessment are reported to the s151 officer, and the Audit & Ethics Committee.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	1312	External Assessments. <i>Must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE must discuss the arrangements with the Audit Committee.</i>	✓			An external assessment of the service will be commissioned and completed in 2022/23. The last assessment was completed in 2017/18.
	1320	Reporting on the Quality Assurance and Improvement Programme. <i>The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</i>	✓			The CAM confirms in the annual report of internal audit whether the requirements of the QAIP have been followed for the year. Any improvement plan actions are reported along with progress towards delivery.
	1321	Use of the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			The opinion of the CAM is that the service substantially conforms to the International Standards for the Professional Practice of Internal Auditing.
	1322	Disclosure of non-conformance. <i>Instances of non-conformance must be reported to the Audit Committee.</i> Where non-conformance with the Code of Ethics or the Standards impacts the overall scope or operation of internal audit, this must be highlighted by the CAE to be considered for inclusion in the Annual Governance Statement.	✓			The CAM has considered this and concluded that no such statement is required for 2021/22. No further action proposed at this time.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
2000 – Managing the Internal Audit Activity	2010	Planning. <i>The CAE must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.</i>	✓			The annual audit plan is developed based upon a review of the Council’s risks and objectives, in consultation with the Leadership Team and the Committee. Audit assignments themselves are carried out using a Risk Based Internal Auditing methodology.
	2020	Communication and Approval. <i>The CAE must communicate the annual internal audit plan and resource requirements, including significant interim changes, to senior management and the Audit Committee for review and approval. The CAE must also communicate the impact of resource limitations.</i>	✓			The audit plan, including any significant changes during the financial year are communicated to, and approved by, the Audit & Ethics Committee.
	2030	Resource Management. <i>The annual risk based internal audit plan must explain how internal audit’s resource requirements have been assessed. Where the CAE believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the Audit Committee.</i>	✓			Internal Audit resources are reviewed annually once ongoing service needs have been agreed with management, to ensure that resources are appropriate, efficient and effectively employed. Such a review includes consideration of the mix of knowledge, skills and other competencies required to deliver the range of assignments. Details of the review of resources are reported to Leadership Team and the Committee.
	2040	Policies and Procedures. <i>The CAE must establish policies and procedures to guide the internal audit activity.</i>		✓		The Audit Charter was reviewed and updated in November 2021. The Audit Manual will be reviewed and updated in 2022/23. See Improvement Plan Action 2.

APPENDIX D

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2050	Co-ordination. <i>The CAE should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</i>	✓			<p>Where relevant the scope of assignments is adjusted to reflect work carried out by external audit. Furthermore, assurances received by external audit are considered when setting the annual audit plan; full details are presented to the Leadership Team and Committee at the same time that the annual audit plan is presented. Reliance is currently placed upon IT audit work carried out by an external organisation, and there is a contractual requirement to ensure these Standards are followed.</p> <p>The CAM liaises with Chief Officers to identify any assurance and/ or consulting work which may be delivered by other third parties, and to ensure the results are reported to the Audit & Ethics Committee and reflected in the annual report.</p>
	2060	Reporting to Senior Management and the Board. <i>The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management or the Audit Committee.</i>	✓			<p>Progress reports are presented regularly to the Audit & Ethics Committee; details of the assurance ratings are provided, with a focus on any assignments resulting in a Limited or No Assurance opinion. Periodic progress reports are also submitted to the Leadership Team. Significant issues arising from internal audit work are also reported to the Strategic Risk Management Group.</p>

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
2100 – Nature of Work	2110	Governance. <i>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes.</i>	✓			The Corporate Assurance Manager is actively engaged in the development of the Annual Governance Statement. The risk based annual audit plan includes assignments related to governance, which are used to evaluate and contribute to improvement. Risk management processes are evaluated periodically by internal audit; an independent external review will be completed in 2022/23. Terms of Reference for individual audits include consideration of any ethics related matters.
	2120	Risk Management. <i>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</i>	✓			Strategic and operational risk registers are referred to during the annual audit planning exercise. The internal audit plan for 2022/23 includes a review of corporate risk management. The Corporate Assurance Manager & Transformation Lead supports the Leadership team in developing and improving risk management processes and is a member of the Strategic Risk Management Group. There is an expectation that service managers take ownership for reviewing and updating their operational risk registers regularly as part of business as usual, this includes reflecting the results of internal audit work.
	2130	Control. <i>The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</i>	✓			Audit reports provide a clear statement of the level of compliance with the controls reviewed during the course of the assignment. Audits also evaluate the effectiveness and efficiency of controls. Agreed improvement action plans are included with each audit report.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
2200 – Engagement Planning	2201	Planning Considerations. <i>In planning the engagement, internal auditors must consider the objectives of the area being reviewed, the governance of the area being reviewed, the significant risks and the means by which the potential impact of risk is kept to an acceptable level, and the opportunities for making significant improvements.</i>	✓			An audit brief (Terms of Reference) is issued in advance of all assignments following a full discussion with the relevant officers and approval is required before assignments commence. Audit Terms of Reference include the objectives of the area being reviewed and governance arrangements. Risks to achievement of objectives are considered along with causes and implications.
	2210	Engagement Objectives. <i>Objectives must be established for each engagement. A preliminary assessment of the risks relevant to the activity must be completed, and the assignment objectives must reflect the results of this assessment. The probability of significant error, fraud or non-compliance must be considered. It is expected that reviews will incorporate consideration of value for money.</i>	✓			Assignments are risk based and the risks are documented in the Terms of Reference. Assignment objectives reflect the risks identified. Preliminary risk scores are documented on the Terms of Reference. Assignments include consideration of the risk of fraud, failure to effectively manage performance, efficiency and value for money considerations.
	2220	Engagement Scope. <i>The established scope must be sufficient to satisfy the objectives of the engagement.</i>	✓			Assignment scopes are set out in agreed Terms of References (TOR). The TOR also includes statements of limitations. All assignments are designed following a full consultation with the relevant officers in advance.
	2230	Engagement Resource Allocation. <i>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</i>	✓			Audit TORs state the number of days allocated to each assignment; this is aligned with a consideration of assignment scope, nature and complexity.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
2300 – Performing the Engagement	2310	Identifying Information. <i>Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement’s objectives.</i>	✓			Audit files contain sufficient appropriate information to demonstrate the work carried out and the conclusions reached.
	2320	Analysis and Evaluation. <i>Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</i>	✓			File reviews conducted by the Corporate Assurance Manager & Transformation Lead, and the Lead Auditor, confirm the quality of evidence and basis for the conclusions reached. Clearance discussions are held with clients to discuss findings and the basis for conclusions, to provide the opportunity to confirm the accuracy of findings, and to avoid surprises when draft reports are issued.
	2330	Documenting Information. <i>Internal auditors must document relevant information to support the conclusions and engagement results.</i>	✓			Retention of evidence to support conclusions and engagement results is saved in dedicated network folders, where access is limited to officers deployed within the Corporate Assurance and Improvement team.
	2340	Engagement Supervision. <i>Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.</i>	✓			Supervision discussions are regularly held to discuss the progress being made with each assignment, issues encountered, workload and immediate priorities. This is achieved via weekly team ‘huddles’ between the Lead Auditor and Auditors. Audit reports, including supporting working papers, are reviewed by the Corporate Assurance Manager & Transformation Lead or Lead Auditor prior to issue. Evidence of the review is retained on the relevant audit file.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
2400 – Communicating Results	2410	Criteria for Communicating. <i>Internal auditors must communicate the results of engagements, and communications must include the engagement's objectives and scope as well as the applicable conclusions, recommendations and action plans.</i>	✓			A report is issued following completion of each assignment, which contains details of the area reviewed, the conclusions, assurance ratings, recommendations and agreed actions.
	2420	Quality of Communications. <i>Communications must be accurate, objective, clear, concise, constructive, complete and timely.</i>	✓			Reports are reviewed by the Corporate Assurance Manager & Transformation Lead, or Lead Auditor, prior to issue. Reports are detailed; they include details of all significant and relevant information and observations to support the recommendations and conclusions.
	2421	Errors and Omissions. <i>If a final communication contains a significant error or omission, the CAE must communicate corrected information to all parties who received the original communication.</i>	✓			The Corporate Assurance Manager & Transformation Lead is not aware of any recent incidents of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'. <i>Internal auditors may report that their engagements are "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing", only if the results of the quality assurance and improvement programme support the statement.</i>	✓			The opinion of the Corporate Assurance Manager & Transformation Lead is that the results of the quality assurance and improvement programme support a statement that the service is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	2431	Engagement Disclosure of Non-Conformance. <i>Where non-conformance is identified, the areas of non-conformance, the reasons, and the impacts must be disclosed.</i>	✓			The Annual Report of the CAE includes details of the areas in which full conformance with the standards was not achieved during 2021/22, the reasons, and the steps being taken to ensure future compliance.
	2440	Disseminating Results. <i>The CAE must communicate the results of engagements to the appropriate parties.</i>	✓			The circulation of reports is reviewed and agreed prior to any reports being issued. Arrangements for reporting the results of assignments to members have been agreed with the Audit & Ethics Committee.
	2450	Overall Opinions. <i>The CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual opinion must conclude on the overall adequacy and effectiveness of the framework of governance, risk management and control. The annual report of the CAE must include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.</i>	✓			An annual internal audit opinion is issued which incorporates these requirements.
	2500	Monitoring Progress	✓			A summary of implemented and outstanding internal audit recommendations is included within progress reports provided to leadership team and the Audit & Ethics Committee.

APPENDIX D

<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	2600	Communicating the Acceptance of Risks	✓			<p>Where an identified risk is accepted by management this would be reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with management and details and context would be reported to the Committee.</p> <p>Issues identified during audits are subject to a risk assessment and, in line with the Risk Management Strategy, a score below 3 does not automatically require action to be taken by management – the response may be to monitor and review. If any medium or high risks reported by internal audit were accepted by management this would be reported to the Audit & Ethics Committee and the Strategic Risk Management Group.</p>

AGENDA MANAGEMENT SHEET

Report Title: External Audit Plan 2021/22

Name of Committee: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All

Prior Consultation: Chief Financial Officer

Contact Officer: Jon Illingworth
Section 151 and Chief Finance Officer
jon.illingworth@rugby.gov.uk; 01788 53341

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The External Audit Plan 2021/22 has been developed by the appointed external auditor (Grant Thornton) and sets out the proposed external audit work and fee relating to the annual audit at Rugby.

Financial Implications: The fee is above the original contract value of £0.043m but is subject to Public Sector Accounts

Authority (PSAA) approval. If approved, the additional cost will need to be met from internal resources.

Risk Management/Health and Safety Implications: There are no risk management implications arising from this report.

Environmental Implications: There are no environment implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: There are no equality and diversity implications arising from this report.

Options: Not applicable

Recommendation: The updated External Audit Plan and fee for 2021/22 be approved.

Reasons for Recommendation: The External Audit Plan 2021/22 proposes an appropriate level and scope of external audit work to audit the statement of accounts and give an opinion on the Council's value for money arrangements. Appointed Auditor's work and findings and the charges relating to their work.

Audit and Ethics Committee - 30 June 2022

External Audit Plan 2021/22

Public Report of the Chief Officer - Finance and Performance

Recommendation

The updated External Audit Plan and fee for 2021/22 be approved.

Background

Grant Thornton, the Council's appointed external auditor, has submitted their External Audit Plan and fee proposal for the 2021/22 annual audit (attached at Appendix 1) following consultation with the Chief Financial Officer.

A representative from Grant Thornton will attend the meeting to present the report.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Subject Matter: External Audit Plan 2021/22

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Rugby Borough Council Audit Plan

Year ending 31 March 2022

30 June 2022



Contents



Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

T 0121 232 5420

E avtar.s.sohal@uk.gt.com

Paul Harvey

Manager

T 0116 257 5589

E paul.m.harvey@uk.gt.com

Jim McLarnon

Senior Manager

T 0121 232 5219

E james.a.mclarnon@uk.gt.com

Allison Thomas

Assistant Manager

T 0121 232 5278

E allison.a.thomas@uk.gt.com

Section

Key matters
 Introduction and headlines
 Significant risks identified
 Accounting estimates and related disclosures
 Other matters
 Materiality
 Value for Money Arrangements
 Risks of significant VFM weaknesses
 IT Strategy
 Audit logistics and team
 Audit fees
 Independence and non-audit services

Appendices

Appendix 1: Progress against prior year recommendations
 Appendix 2: Significant improvements from the FRC quality inspections
 Appendix 3: Digital Audit

Page

3
 4
 5
 8
 11
 12
 13
 14
 15
 16
 17
 18

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters

Factors

Sector developments

DLUHC state their intention, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. The consultation runs from 6-20 May with the intention of making these changes via secondary legislation by Summer Recess.

Emergency proposals to consider changes to the CIPFA Code to help alleviate delays in the publication of audited accounts have not been accepted, however the deferral of IFRS 16 to 2024/25 has been agreed but it has been advised that the Code must allow for early adoption from 1 April 2022 or 1 April 2023.

The Code requires infrastructure to be reported in the Balance Sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.

CIPFA issued an urgent consultation on 12 May on temporary proposals to change the code. These include proposals to:

- confirm the accounting consequences of derecognition, i.e. that the effect on the carrying amount is nil (on the presumption that replaced parts are fully depreciated)
- temporarily adapt the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- provide extra guidance on how depreciation may be applied for infrastructure assets.

Recovery from Covid 19 pandemic

In 2021/22, the Council received £10.1m in support grants from Central Government as part of the current year finance settlement which have been treated on an agency basis to provide support to the local community.

In addition to this, £1.59m was received to mitigate general fund pressures.

Although the impact of the pandemic has now subsided, the longer term pressures of the pandemic will continue to be felt across the sector.

Other Local matters

The Council adopted its new Corporate Strategy from April 2021, running to 31 March 2024, which a restructured leadership team have been tasked with delivering

The former Financial Services Manager left the Council in April 2022 and the Council have been successful in recruiting into this role on an interim basis for the 2021/22 accounts and audit process.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Officer – Finance and Performance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We have considered actions in respect of matters identified through previous audit work, on the financial statements and our work in respect of VFM arrangements. Regarding the latter, we have identified a potential risk of significant weakness in arrangements – refer to page 14
- We will continue to provide you with sector updates via our Audit and Ethics Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 6

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rugby Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Rugby Borough Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Ethics committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Ethics Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

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

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of the net defined benefit pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.3m (PY £1.1m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £65k (PY £55k).

Value for Money arrangements

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

- Medium term financial sustainability of the Council

Audit logistics

Our interim visit took place in March and our final visit will take commence in July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £63,925 (PY: £63,825) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Rugby Borough Council.</p>	No detailed audit procedures proposed
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.</p> <p>Having considered the risk factors relevant to the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests mentioned and our testing in relation to the significant risk of management override of control as mentioned below.</p>	No detailed audit procedures proposed

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings and investment property	<p>The Authority revalues its land and buildings (including HRA dwellings) on a four year cyclical basis and its investment properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or fair value at the financial statements date, the Authority seeks assurance from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's land and buildings and investment properties as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net defined benefit pension fund liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Ethics Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management which are presented alongside the Audit Plan to the Audit and Ethics Committee in June 2022 in a separate document named 'Informing the Audit Risk Assessment'.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the prior financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.3m (PY £1.1m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £11.6k or approximately 2% of the total amount disclosed for Senior officer remuneration due to public interest in this area of the accounts.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

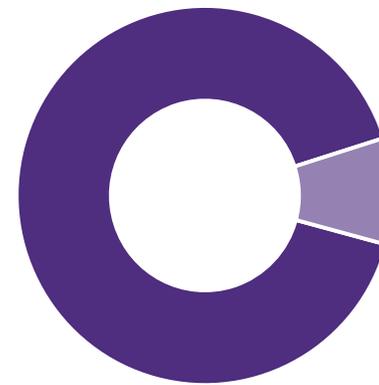
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £65k (PY £55k).

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

Prior year gross operating costs

£64.8m Council



■ Prior year gross operating costs

Materiality

£1.3m

Council financial statements materiality (PY: £1.1m)



£65k

Misstatements reported to the Audit and Ethics Committee (PY: £60k)

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out below.

Risks of significant weakness

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



Medium term financial sustainability

The current MTFP runs to 31 March 2026 and sets a balanced position for the next financial year, but a material current shortfall over the life of the plan.

There is no indication that the authority are seeking to make use of short term initiatives or capital resources to reduce revenue pressures however there is planned use of reserves and certain elements of funding, as confirmed in the Local Government settlement, are one off in nature. The challenge of this position is exacerbated by reduction in other sources of funding such as new homes bonus and significant reductions in business rates due to the proposed reset and hence the material gap in the medium term.

There is a risk therefore that without the introduction of revised expenditure or implementation of savings plans, the Council may be unable to deliver on its statutory responsibilities of a balanced financial position.

Response

In response to the risk identified, we will perform further work to understand:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium term plans
- How the Council plans to bridge its funding gaps and identifies achievable savings
- How the Council plans finances to support sustainable delivery of services; and
- How the Council identifies and manages risks to financial resilience

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC assessment
iTrent	Payroll and HR	<ul style="list-style-type: none"> Streamlined ITGC assessment
Oneserve	Property maintenance and creditors	<ul style="list-style-type: none"> Streamlined ITGC assessment
Civica Open Revenues	Housing benefits, sundry debtors, council tax and NNDR	<ul style="list-style-type: none"> Streamlined ITGC assessment
AIM Income Management	Miscellaneous cash	<ul style="list-style-type: none"> Streamlined ITGC assessment

Audit logistics and team



Avtar Sohal, Key Audit Partner



Avtar will be the main point of contact for the Chair, Chief Officer – Finance and Performance and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Avtar will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit.

Paul Harvey, Audit Manager



Paul will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Committee meetings with Avtar, and supervise Allison in leading the on-site team. Paul will undertake reviews of the team's work and draft clear, concise and understandable reports

Allison Thomas, Audit In-charges



Allison will be the day to day contact for the audit, organising our visits and liaising with authority staff. She will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for Rugby Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £42,325. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 8 to 10 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below has been agreed with the Chief Officer – Finance and Performance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Rugby Borough Council Audit	£48,325	£63,825	£63,925
Total audit fees (excluding VAT)	£48,325	£63,825	£63,925

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits subsidy claim (HBAP)	19,600	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,600 in comparison to the total fee for the audit of £63,925 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review	We have not prepared the form which we review and do not expect material misstatements to the financial statements to arise from this service.
		Management	Changes to the return and the factual accuracy of our report will be agreed with informed management.
Certification of Pooling of Housing Capital Receipts return	£6,000	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £63,925 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review	As above.
		Management	As above.
Non-audit related			
CFO Insights subscription	6,000	Self-Interest	A £18,000 three year subscription to CFO insights (6,000 per year) was paid by the Council in 2021/22. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £63,925 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>In regard to the Agresso system and journal control environment, we have noted that:</p> <ul style="list-style-type: none"> • A Senior ICT Officer has some role involvement in business processes. E.g. administering the automatic postings, when requested by Finance staff, posting interface files. • Our review under the journal entries - shows that the Senior ICT officer has also posted a journal transaction in the year. • The Agresso system journals reports include a number of postings which appear to have been made by an account named 'dummy user'. Review shows that transactions sampled have in fact been posted and approved by two separate individuals in line with control procedures and therefore this appears to be a system reporting issue. 	To be confirmed as part of audit fieldwork and review of journal entries posted in the 2021/22 period.
TBC	<p>We have identified some deficiencies in the IT control environment as follows:</p> <ul style="list-style-type: none"> • Not all those responsible for creating new user accounts (system/administrators) are within the IT function i.e. these can be created by those in finance. • There is no process of automated notification from the HR system to ensure all users listed as leavers are communicated to IT for removal. • There is not always formal documented investigation of security violations. • There is no documented change management policy or procedure or no formal request process for program changes. • Whilst all changes to IT systems are tested, it is not as part of a formal documented process. Further, change approvers are not clearly separate from change developers / testers. • Developers have access to change and interact with the live system. • Post implementation reviews occur, but they are not formally documented or evaluated. • Although underpinned by a robust IT control environment, there is no dedicated sub-section within the control environment for cyber security. 	As part of our streamlined IT general controls review, as documented on page 15, we will consider whether deficiencies in the IT system identified in 2020/21 have been addressed in 2021/22.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in one recommendations being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	As a result of our audit procedures performed on the bad debt provision (excluding provisions for statutory debts) we have noted that the Authority do not utilise forward looking information or considerations in their calculation of expected credit losses. This is not in line with IFRS 9 and there is a risk that the provision is understated if based only a previous experience of default.	To be confirmed as part of audit fieldwork and review of the 2021/22 bad debt provision.

Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

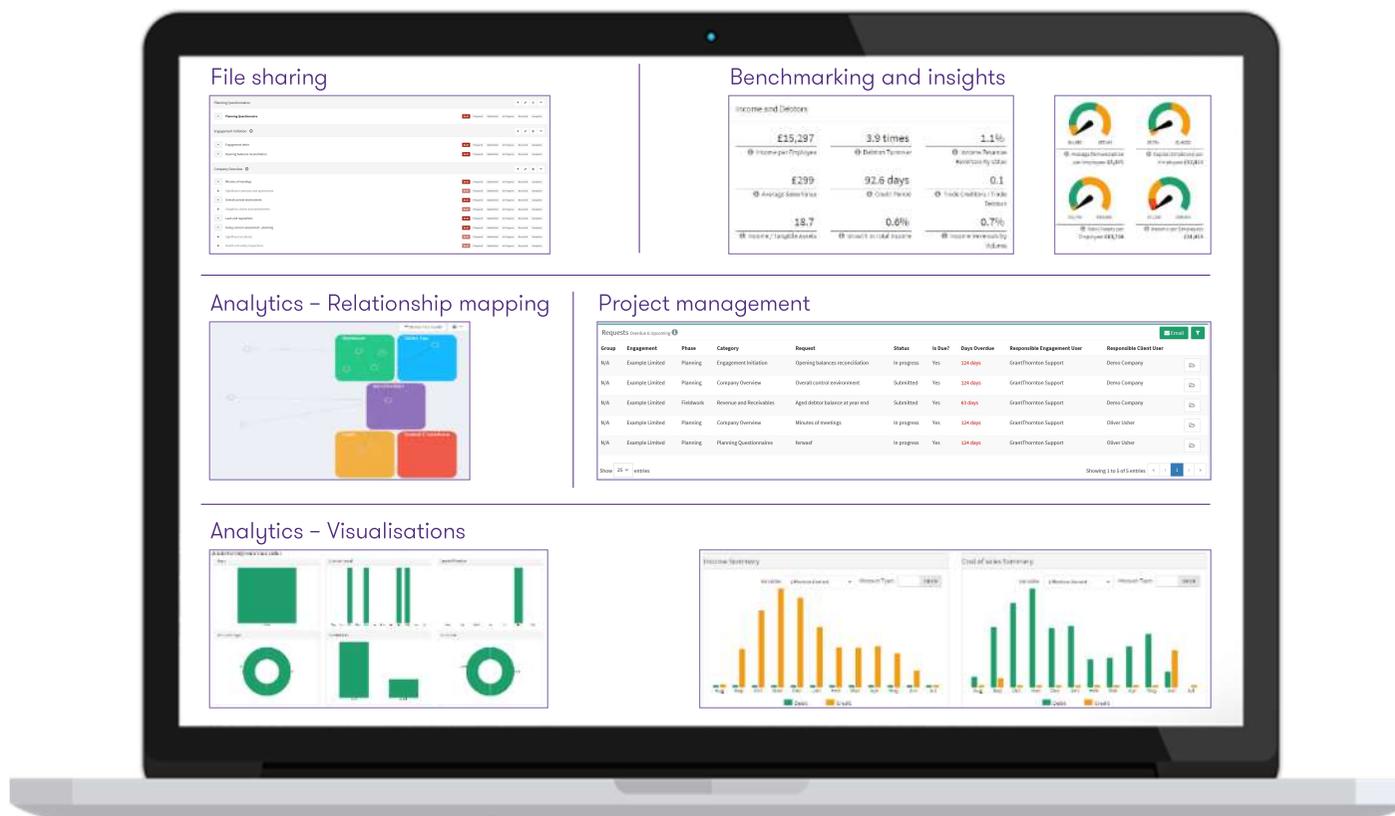
Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Appendix 3: Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Appendix 3: Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



© 2022 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

AGENDA MANAGEMENT SHEET

Report Title: Informing the Audit Risk Assessment 2021/22

Name of Committee: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All

Prior Consultation: Chief Financial Officer

Contact Officer: Jon Illingworth
Section 151 and Chief Finance Officer
jon.illingworth@rugby.gov.uk; 01788 533410

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: This is a report from our appointed external auditor (Grant Thornton) which seeks to ensure that there is effective two-way communication between the Audit and Ethics Committee and the external auditor regarding the risks relating to the 2020/21 external audit of the Council.

Financial Implications:	There are no financial implications arising from this report.
Risk Management/Health and Safety Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environment implications arising from this report.
Legal Implications:	The are no legal implications arising from this report.
Equality and Diversity:	The are no equality and diversity implications arising from this report.
Options:	Not applicable.
Recommendation:	The committee to confirm that it is satisfied with the arrangements currently in place identified within the appendix of this report.
Reasons for Recommendation:	The external auditor has a professional responsibility to ensure that there is effective two-way communication between the auditor and the Council's Audit and Ethics Committee to help reduce the risk of material misstatement.

Audit and Ethics Committee - 30 June 2022

Informing the Audit Risk Assessment 2021/22

Public Report of the Chief Officer - Finance and Performance

Recommendation

The committee to confirm that it is satisfied with the arrangements currently in place identified within Appendix 1 of this report.

Background

Grant Thornton, the Council's appointed external auditor, has submitted a report (attached at Appendix 1) on the arrangements currently in place to inform the audit risk assessment for the Council.

A representative from Grant Thornton will attend the meeting to present the report.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 June 2022

Subject Matter: Informing the Audit Risk Assessment 2021/22

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



Informing the audit risk assessment for Rugby Borough Council 2021/22

Avtar Sohal
Director
T0121 232 5420
Avtar.S.Sohal@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Rugby Borough Council's external auditors and Rugby Borough Council's Audit & Ethics Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Ethics Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Ethics Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Ethics Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Ethics Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Ethics Committee and supports the Audit & Ethics Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit & Ethics Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Rugby Borough Council's management. The Audit & Ethics Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Council has faced continued challenges arising from the Covid-19 pandemic which has impacted on all aspects of the Council's activities ranging from service delivery, expenditure supporting the community, income streams and its own operating activities with staff working remotely.</p> <p>The Council also implemented a Leadership team restructure on the 1 April 2021 which has meant that portfolios and service areas have been realigned which will lead to prior period adjustments.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted Rugby Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The accounting policies that are adopted were reviewed and approved by Audit and Ethics Committee on 29th March 2022 as part of the planning process for the year's closedown of accounts. There were no changes to the accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes, the Council holds both an investment and borrowing portfolio, covering a variety of instruments, as part of normal treasury management activity.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>In line with Government policy and requirements, the Council's normal course of business has evolved as a result of the Covid-19 pandemic. Other than the Covid-19 response, no.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	<p>As part of the valuation of non-current assets, undertaken by external valuers, an assessment is made of any requirement for impairment.</p> <p>There has been no impairments identified by internal officers as part of the day to day service management.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	There were no financial guarantee contracts in 2020/21. The Council has entered into an arrangement from 1 April 2021 for the development of the Sherbourne Recycling Facility, in partnership with other local authorities, for which a guarantee has been given to Coventry City Council
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	no
8. Other than in house solicitors, can you provide details of those solicitors utilised by Rugby Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The authority is part of the EM Lawshare Framework Using the following providers</p> <ul style="list-style-type: none"> Bevan Brittan Browne Jacobson Freeths Geldards Sharpe Pritchard Weightmans Anthony Collins <p>In terms of Barrister Chambers we regularly use No5 Chamber.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Rugby Borough Council 's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	There have been no such reports by service providers during 201/22
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Link Asset Services – Contracted Treasury Management Advisors PS Tax – Contracted VAT advisors Ernst and Young – technical accounting advice relating to the trading structure the Council is establishing Ark Consultancy Services – support relating to the trading structure the Council is establishing
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The Council has a loan arrangement as a result of the shareholding in the Sherbourne Recycling Facility and this will have an expected credit loss assessment

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Ethics Committee and management. Management, with the oversight of the Audit & Ethics Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Ethics Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Rugby Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Ethics Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Ethics Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Ethics Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Rugby Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Rugby Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the local authority's risk management processes link to financial reporting?</p>	<p>A full assessment of fraud risks was conducted across all Council departments in 2016/17, in 2018/19, and at the time of writing is being completed for 2021/22. The previous review resulted in an action plan, delivery of which was overseen by the Corporate Assurance and Improvement team. This included the finance department. The finance team maintains an operational risk register, with support from the Corporate Assurance and Improvement team, which includes evaluation of fraud related risks. The risk of fraud is specifically considered at the planning stage for every internal audit.</p> <p>The corporate governance framework is reviewed by the Audit & Ethics Committee; this includes the risk of fraud in relation to the control environment. The Committee considers all internal audit reports where there is limited or no assurance. The annual report from the Corporate Assurance Manager & Transformation Lead on the adequacy of internal control, governance and risk management arrangements will also identify any significant fraud risk areas. Investigations of suspected fraud are undertaken by the Corporate Assurance and Improvement team. The Corporate Assurance Manager & Transformation Lead keeps the Executive Director and s151 officer informed of any fraud investigations and provides the Audit & Ethics Committee with a fraud activity report at each meeting. Any issues related to fraud/ control breaches are also reported to and considered by the Strategic Risk Management Group.</p> <p>Fraud, bribery and corruption training has been delivered to all managers and members. Fraud awareness training is also being delivered to all departments as part of a rolling plan. Furthermore, the internal audit plan includes proactive counter fraud assurance work. In 2019 all employees were required, via meta compliance, to confirm their receipt and understanding of the Council's anti fraud, bribery and corruption arrangements. This included a knowledge test. The arrangements for managing the risk of fraud are considered adequate.</p>

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The riskiest areas at present are considered to be in relation to payments to new suppliers and non compliance with procurement rules in relation to such suppliers.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rugby Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details	None during 2021/22
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	In relation to governance, please see Question1, which outlines the arrangements in place.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Rugby Borough Council where fraud is more likely to occur?	See response to Q1. The Corporate Assurance Manager & Transformation Lead does not expect the current review to identify any additional significant risks.

Fraud risk assessment

Question	Management response
<p>6. What processes do Rugby Borough Council have in place to identify and respond to risks of fraud?</p>	<p>A full review is carried out by the Corporate Assurance and Improvement team every 2-3 years. The most recent review was completed in 2018/19 and resulted in Substantial assurance. A copy of the report has been provided to external audit provided. The previous review was completed in 2016/17 and a further review is currently in progress. An anti fraud, bribery and corruption strategy is in place along with a Fraud Response plan. These have been cascaded to staff along with the confidential reporting code.</p>
<p>7. How do you assess the overall control environment for Rugby Borough Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>An annual internal audit plan is in place, which results in an annual opinion provided to the Council by the Corporate Assurance Manager & Transformation Lead. The most recent report, for 2020/21, provided a Substantial level of assurance to the Council.</p> <p>Fraud risks, including segregation of duties, are considered and evaluated as standard, during the planning stage for each internal audit review.</p> <p>Controls in place to mitigate the risks of fraud are documented on risk registers, which are available on request.</p> <p>The Corporate Assurance Manager & Transformation Lead is not aware of any areas where there is potential for override of controls or inappropriate influence over the financial reporting process.</p>

Fraud risk assessment

Question	Management response
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None identified.</p> <p>The financial statements are subject to internal quality assurance control checks including:</p> <ul style="list-style-type: none"> i) checks for high risk activities and ii) analytical reviews with the objective of identifying any significant year on year variances. <p>A risk assessment process related to the preparation of accounts is completed based upon the audit issues raised by both Internal and External Audit. The monthly monitoring of service revenue and capital budgets will identify any risk of material misstatements.</p> <p>External experts are used for major areas that require estimation and the basis of these estimates are reviewed to ensure that they are reasonable.</p>
<p>9. How does Rugby Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>There is a Code of Conduct in place for all employees and members which outlines the Council's expectations for business practice and ethical behaviour. Registers of gifts and hospitality in place. Employees have been made aware of the anti-fraud, bribery and corruption strategy, fraud response plan and confidential reporting code. They have been required to confirm they have read and understood these documents and to take a short online test on the contents of the fraud response plan. There are a number of mechanisms through which employees are encouraged to report their concerns; these are set out in the Fraud Response Plan and Confidential Reporting Code</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Fraud risks are not evaluated by "post" but rather by service area and process. A full review. was completed across all departments in 2018/19. An action plan was developed and delivery monitored by the Corporate Assurance and Improvement team. A further review is in progress at the time of reporting.</p>

Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Most of the related party transactions that could give rise to potential fraud are those in which councillors have a direct interest. Risks are mitigated, by the councillor declarations of interest and non-participation in debates linked to these declarations.</p>
<p>12. What arrangements are in place to report fraud issues and risks to the Audit & Ethics Committee?</p> <p>How does the Audit & Ethics Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The reporting of fraud issues and risks to the Audit & Ethics Committee is made by various methods:</p> <ol style="list-style-type: none"> 1) Investigation reports by the Corporate Assurance Manager & Transformation Lead as a result of the Whistleblowing Policy. 2) The Annual Governance Statement contains the arrangements for managing fraud risks and is reviewed by the Audit & Ethics Committee. 3) Fraud, corruption and whistle blowing are standing items on the Audit & Ethics Committee agenda. 4) The annual report of the Corporate Assurance Manager & Transformation Lead details the counter fraud assurance work completed each year and this is considered by the Audit & Ethics Committee.
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None at the time of writing.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Ethics Committee, is responsible for ensuring that Rugby Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Ethics Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Rugby Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the local authority's regulatory environment that may have a significant impact on the local authority's financial statements?</p>	<p>It is managers' responsibility to ensure that all relevant laws and regulations for their service area are complied with. This requirement forms part of their contract of employment. When a service is audited, one of the areas reviewed is compliance with relevant laws and regulations. Where breaches are identified the Corporate Assurance Manager & Transformation Lead and Monitoring Officer should be informed. The Monitoring Officer will advise the Council's Leadership Team and councillors as appropriate.</p> <p>There are also wide constitutional powers granted to the Monitoring Officer to investigate matters.</p> <p>The Council also has a Confidential Reporting Code under the Constitution.</p>
<p>2. How is the Audit & Ethics Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance over compliance with the Council's Constitution is provided through the Annual Governance Statement reported to Audit and Ethics Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Rugby Borough Council have in place to identify, evaluate and account for litigation or claims?	Any potential claims are received by either the Councils' Legal Services team or the Risk Management and Insurance Officer. All claims registered with the latter are passed directly to the Council's insurers.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None during 2021/22

Related Parties

Matters in relation to Related Parties

Rugby Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled Rugby Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the local authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the local authority, or of any body that is a related party of the local authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the local authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Rugby Borough Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Rugby Borough Council whether Rugby Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Related parties are reviewed as part of the year end closure of accounts, and include reviews of Members' and Senior Officers' activities and of relationships with other local authorities and partnership arrangements.</p> <p><i>Do we add in the trading company?</i></p>
<p>2. What controls does Rugby Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Councillors and officers cannot and do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the Finance Team and the Council's Monitoring Officer as part of the Annual Declaration of Interests.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council has financial regulations in place for entering into contracts and for authorising payments to third parties. Members and Officers are required to declare any conflicts of interest where appropriate. A review is undertaken each year of activities with related parties and any anomalies identified.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council has had to respond to the impact of Covid-19 which has meant that it has received additional funding from government leading to significant payments to third parties. Where there was discretion in payments made, the policy was approved by Members and the payment process was approved by the Chief Finance Officer. As with 2020/21 a review of eligibility was undertaken by the Corporate Assurance Team to ensure that payments were appropriate.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Rugby Borough Council will no longer continue?</p>	<p>A new Corporate Strategy was introduced on the 1 April 2021 and the delivery plan will identify the plans the organisation has to deliver the agreed outcomes.</p> <p>The Council is also establishing a transformation plan which will be a 5 year programme of work which will include reviewing service delivery. At present there is no review taking place on statutory services (or a management desire to carry out one)</p>
<p>2. Are management aware of any factors which may mean for Rugby Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>None during 2021/22</p>
<p>3. With regard to the statutory services currently provided by Rugby Borough Council, does Rugby Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans Rugby Borough Council to cease to exist?</p>	<p>See answer 1 above, there is no review of statutory services</p>
<p>4. Are management satisfied that the financial reporting framework permits Rugby Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>This is correct</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The major areas within the financial statements where estimation is required to provide year end balance sheet values are</p> <ul style="list-style-type: none"> • Non current assets • Financial instruments, particularly those for longer term investments • Expected credit losses and bad debt provisions • Pension liabilities <p>There is an element of subjectivity in determining valuations. In respect of non-current assets, pensions and financial instruments, external experts are used to support the Council and in respect of any expected credit losses or bad debt provision previous performance is used to support forward looking estimates.</p>
<p>2. How does the local authority's risk management process identify and address risks relating to accounting estimates?</p>	<p>The use of external experts minimises the risk of material error in carrying values. Discussions are held with the external experts, and challenge where there are significant movements between years, to ensure that the basis of estimates, and any limitation in those estimates is understood and fully disclosed</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The Council ensures that officer skills are maintained through attendance at key accounting training events so that sector wide issues can be identified. Also, as part of the discussions with external experts, it is expected that issues of particular significance will be raised for consideration where appropriate.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Where there are significant movements from year to year or where there are issues that have occurred which are considered to have a potential impact on estimates, for example legacy issues from the Covid-19 pandemic, then these will be discussed with the relevant external expert.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	The Council has continued to review the advice of external experts used in the determination of estimates to ensure that assumptions used and the outcomes are clearly understood.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The Council reviews its activities to identify those areas where there are material items on the balance sheet and where there are potential for significant movements from year to year. The major areas where estimates are required relate to valuations of non-current assets, financial instruments and pension liabilities. The Council uses external experts to provide support in determining carrying values on the balance sheet. The Council also takes advice from its in-house legal team in respect of provisions, particularly where the Council is involved in litigation to help determine the likelihood and extent of any potential liabilities.
7. How does the local authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Where external experts are used to provide values for accounting estimates, there will be regular dialogue with the expert to understand the basis of and any limitations to their estimates. Checks will also be undertaken on any significant movements between years, or where there is no movement but would be expected so that a complete understanding of the estimate can be gained. Where appropriate, experts are challenged on their assumptions to determine their robustness and to seek updated valuations if necessary.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Monitoring of work undertaken by experts is mainly undertaken on receipt of their outputs, both in terms of the actual valuation and in the accompanying report stating how the estimate was reached. Comparisons are made with previous years to determine any movement and assess whether these are reasonable.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>In addition to the discussion and oversight of the external experts, a review of valuations is undertaken with the Section 151 officer prior to finalisation of the accounts. This discussion will include setting out how the estimate has been reached and what challenge process has been undertaken with the external valuer. Where internal estimates have been determined these have been based on reasonable assumptions of discounted cashflows to bring the estimate to a present day value.</p> <p>The major estimates in the accounts relate to non-current assets, financial instruments, pension liabilities and provisions.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>no</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>As well as using experience of officers that have completed the exercise for a number of years, the council using a variety of external experts</p>
<p>12. How is the Audit & Ethics Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The committee will review policy documents including the Capital Strategy and the Treasury Management and Investment Strategy</p> <p>On an annual basis a report is presented to the committee in order for the years accounting policies to be approved</p> <p>Compliance against the CIPFA Financial Management Code has also been reported to the Audit & Ethics Committee in March 2022 along with the associated action plan.</p> <p>The Council's financial statements are reported directly to and approved independently by the Audit and Ethics Committee.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations are made by an external valuer (local RICS/CIB Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews	Finance Business Partner (Asset management) notifies the valuer of the programme of rolling valuations or of any conditions that warrant an interim revaluation through the valuation instruction, prepared in line with the CIPFA code of Practice and RICS guidance	Yes –use of local RICS/CIB Member for valuations	Valuations are made in line with RICS guidance and prevailing market conditions with reliance on expert. Valuations, by their very nature are subject to uncertainty due to market fluctuations.	No
Estimated remaining useful lives of land and buildings	The following asset categories have general asset lives: · Buildings 5-60 years · Equipment/vehicles 3-25 years · Plant 3-25 years · Infrastructure 7-40 years Budget officers are asked to review their capital charges annually for any asset lives changes.	Consistent asset lives applied to each asset category Finance Business Partner (Asset management) requests a further review at year end.	Yes –use of local RICS/CIB Member for valuations	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years, although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. Overall, the length of life would reflect the views of the external qualified RICS or CIB Member	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	Valuations are undertaken by an externally appointed RICS/CIB qualified valuer in accordance with the Guidance on Stock Valuation for Resource Accounting	The external valuer is issued a valuation instruction in line with recommended practise.	Yes –use of local RICS/CIB Member for valuations	Valuations by their very nature are subject to uncertainty due to market fluctuations. Where significant variations occur, discussions are held with the external valuation to understand the underlying reasons for change.	No
Investment property valuations	Valuations are made by an externally appointed RICS/CIB qualified valuer each year. Valuations are based on relevant market data from properties with similar characteristics.	The external valuer is issued a valuation instruction in line with recommended practise.	Yes –use of local RICS/CIB Member for valuations	Valuations by their very nature are subject to uncertainty due to market fluctuations. Where significant variations occur, discussions are held with the external valuation to understand the underlying reasons for change.	No
Depreciation and Amortisation	Depreciation is provided for on all relevant non-current assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets	Yes –use of the Local RICS/CIB Member for valuation	The length of the life is determined at the point of acquisition or revaluation. Assets that are not fully constructed are not depreciated until they are brought into use.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed each year as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired	Yes –use of the local RICS/CIB Member for Valuation	Valuations are made in line with RICS guidance –reliance on expert	No
Fair Value Measurements	Council Values financial instruments at fair value based on classification and measurement approach that reflects the business model for holding financial assets and their cashflow characteristics	Review service provided by treasury consultants	Yes –treasury consultants	Take advice from finance Professionals.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The Council is an admitted body to Warwickshire Pension Fund. The administering authority (Warwickshire County Council) engages the actuary – Hymans Robertson – who provide the estimate of the pension liability and the calculated actuarial gains and losses figures. These figures are based on making % adjustments to the closing values of assets/liabilities.	Take advice from professionals. The Council are provided with an actuarial report from the consulting actuary - Hymans Robertson (LGPS).	Yes external actuary advice	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Accruals	Financial Services collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest information has been used	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for Liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	The Financial Services team calculate the provision	No	Estimated settlements are reviewed at the end of each financial year –where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provision for Business rates appeal	Rugby Borough Council has been using the national average of 4.7% of gross rates to calculate future appeal losses since the introduction of the 2017 list and the check challenge appeal (CCA) system.	The Financial Services team calculate the provision alongside Analyse Local data.	Analyse Local	The whole CCA process takes a couple of years, so data comes through very slowly. There is a high probability that many business owners or agents will not submit a CCA until the Government announces a deadline for the 2017 list, as there was a big surge at the end of the 2010 list. It has been very difficult to get any information on checks, challenges or appeals from the VOA. The RBC Revenues Team only find out of their existence when a successful RV change is reported on our weekly VOA property schedules. These frustrations are shared at the quarterly meetings of the Coventry & Warwickshire Business Rates Pool and most authorities use the 4.7% approach due to lack of alternative data.	No
Impairment allowance for doubtful debt	A provision is estimated using a proportion basis of an aged debt listing	The Financial Services team calculate the provision	No	Consistent proportion used across aged debt	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	S151 Officer makes an assessment based on quantitative and qualitative factors which may be of import to the readers of the accounts. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Chief Officers notify the S151 Office of matters, of a significant nature, that may have occurred.	This would be considered on individual circumstances	This would be considered on individual Circumstances.	No
Finance lease liabilities	The Council has one lease that is accounted for as a finance lease. The lease agreement is for 999 years with a charge of one peppercorn per annum, if requested.	The liabilities are nil in the financial statements.	No	The lease is for 999 years at a nominal amount so there will be no changes for the foreseeable future	No



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2022 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.