

AUDIT COMMITTEE

**Venue: Town Hall, Moorgate
Street, Rotherham. S60
2TH**

**Date: Wednesday, 18 December
2013**

Time: 4.00 p.m.

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.
2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.
3. Minutes of the previous meeting held on 30th October, 2013 (herewith) (Pages 1 - 5)
4. Corporate Risk Register (report herewith) (Pages 6 - 15)
5. Annual Review - Insurance and Risk Management Performance (report herewith) (Pages 16 - 22)
6. Assessment of Current Local Government Risks - KPMG Audit Committee Institute (report herewith) (Pages 23 - 64)
7. Date and Time of the Next Meeting - Wednesday, 22nd January, 2014 at 4.00 p.m.

**AUDIT COMMITTEE
30th October, 2013**

Present:- Councillor Kaye (in the Chair); Councillors Gilding and Wyatt.

Also in attendance was Mr. S. Clark (KPMG)

Apologies for absence were received from Councillor Sangster and Sims.

**P14. MINUTES OF THE PREVIOUS MEETING HELD ON 25TH
SEPTEMBER, 2013**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 25th September, 2013.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

**P15. MID YEAR TREASURY MANAGEMENT AND PRUDENTIAL
INDICATORS MONITORING REPORT 2013/14**

Consideration was given to a report, presented by the Chief Accountant, stating that the Regulatory Framework of Treasury Management included a requirement that the Council should receive a mid-year treasury review, in addition to the forward looking Annual Treasury Strategy and backward looking annual treasury report.

The submitted report fulfilled that requirement and incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators. The report was structured to highlight the key changes to the Council's capital activity (the prudential indicators), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

It was noted that the Council's 3 year contract with Sector Treasury Services for the provision of treasury management and asset finance services had expired on 6th October, 2013. In accordance with Standing Orders, a tendering exercise had been carried out for the pre-procurement of the services for a further 3 year period. 2 submissions had been received and evaluated and Sector Treasury Services (now trading as Capita Asset Services Treasury Solutions) had been appointed.

Resolved:- (1) That the report be received and its contents noted.

(2) That the report be referred to Cabinet to consider recommending that the Council approves changes to the 2013/2014 prudential indicators.

P16. EXTERNAL AUDITOR - ANNUAL AUDIT LETTER 2012-2013

Further to Minute No. 51 of the meeting of the Audit Committee held on 24th April, 2013, consideration was given to a report presented by the Finance Manager and Stephen Clark, KPMG.

The Annual Audit Letter (AAL) 2012/13 summarised the external audit work in relation to the 2012/13 audit plan and highlights the findings in relation to the following:

Audit of accounts 2012/13

Value For money Conclusion 2012/13

Any Other Matters the external auditor is required to communicate.

A copy of their AAL was attached to the report.

The Committee noted that the purpose of the Annual Audit Letter was to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considered should be brought to the attention of the Council. The letter briefly summarised the results of the external auditor's work which had previously been reported to Audit Committee in more detail in the form of, for example:

- The ISA260 report presented to this Committee in September, 2013, immediately prior to the 2012/13 Statement of Accounts being approved
- The Interim Audit Report presented to Audit Committee in April, 2013

The main issues from the Annual Audit Letter included:-

(a) the Council's financial statements were produced to a good standard without the need for audit adjustment and were given an unqualified audit opinion before the statutory deadline of 30th September, 2013; KPMG LLP complimented officers on the strong financial reporting process and in providing working papers to the expected standard and timely responses to audit queries; and

(b) the Council had put in place proper arrangements for securing financial resilience and challenging how it secured economy, efficiency and effectiveness in the use of its finite resources.

An issue had been highlighted with regard to the Value for Money conclusion was with regard to Digital Regional and suggested that a lessons learned review be conducted. Barnsley Council was to undertake a review which all the Councils had agreed to sign up to.

The Annual Audit Letter also confirmed that no high priority recommendations were made in relation to the 2012/13 audit and that there were no other matters that needed to be brought to the attention of the Audit Committee.

This was a very positive audit assessment for the 2012/13 financial year and showed the Council's Financial Services function to be in a strong position to proactively support the Council in meeting the significant challenges it faced.

Resolved:- That the very positive Annual Audit Letter (AAL) presented to the Council by its external auditors, KPMG LLP be noted.

P17. REVISED FINANCIAL REGULATIONS

Consideration was given to a report presented by the Director of Internal Audit and Asset Management concerning the review of the Council's Financial Regulations. The Committee noted that these Regulations are periodically reviewed to ensure that they are fit for purpose and meet current best practice.

The proposed revisions to the Financial Regulations (appended to the submitted report) were being recommended to reflect recent changes in the Council's structures, revised legislation and regulatory frameworks and to provide further guidance in various areas where common issues have arisen during the last couple of years.

The Committee was informed that the Council's Cabinet and Scrutiny Members will also be consulted on the proposed revisions and the revised Financial Regulations will be adopted as part of the Council's constitution.

In summary, the main changes proposed to the Financial Regulations are:-

(a) The introduction has been augmented to explain the layout of the Financial Regulations, which is based on a format endorsed by CIPFA in its recent publication; 'Financial Regulations – A Good Practice Guide for an English Modern Council';

(b) A general update to take account of changes to the structure of the Council including, in particular:-

- : the vacancy of the post of Strategic Director of Resources;
- : the vacancy of the Director of Commissioning, Policy and Performance post;
- : the movement of the procurement function to become the responsibility of the Strategic Director of Neighbourhoods and Adult Services;

- (c) The removal of all references to RBT;
- (d) The removal of residual references to 2010 Rotherham Ltd.;
- (e) Changes in the statutory requirements for monitoring and reporting on performance, such as the production of a Corporate Performance Plan and Best Value Performance Indicators; Financial Regulations now include the CIPFA recommended 'Policy Framework' wording;
- (f) Recognition of changes relating to the appointment of external auditors and the scope of external audit, being introduced by the Local Audit and Accountability Bill 2013-2014;
- (g) The inclusion of new guidance notes on Money Laundering, Contracts for Building, Construction and Engineering Works, and Ex-gratia payments;
- (h) Removal of the former Guidance Note relating to the Sundry Accounts Collection Policy; a new Sundry Accounts Policy has recently been produced which replaces the Guidance Note;
- (i) General updates where new or amended legislation or regulations have been introduced, including:-
- : new accounting and disclosure requirements for entities preparing financial statements under International Financial Reporting Standards;
 - : the CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice; SeRCOP applies to all local authority services throughout the UK from 1st April 2013 for the preparation of 2013/14 Budgets, Performance Indicators and Statements of Accounts;
 - : the requirement, under the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement which gives an outline of the Council's governance controls and the procedures that are in place; this Statement has replaced the Statement of Internal Control;
- (j) Changes in the requirements of Internal Audit have occurred:-
- : the Accounts and Audit Regulations 2011 now require 'local authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.
 - : the introduction of new Internal Auditing standards known as the Public Sector Internal Audit Standards.
- It was proposed that further revisions be made in order to streamline the document and delete any duplications.

Resolved:- (1) That the revisions to the Financial Regulations be supported.

(2) That a further review of the structure of the Regulations be undertaken.

1.	Meeting:	Audit Committee
2.	Date:	18 December 2013
3.	Title:	Corporate Risk Register
4.	Directorate:	Environment & Development Services

5. Summary

Attached to this report is the current Corporate Risk Register summary. The summary shows the risks associated with the Council's most significant priorities and projects, and actions being taken to mitigate these risks.

The Council's key current risks continue to relate to the financial pressures faced by the Council and the implications of the Welfare Reforms. The report summarises the management actions that are being taken to mitigate these and other risks in the register.

The risk score on the priority relating to achieving economic growth remains high in recognition of the on-going weak economic conditions.

6. Recommendations

The Audit Committee is asked to:

- note the Corporate Risk Register summary attached at Appendix A
- confirm the current assessment of the Council's top corporate risks
- indicate any further risks or opportunities that it feels should be added to the risk register.

7.1 Format

This report contains the latest position on the Corporate Risk Register. The Corporate Risk Register summary is attached at **Appendix A**. This reflects the current risk assessments for each corporate priority or project in the Corporate Risk Register.

This covering report highlights the top inherent risks.

There are 3 overall categories of risk (RED, AMBER, GREEN) representing varying degrees of exposure. Each category contains a range of risk scores, so there are varying degrees of risk within each category. Appendix A shows the risk category and score for each priority or project included in the register before and after risk mitigation actions.

7.2 Highest inherent risks

The risk register summary shows risks in descending inherent risk order, to emphasize the most significant risks faced by the Authority. The top risks requiring close monitoring are:

- Managing Government budget reductions - unable to maintain key services due to budgetary limits.

Despite very challenging circumstances, the Council has maintained its successful track record of containing spending within available budget. This performance is to the Council's credit. However, the Council has to save a further £40m+ in the next two years, making it even harder to manage within available resources.

There will be a change in the way the Council works with communities and its citizens to meet their needs in response to the significance of the financial challenges facing the Council that lie ahead. SLT and Cabinet will continue to monitor very closely the overall financial performance and position of the Council and put in place a strategy to take proportionate and appropriate actions to ensure the Council budget and financial position is sustainable.

- Welfare Reforms

Government welfare reforms implemented from April 2013 are beginning to have substantial implications for residents affected by benefits reductions and there is a knock-on impact on Council services.

Services are tracking implications and informing Members as appropriate, so that appropriate decisions can be made where necessary.

- Delivering effective Children's Services within budget

On-going action is being taken by management to provide services within the budget available. Cabinet is being kept informed of the relevant financial challenges as part of the budget monitoring and budget setting processes and is making decisions accordingly.

- Digital Region

A decision has been taken by the South Yorkshire councils to close the network following BIS's decision to withdraw future funding for the project. A closure plan has been formulated and is progressing and whilst, at this stage, the funding in place is considered sufficient to meet expected liabilities, closure remains at an early stage.

- **Economic Growth**

The risk associated with achieving Economic Growth remains Red in recognition of the on-going weak economic conditions.

7.3 Other key developments / changes during the period

An initial assessment of councils' liabilities relating to aged insurance claims was made by the Municipal Mutual Insurance Company administrators in early 2013. This indicated a potential liability for the Council of up to £1.32m, which has been provided for in the Council's budget. Current indications are that there may be a further small increase in the liability during 2013/14.

The former risk relating to the implementation of the Localism Act has now been removed as the Council has successfully responded to relevant requirements. Any specific future risks (for example relating to the setting of Council Tax levels / referenda) will be included as separate items as appropriate.

8. Finance

The risks contained in the register require ongoing management action. In some cases additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks should be reported to the SLT and Members for consideration on a case by case basis.

9. Risks and Uncertainties

It is important to review corporate risks on an ongoing basis, to ensure risks relating to the Council's key projects and priorities are effectively monitored and managed by the Strategic Leadership Team and Members.

10. Policy and Performance Agenda Implications

Risk Management is part of good corporate governance and is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation

This report reflects the latest updates provided by the respective 'lead officers'.

Contact Names:

Colin Earl, Director of Audit and Asset Management, x22033

Andrew Shaw, Insurance and Risk Manager, x22088

Appendices

Appendix A Corporate Risk Register Summary

APPENDIX A: SUMMARY CORPORATE RISK REGISTER

No	Risk	Pre Controls 1- 25	<u>Lead officer</u> Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0027	Managing Government budget reductions - unable to maintain key services due to budgetary limits	25	<u>Martin Kimber</u> <ul style="list-style-type: none"> • High priority, driven through Strategic Leadership Team and Cabinet • Actions to mitigate budget reductions are continually being identified • Budget principles have been revised which will see a different approach to the way services are delivered. 	20	All Priorities
0037	Welfare Reform: <ul style="list-style-type: none"> • Significant pressures arising from the localisation of various resources and a reduction in overall funding available, limited administration capacity and reduced collection of Council Tax. • Potential major impact of reduced housing benefits, leading to higher debts, increasing demand for shrinking services, and increasing poverty and vulnerability. Potential to increase gap in communities' needs. • Negative overall impact on the local economy, with spiralling consequences. • Potential increase in crime. 	25	<u>Karl Battersby</u> <ul style="list-style-type: none"> • Effective communications especially in relation to discretionary benefits administered by the Council and arrangements for assisting those in need to access benefits. • Provision of food banks expending through local welfare provision. • Corporate Policy on the top 11 deprived areas. • Additional HRA resources are being deployed to support Council tenants. • The significant risk is now associated with uncertainty over the introduction of Universal Credit by the Government. Implementation should have commenced in October, but there is still no date or any other details as the nationwide programme has slipped. 	16	All Priorities

No	Risk	Pre Controls 1- 25	Lead officer Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0022	Unable to deliver effective Children's Services within budget	25	<u>Joyce Thacker</u> <ul style="list-style-type: none"> • Continuous monitoring of budget and reporting to SLT / Cabinet • Work continues in relation to reviews of service provision and structures in line with more restrictive financial parameters. • On-going monitoring and reporting of budget position, with improvement expected in the budget outturn position. • Ofsted inspection profile maintained / improved. 	16	Priority 2 - Providing quality education Priority 3 - Care and protection for those people who need it most
0033	Funding of the Digital Region Project to provide comprehensive broadband facilities across South Yorkshire	20	<u>Martin Kimber</u> <ul style="list-style-type: none"> • A decision has been taken by South Yorkshire Councils to close the network in an orderly and solvent manner, following BIS's decision (as the major shareholder) to withdraw future funding for the project. • Closure plan in place and progressing. • Funding for closure in place; at this stage funding is considered sufficient to meet expected liabilities. 	16	Priority 1: No community left behind
0040	Developing economic growth, increase business rates income and increase opportunities for residents	20	<u>Karl Battersby</u> <ul style="list-style-type: none"> • Significant and previously successful inward investment activity • Detailed support programme for local businesses • High quality start up facilities • Maximising location and transport advantages. 	16	All Priorities

No	Risk	Pre Controls 1- 25	Lead officer <u>Key Actions/Updates</u>	Post Controls 1 - 25	Links to Corporate Priorities
0021	Failure to sustain improvement in Children's Services	20	<u>Joyce Thacker</u> <ul style="list-style-type: none"> • Attainment at Key Stage 4 in the 5 + A* - C, including English and Maths, is 3.3% above national average. 5 + A* - C in all subjects is 2.1% above national average. • Key Stage 2 attainment in reading, writing and maths combined increased 1.6% to 71.6% against current national average of 76%. Gap reduced by 0.6% during 12/13 academic year. • Investigation by South Yorkshire Police continues into historical Child Sexual Exploitation cases. RMBC continues to offer full support to this process. • Ofsted profile of grades good or better across the Borough is currently 69.7% reflecting the new and much more challenging inspection framework. • OFSTED is now operating under a new inspection framework for Children's Services which is a much harder test and now encompasses the whole of Safeguarding Children and Families activities under a single framework. Preparation for inspection is underway and being monitored by the CYPS Improvement Panel. 	12	Priority 2 - Providing quality education Priority 3 - Care and protection for those people who need it most

No	Risk	Pre Controls 1- 25	Lead officer Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0041	Improving health and well-being	20	<u>Tom Cray</u> <ul style="list-style-type: none"> • Health and Wellbeing strategy in place and being delivered through a set of six work stream action plans • Strong focus on prevention and independence • Good partnership working • Formal transfer of public health responsibilities from the NHS to RMBC took place in April 2013. 	12	Priority 1: No community left behind
0044	Family Poverty <ul style="list-style-type: none"> • Tackling poverty is a key priority for the Health and Wellbeing Board and the 11 most deprived neighbourhoods agenda 	20	<u>Joyce Thacker</u> <ul style="list-style-type: none"> • 'Families for Change' programme established - targeted support for Families around money management • Families for Change contract let • Early help family support programme in place • Ofsted evidence shows that schools are making effective use of the additional pupil premium funding designed to help disadvantaged families. • Level and eligibility for free school meals is increasing from 7,997 in 2012 to 8,098 in October 2013. Take up was 74.28% in 11/12. Current take up is 72.35%. There is a traditional seasonable increase in take up so this figure is expected to rise up to and after the Christmas period. 	12	

No	Risk	Pre Controls 1- 25	Lead officer Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0031	Academies, Free Schools and other school settings - Potential impact on LA schools and the Council e.g. loss of revenue, falling pupil numbers, reduced attainment, breakdown in relationships etc	16	<u>Joyce Thacker</u> <ul style="list-style-type: none"> • There are currently no free school applications active within the Borough. • Maximise potential for income generation with Academies through the provision of quality services via competitive SLA agreements. • Continue to enhance current strong working relationships with converted and proposed future Academy Trusts. • Continue to work with Academies to gain commitment to the Rotherham School Improvement Partnership. School Governing Bodies continue to meet in whole Learning Community meetings, exploring the implications of Academy conversion, collaborative / partnership working and other models • By April 2014 there will be 24 schools in the Borough converted to Academy status. Academy converts have reaffirmed their commitment to the Rotherham mission. • Academy sponsor for the new Central Primary School has been selected by a convened panel, approved by Cabinet and DfE notified. 	12	Priority 2 - Providing quality education

No	Risk	Pre Controls 1- 25	<u>Lead officer</u> Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0030	Schools Collaboration- impact of schools commissioning on LA services	16	<u>Joyce Thacker</u> <ul style="list-style-type: none"> • Monitoring of schools' appetite for change is on-going. Positive discussions continue between the Rotherham School Improvement Partnership and Teaching School Alliance • Portfolio of services review completed. Schools and Academies continue to procure many RMBC services at present via Service Level Agreements • Work continues in relation to the new schools funding arrangements effective from 2013 onwards. 	12	Priority 2 - Providing quality education
0042	Maximising reputation opportunities; enhancing reputation as a leading authority, delivering services to others, attracting businesses, positive Public recognition.	12	<u>Martin Kimber</u> <ul style="list-style-type: none"> • Highlighting good performing service delivery • Emphasizing major achievements including successful business development • Successful delivery of services to others • Regional and national awards • Responding to Public consultation • Strong communications. 	9	All priorities

No	Risk	Pre Controls 1- 25	<u>Lead officer</u> Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0035	<p>Failure to minimise property ownership and maximise the use of retained properties.</p> <p>Failure to maximise savings and benefits from the roll out of WorkSmart arrangements to all relevant staff.</p>	12	<p><u>Karl Battersby</u></p> <ul style="list-style-type: none"> • Asset management strategy being finalised • Proposals will be partly dependent upon 2014/15 budget decisions about future services • Future options are being considered for extending Worksmart to staff in non-central buildings, to facilitate further property rationalisation 	6	<p>Priority 5 Improving the Environment</p>
0039	<p>Municipal Mutual Insurance (MMI): Insurance Liabilities</p> <p>MMI has gone into administration following a landmark ruling by the Supreme Court ruling on Employer's Liability relating to asbestos claims.</p> <p>As a stakeholder, the Council will have to contribute to any company deficits resulting from the ruling.</p>	9	<p><u>Martin Kimber</u></p> <ul style="list-style-type: none"> • Initial levy of up to £1.32m advised by the Administrators in early 2013. • A provision in the 2012/13 accounts has been created to meet this liability. • Potential requirement for a marginal increase in the current provision, when an update is provided by the administrators in January 2014. 	6	<p>All Priorities</p>

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE
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1.	Meeting:	Audit Committee
2.	Date:	18 December 2013
3.	Title:	Annual Review - Insurance and Risk Management Performance
4.	Directorate:	Environment & Development Services

5. Summary

This report builds on previous reports on the numbers and cost of insurance claims made against the Council.

The Council continues to have a very good and improving record in most areas. Proactive Risk Management measures are helping to reduce the number of claims made against the Council and effective monitoring / inspection systems are enabling the Council to successfully defend many claims that are received.

The report highlights areas where risk management action is helping to achieve the greatest savings in support of the Council's Medium Term Financial Strategy.

6. Recommendations

The Audit Committee is asked to note the generally very good performance in relation to the management of risk and minimisation of insurance claims costs.

7. Proposals and Details

7.1 Insurance claims and costs 2003/04 to 2012/13

A summary of claims received by the Council over the past ten years, relating to the five main areas of insurance risk, is contained in the following table:

Numbers and Costs of Claims Received 2003/04 to 2012/13		
Area of Risk	No. of Claims	Cost of Claims
Public Liability	3,021	£3.947m
Employers' Liability	597	£3.895m
Highways	2,215	£1.519m
Motor Vehicle	3,330	£3.091m
Fire	69	£1.741m
2003/04 to 2012/13	9,232	£14.193m

On average, the Council has paid £1.42m per year on insurance claims over the last 10 years. The need to continue to invest in reducing the costs of accidents via improved management systems, work environment and training cannot be overstated.

7.2 High Performing Areas

- School Fires
- General Property Fires
- Highways Trips and Slips
- Recovery of Uninsured Motor Vehicle Accident Losses

Rotherham's claims record on fire across all properties is very good and on schools it is excellent.

The Governance Section has twice arranged for risk surveys to be carried out at all schools. These highlighted the needs of each school and led to subsequent Risk Management work where needed. This work provided the platform for the Council's exemplary record; only two minor fires have occurred in Rotherham schools in the past three years at a time when the annual cost of school fires in the UK rose to £65m.

The Council now substantially out-performs other authorities, as can be seen from the table below, which is based on fires occurring in the last 6 years.

	Rotherham	National Average	Difference +/-
	£	£	£
Average Cost per Claim	3,016	60,000	- 56,984
Cost of Claims per School per Year	26	896	- 870

The difference in performance, based on the number of schools at Rotherham, means that **the Council spends over £100,000 less per year than the national average figure on school fires.**

7.2.1 Highways Trips and Slips

Despite the emergence of numerous aggressive claims management companies in the last 10 years and their high-profile 'no win – no fee' marketing campaigns, Rotherham continues to manage highways risks very successfully. The current claims repudiation rate (i.e. closed without payment) of 97% makes the Council amongst the best performing nationally in this regard.

Performance is shown in the table below.

Highways Liability PI Claims Performance 2008/09 to 2012/13							
Incident Year	Claims Rec'd	Number On-going	Number Closed	Number Repudiated	Percentage Repudiated	Number Paid	Total Paid (inc costs)
2008/09	161	1	160	128	80%	32	£306,761
2009/10	306	4	302	283	93%	19	£187,672
2010/11	368	18	350	327	93%	23	£138,268
2011/12	171	18	153	142	93%	11	£108,884
2012/13	270	61	209	203	97%	6	£2,879

The Council's proactive highways inspection and maintenance regimes contribute significantly to this performance.

7.2.2 Recovery of Uninsured Motor Vehicle Accident Losses

Rotherham has historically self-funded all costs arising from accidental damage to its own motor fleet, even in instances where that damage had been incurred as a consequence of negligence on the part of a third party (i.e. non-fault claims).

Previous link-ups with loss recovery companies to attempt to recoup our outlay from third party insurers had proved largely ineffective. However, at the end of 2005, the Governance Section appointed MAPS Legal Assistance to pursue third party compensation.

The service costs less than £1,000 per year and since taking on their first case in November 2005, MAPS has recouped over £155,000 for the authority in lieu of our repair costs.

7.3 Areas where performance is good and improving

- Employer's Liability Claims
- Motor Vehicle Claims

7.3.1 Employer's Liability Claims

Employer's Liability risk has been a concern for local authorities for some years, particularly in respect of degenerative type injuries including Vibration White Finger, Noise Induced Hearing Loss, Manual Handling and Repetitive Strain Injury claims.

At Rotherham, the Corporate Emergency & Safety Team has carried out a wide range of Risk Management activities to minimise the risk of injuries and this is having a positive effect on both the number of claims received and the Council's ability to defend or minimise the payments made against such claims. This positive trend is demonstrated by the statistics below:

Employer's Liability Claims Performance 2008/09 to 2012/13							
Incident Year	Claims Rec'd	Number On-going	Number Closed	Number Repudiated	Percentage Repudiated	Number Paid	Total Paid (inc costs)
2008/09	46	2	44	20	45%	24	£244,192
2009/10	44	7	37	24	64%	13	£150,991
2010/11	41	12	29	10	34%	19	£216,475
2011/12	27	12	15	9	60%	6	£91,563
2012/13	21	12	9	7	78%	2	£10,938

The statistics show:

- The number of claims is steadily reducing year on year
- a significant reduction in the overall cost of claims (£91k for 2011/12 compared to £244k for 2008/09)
- A gradual increase in the proportion of claims being successfully repudiated

7.3.2 Motor Vehicle Claims

The number of motor vehicle claims received has reduced year on year since 2008/09, from 422, to 174 in 2012/13 (a 58% reduction), as has the cost of claims; from £406.1k to £113.7k (a 72% reduction) in the same period.

In addition, there has been a pleasing reduction in the number of accidents involving third parties, which has resulted in a decrease in third party costs from £184k in 2008/09 to £42K in 2012/13.

Initiatives such as driver training and the installation of cameras on Refuse Collection Vehicles have undoubtedly proved influential, as has the re-centralisation of vehicles at Hellaby Depot.

7.4 Trips and slips on Housing owned footpaths & walkways

Since the termination of 2010 Rotherham Ltd (wef 1 July 2011), 57 claims have been received relating to incidents occurring on Housing owned footpaths. Of these, 35 are presently outstanding with claim reserves totalling £264,840, 15 have been settled without payment and 7 have been settled at a cost of £41,077.

Whilst acknowledging the current situation with regards to budget cuts, it should nonetheless be stressed that the implementation of a sound system of inspection would improve repudiation rates and cut costs to the authority in the medium term.

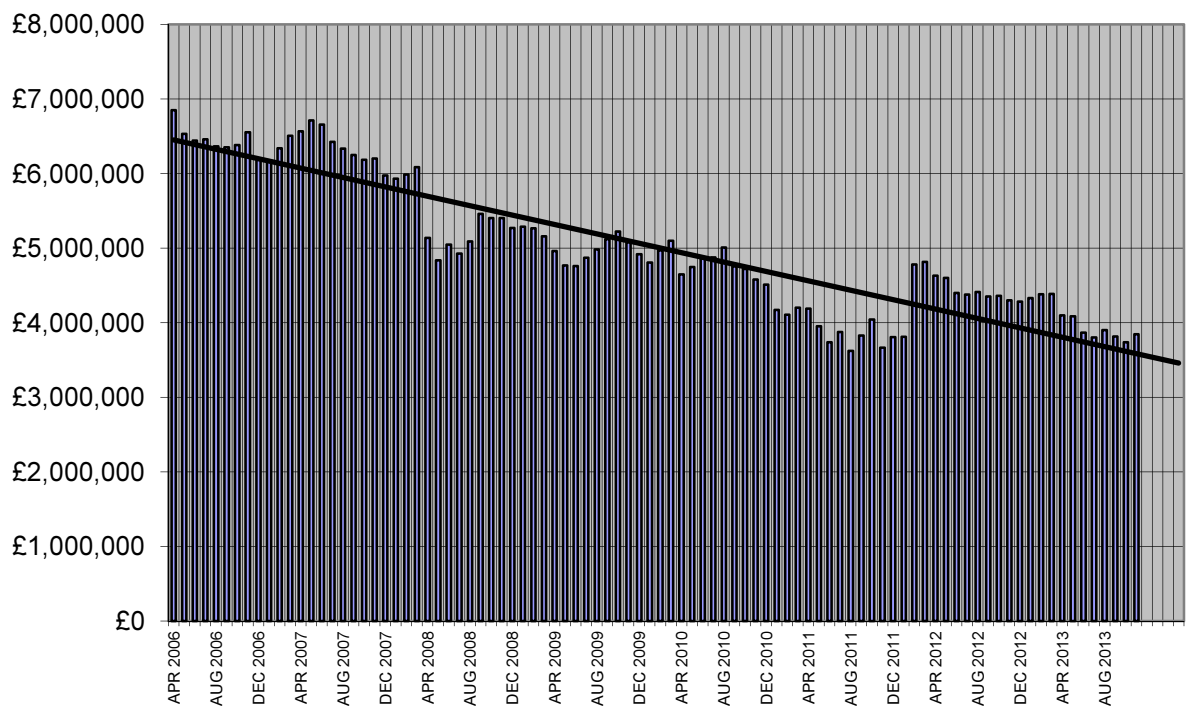
The issue has been referred to the newly appointed Business & Commercial Programme Manager (NAS) with a request that he reviews this area with a view to implementing some form of inspection regime to try and minimise the inherent risk.

7.5 The level of the Insurance Fund

The insurer’s current compulsory policy excess (£100,000) means that 99% of claims settled are met directly out of the Council’s Insurance Fund.

A gradual increase in claims up to 2006 (partly an outcome of the ‘no win – no fee’ claims culture) led to an increase in the Insurance Fund provision required to meet estimated claims’ costs. However, since 2006, strengthened Risk Management and the consequent reduction in claims have enabled the provision to be reduced significantly over this period.

The reduction in the numbers and costs of claims can be seen in the bar chart below. Monthly changes in the overall claims’ provision and a trend line are shown in the chart.



The provision required to meet outstanding claims has reduced from £7.8m in 2006 to £4m currently.

As a consequence, this allowed the Governance Section to contribute over £2.9m from the Insurance Fund to the General Fund between 2006/07 and 2012/13 to assist in the alleviation of budget pressures. A further £350k has already been contributed towards the 2013/14 budget and a further £100k has been earmarked for 2014/15.

7.6 High Value / New Areas of Claim

The Council needs to be continually alert to any new claims activity and the potential impact on funds.

There has been an increasing interest in child care cases following recent high profile national publicity on the issue. There is also increasing interest in long-standing diseases, such as asbestosis. The Council has significant reserves set aside for such claims.

7.7 Municipal Mutual Insurance, Trigger Litigation

One of the Authority's previous insurers, Municipal Mutual Insurance (MMI), had been seeking clarification of its liability to indemnify policyholders in respect of historic employee mesothelioma claims. The outcome of a watershed case in 2012 was that the Supreme Court found against MMI.

As a consequence, MMI decided there was no prospect of a solvent run off of its liabilities and appointed an Administrator to undertake a financial review of the company. The Administrator will be responsible for calculating the levy owed by each authority that was part of MMI, including Rotherham Council.

The levy payable by the Council will be calculated as at 1 January 2014 and a formal statement, plus invoice, will be issued within 14 days thereafter.

Provision has been made in the accounts for £1.32m and liability will continue to be monitored on an on-going basis.

7.8 Renewal of Insurance / Broking Contracts

The Council's insurance contracts, together with its broking contract, expired in 2013.

For the insurance contracts, tendering procedures were followed in accordance with OJEU Tendering regulations and three year contracts, with an option for a further two additional years, were awarded to RMP (Liability; Motor; Pecuniary; Travel) and Zurich Municipal (Property).

The overall total of the above proposed contract awards virtually mirrors the total premiums paid in 2012. At a time when the insurance market (and economy) is in a state of flux and many local authorities are reporting the breaking of Long Term Agreements and wide scale increases in premiums, this is a positive outcome for Rotherham Council and reflects the market's view of its solid risk status.

The broking contract was awarded in compliance with the Council's Financial Regulations & Standing Orders and a three year contract, with an option for a further two additional years, was awarded to Aon Ltd. This resulted in a saving of £2,000 per annum (10%), equating to £10,000 over the life of the contract.

8. Finance

Financial implications have already been identified elsewhere in this report, however, it should be stressed that the compulsory policy excess (£100,000 on each and every claim) means that the vast majority of claims are met directly from the authority's Insurance Fund.

To assist our attempts to prevent/minimise claims, our claims handlers, Gallagher Bassett, provide 10 free days Risk Management or Loss Control Consulting services.

9. Risks and Uncertainties

The Council attempts to prevent, minimise and control claims as outlined above. Positive action results in a decrease in the number of claims and settlement costs, a subsequent reduction in employee hours/costs incurred in investigating claims and a greater likelihood of reduced insurance premiums in the future as a consequence of an improved claims history.

There are presently several areas of potential risk described in this report which could impact adversely on the authority's claims experience, reputation, premiums payable and place greater demand and pressures on the Insurance Fund and Directorate budgets.

10. Policy and Performance Agenda Implications

Claims Management procedures play an important role in both informing and influencing all elements of Risk Management. Risk Management is one of the dimensions of good Corporate Governance. It is all encompassing and impacts on all areas of the Council's Policy and Performance Agenda.

12. Background Papers and Consultation

- CIPFA Insurance Benchmarking Surveys 2008 – 2011
- MMI Briefing Notes, August 2011 to date
- Gallagher Bassett, Risk Control Services Report, Version 4
- Report to Deputy Leader – Award of Insurance Contracts, March 2013
- Zurich Municipal Schools Fire Statistics 2013

Contact Names:

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Andrew Shaw, Insurance and Risk Manager, x22088

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	18 th December 2013
3.	Title:	Assessment of Current Local Government Risks – KPMG Audit Committee Institute
4.	Directorate:	Environment and Development Services

5. Summary

The Audit Committee Chair and Vice-Chair recently attended a KPMG Audit Committee Institute event on current local government issues.

The event was designed to indicate to Audit Committee Members some of the key current issues that they may need to be aware of in fulfilling their responsibilities.

This report refers to the key issues raised at the event and provides assurance to the Audit Committee about the arrangements in place at Rotherham Council in the areas highlighted by KPMG. It shows that the Council has substantially got in place appropriate arrangements in the areas covered.

6. Recommendations

The Audit Committee is asked:

- **to note the publication of the “Audit Committee Institute Local Government Programme”**
- **to note the Council’s position in the key areas covered and the future proposed actions.**

7. Proposals and Details.

KPMG, the Council's external auditors, have established an Audit Committee Institute for local government audit committee members. The Institute plans to meet on a regular basis (with a frequency of 2 or 3 times per year), with invites sent out to all audit committee members of authorities audited by KPMG in the region.

The Institute will cover topical issues and flag up emerging risk areas for Members to be aware and to seek assurances as to their organisations' responses to the risks.

The Chair and Vice-Chair attended the first meeting of the Institute in November and heard a range of issues covering:

- Transparency of Financial Reporting
- Learning the Lessons from Public Interest Reports
- Welfare Reforms
- Fraud risk
- Public Health
- Financial Management and Prospects: "*A Brilliant Authority*".

Members of the Audit Committee will recognise these headings, as various reports have been presented to the Committee on a number of these. As can be expected, the Council is well aware of the challenges it faces in these areas and has put in place appropriate arrangements for dealing with these challenges and managing the risks associated with them.

The KPMG Institute produced a slide pack to support the seminar and a copy of the pack is attached at **Appendix 1**. An assessment of the Council's position in each of the areas is included in **Appendix 2**. This shows the Council has substantially got in place appropriate arrangements in the areas covered.

There are just two areas where additional information could be brought forward to the Audit Committee, to help it to get a fuller understanding of issues relevant to its Terms of Reference. These are

- summaries of appropriate Public Interest Reports should be presented to the Audit Committee along with confirmation of arrangements in place at the Council in the areas covered by the reports
- Reports on whistleblowing cases could be forwarded to the Audit Committee where they involve issues relating to the Committee's Terms of Reference.

8. Finance.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties.

Failure to further review Audit Committee arrangements could expose the Council to increased risks as new and emerging risks appear.

10. Policy and Performance Agenda Implications.

Good governance, including Audit Committee arrangements, reduces risks and improves the Council's chances of achieving its policies and objectives.

11. Background Papers and Consultation.

KPMG "Audit Committee Institute Local Government Programme Autumn 2013"
[power point presentation]

Appendices:

- Appendix 1 KPMG Institute Presentation
- Appendix 2 Assessment of Key Issues raised by KPMG.

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Audit Committee Institute
Sponsored by KPMG

Audit Committee Institute Local Government Programme

Autumn 2013





AGENDA

- 1. Welcome and Introduction**
- 2. Hot topics briefing**
- 3. Fraud risk**
- 4. Public Health**
- 5. The Brilliant Authority**
- 6. Drinks**

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Hot Topics

David Phillips



Transparency of Financial Reporting – Issues for Audit Committees

Financial reporting

The issue

- Elected members are being asked to consider more challenging issues and increasingly to take more difficult decisions. Clear and effective financial monitoring and reporting is the essential element underpinning these decisions.

Considerations for Audit Committee

- Members often consider the adequacy of the arrangements in place that underpin financial monitoring and reporting but very rarely do they consider the adequacy of the reports themselves – including reports to budget holders as well as members.
- Financial reports form a key part of the assurance process and it would be entirely appropriate for the Audit Committee to consider the effectiveness of that part of the process.
- Specifically do financial reports present financial information in a way that:
 - ✓ Is easy to understand
 - ✓ Links financial and performance information
 - ✓ Demonstrates the impact of decisions on outcomes and service delivery.
- Is financial reporting forward looking or does it focus heavily on historical analysis of variances against budget.



Learning the lessons from Public Interest Reports – Issues for Audit Committees

Public Interest Reports

The issue

- Two high profile public interest reports issued to local authorities in the last 12 months both of which relate to major capital projects/contracts. Both reports are highly critical of fundamental failures in governance arrangements.

Considerations for Audit Committee

- Are members of the Audit Committee aware of these reports and have the key findings been actively considered or is there a culture of “it couldn’t happen here”.
- Does the Committee receive regular assurances in respect of:
 - ✓ Risk management arrangements
 - ✓ Declarations of interest/hospitality
 - ✓ Complying with procurement rules
 - ✓ Delivering internal audit
 - ✓ Responding to whistle-blowing
 - ✓ Value for money including financial and contract management arrangements.
- What arrangements are in place to prevent management override of key controls?

<http://www.audit-commission.gov.uk/audit-regime/audit-reports/public-interest-reports/>



Welfare Reforms – Issues for Audit Committees

Welfare Reforms

Universal Credit

The issue	<ul style="list-style-type: none">■ The Universal credit has merged six benefits – housing benefit, jobseeker’s allowance, income support, child tax credit, working tax credit and employment support allowance – into one monthly payment.
Considerations for Audit Committee	<ul style="list-style-type: none">■ Big Government Computer systems don’t always deliver – there has already been adverse comments on implementation by NAO.■ 12 local authority-led schemes trialling universal credit – early lessons.■ The system is designed so it can be managed online by claimants, payments will be made direct to claimants.■ Education of claimants – helping them make the right choices when a large lump is received upfront.■ Bad Debts will rise – has this been anticipated in business plans and what are arrangements to measure housing rent arrears going forward.

Welfare Reforms (continued)

Council Tax benefit localisation

The issue	<ul style="list-style-type: none">■ Local council tax benefit/support scheme was implemented in April 2013.■ On average 10% reduction in support from central government.■ Increased powers to raise council tax on second homes and empty homes.
Considerations for Audit Committee	<ul style="list-style-type: none">■ How is the implementation of new scheme being monitored?<ul style="list-style-type: none">– Is there an increased backlog?– Are you getting increased complaints?– Internal Audit findings.■ Impact on the financial position/standing.<ul style="list-style-type: none">– Have council tax arrears increased? What are the costs of collecting these sometimes small amounts (court costs, officer time).– If you were funding some of the support from reserves, is this as anticipated or has there been pressures. Will you be able to continue this into 2014/15 and what service pressures in other areas has this created.– Have the additional powers to raise council tax been effective? What are the collection rates? Is it costing more to collect than you are collecting?



Fraud risk
Barry Dean



Agenda

1. Introduction and overview
2. Examples of fraud in Local Government
3. Governance and the role of the Audit Committee
4. What can you do to identify, manage and mitigate fraud?



1. Introduction and overview

■ **Local Government is facing tough times**

- Budget constraints
- Increasing demands from the public, politicians and media
- Shifting business model: commissioning and increased reliance on 3rd parties
- Tolerance for mistakes and wrongdoing at an all-time low

■ **Fraud is on the rise**

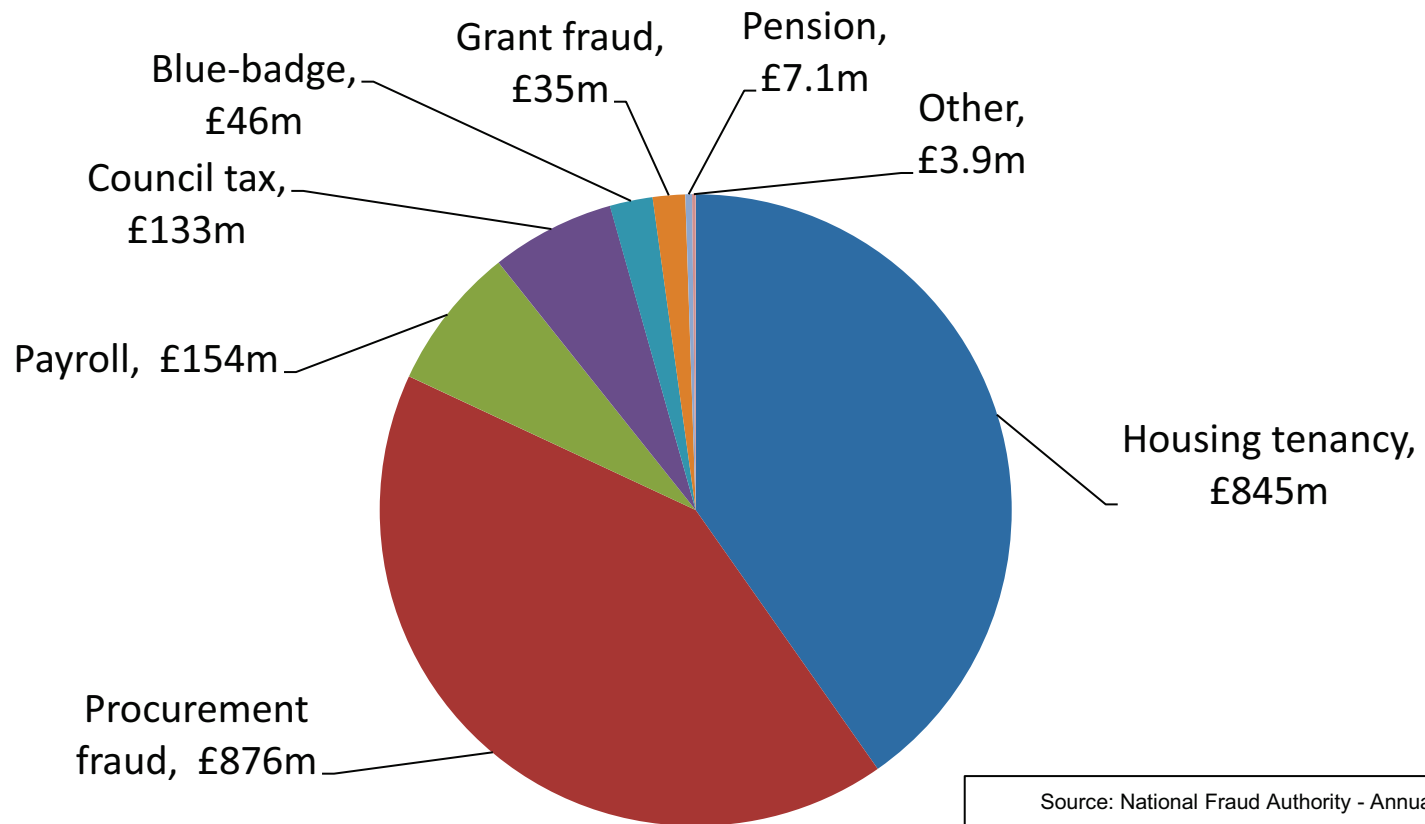
- Tough economic climate leading to increased propensity for individuals to commit fraud
- Frequency and value of fraud continues to increase
- Means by which fraud is perpetrated becoming more sophisticated

■ **Local Government faces unique challenges in relation to fraud**

- Demise of the Audit Commission
- Culture of trust
- Systems and processes which may be less robust
- Traditionally less investment in counter-fraud measures

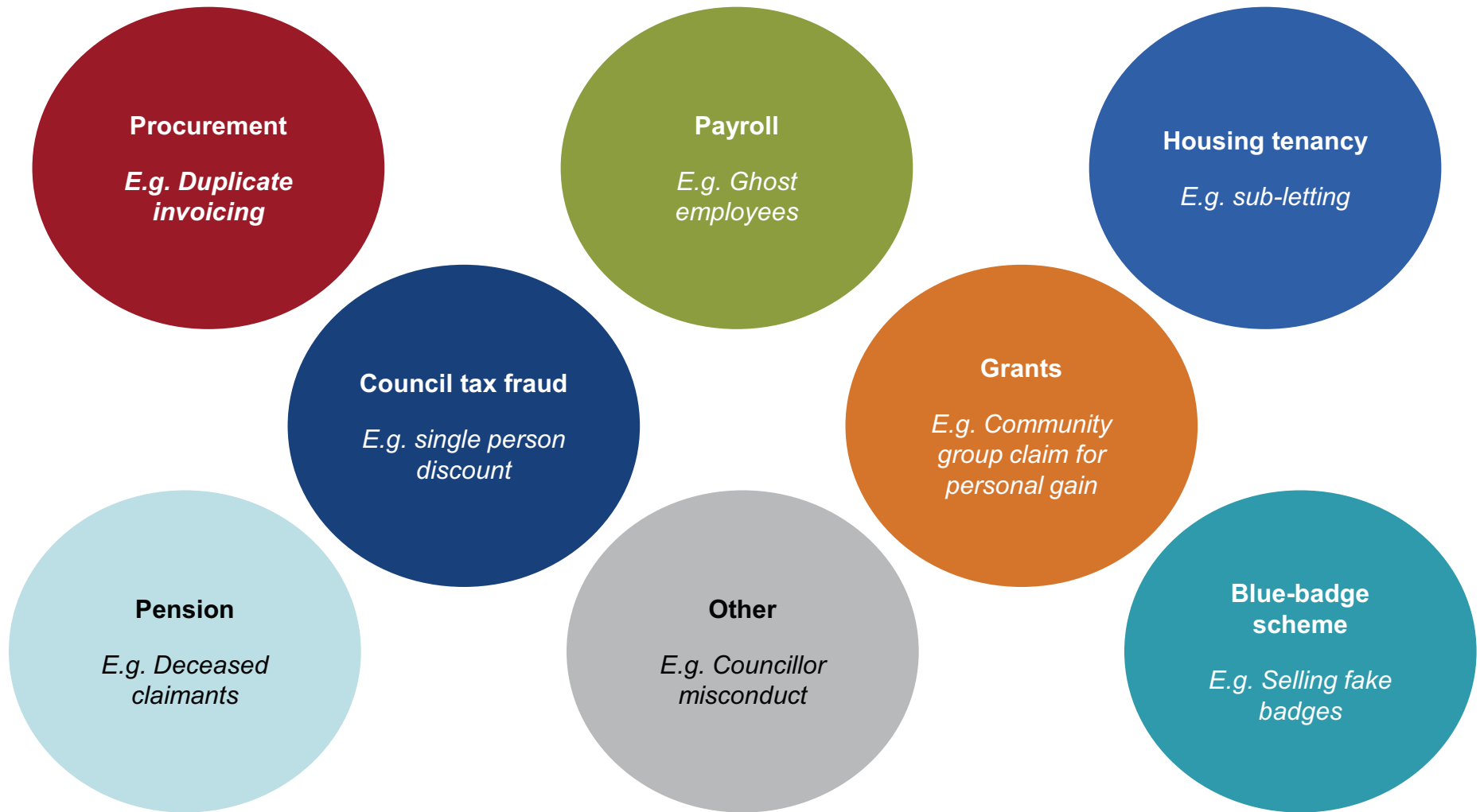
1. Introduction and overview


- Estimated loss to the UK economy from fraud is £52 billion annually
- Fraud in Local Government estimated at £2.1 billion annually



Source: National Fraud Authority - Annual Fraud Indicator 2013


2. Examples of fraud in Local Government





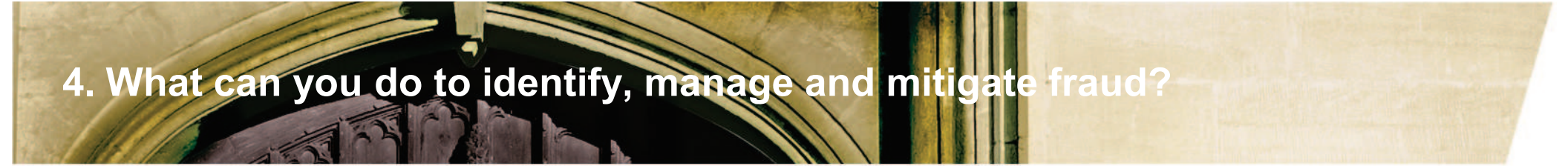
3. Governance and the role of the Audit Committee

- Who has primary responsibility for the management of fraud risks within your authority?
- Who provides oversight and holds the executives / officers to account?
- What information do the Audit Committee receive in relation to Fraud?
- How can you be confident that appropriate systems and processes are in place to identify, manage and mitigate fraud risks?



4. What can you do to identify, manage and mitigate fraud?

- Ensure one executive officer has **lead responsibility** for the organisation's fraud strategy and sets a clear tone from the top
- Ensure the Audit Committee acknowledge its responsibilities for oversight of fraud risks and make **fraud reporting a standing item on Audit Committee agendas**
- Undertake a **fraud risk assessment** to identify priority / critical risk areas
- Develop a **fraud strategy** for the organisation which focuses efforts and resources on priority areas
- **Raise awareness** of fraud risks across the entire organisation and ensure individuals in key roles are **adequately trained**
- Implement a robust and independent **whistle-blowing policy**



4. What can you do to identify, manage and mitigate fraud?

- Use **data analytics** to monitor and measure key fraud risk indicators
- Maintain in-house, or work with an appropriate supplier, to **retain specialist fraud investigation resources**
- Learn lessons from previous fraud cases and feed the findings back in to risk assessments, training and control improvements
- Work with partners and 3rd parties to develop a **co-operative approach to fraud**, share information and keep abreast of changing fraud patterns
 - Replicate the work of the **National Fraud Initiative** and replicate at a local level
 - Contribute to **Fighting Fraud Locally**: The Local Government Fraud Strategy



Public Health

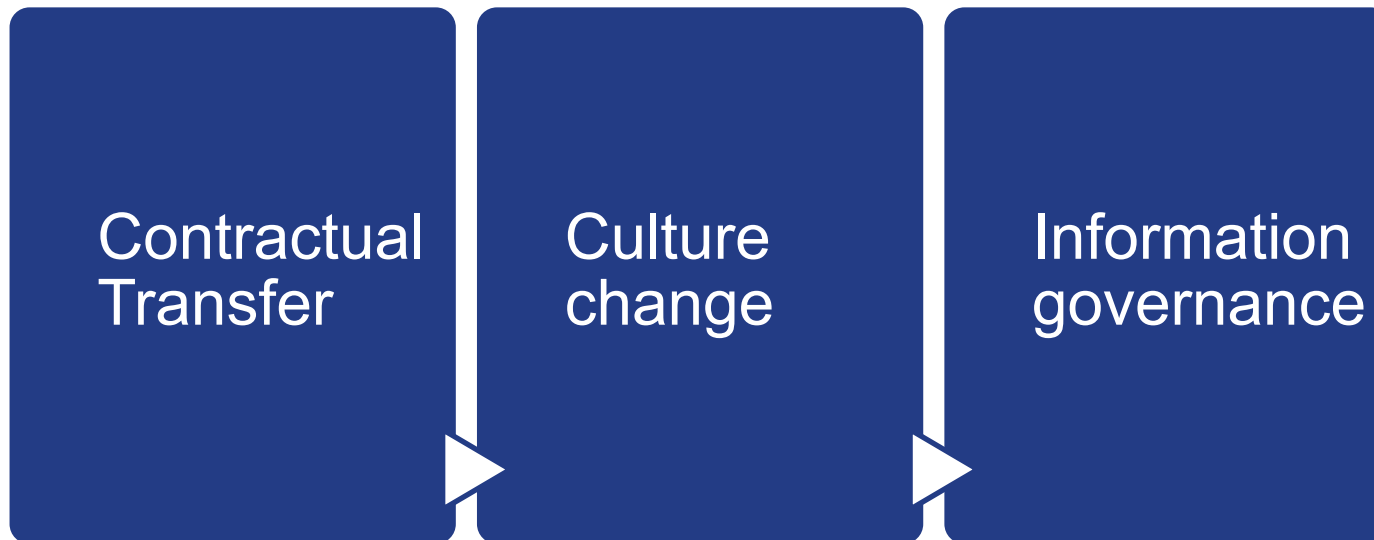
Damian Murray



Hot Topics – Public Health

- Since April 2013, upper tier and unitary authorities are responsible for health improvement backed by a ring-fenced grant.
- One of the most significant extensions of local government powers and duties in a generation.
- Duty to take such steps as the Council considers appropriate to improve the health of people in its area.
- Must have regard to the Public Health Outcomes Framework.
- Expected to be supported by existing expertise in districts e.g. environmental health.
- Headed by a Director of Public Health who is a statutory chief officer reporting to head of paid service.

Public Health – Key Risks to the Council





Public Health – Considerations for Audit Committee

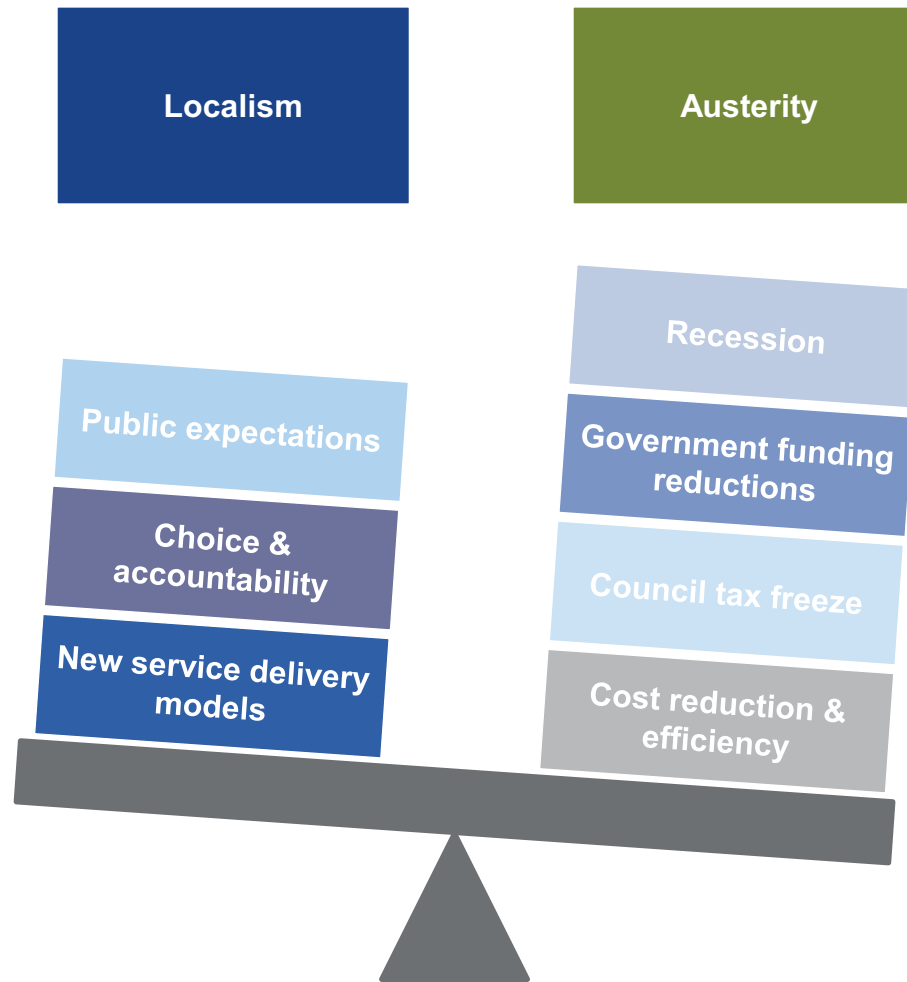
- Finances – how is the ring-fenced grant being invested?
- Governance – are the arrangements appropriate and meeting the stated requirements?
- Assurance: is the internal audit plan considering this as a risk to review?
- Partnerships – relationships with CCGs, awareness of providers of public health services (community services providers).



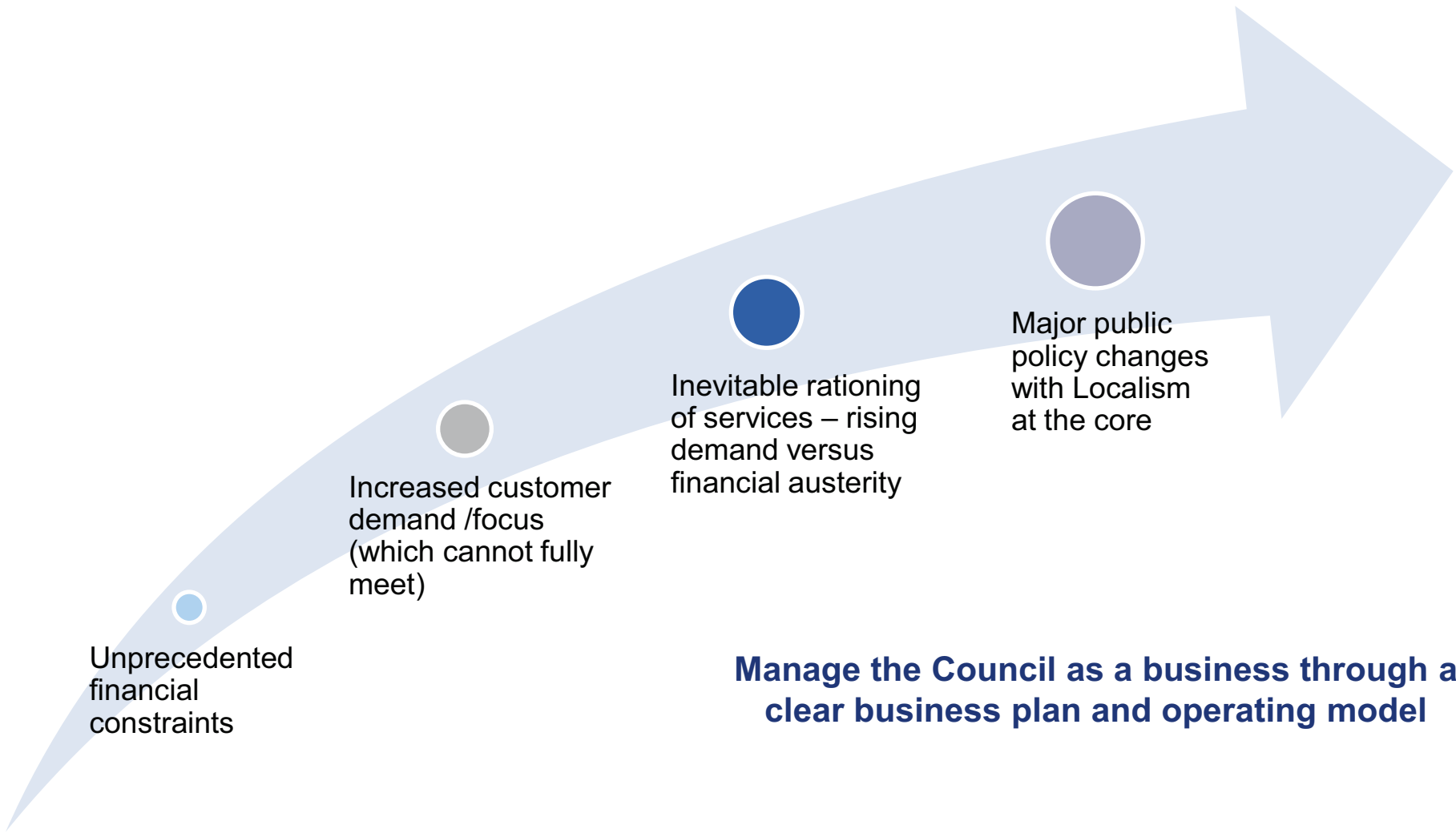
Brilliant Authority

Simon Dennis

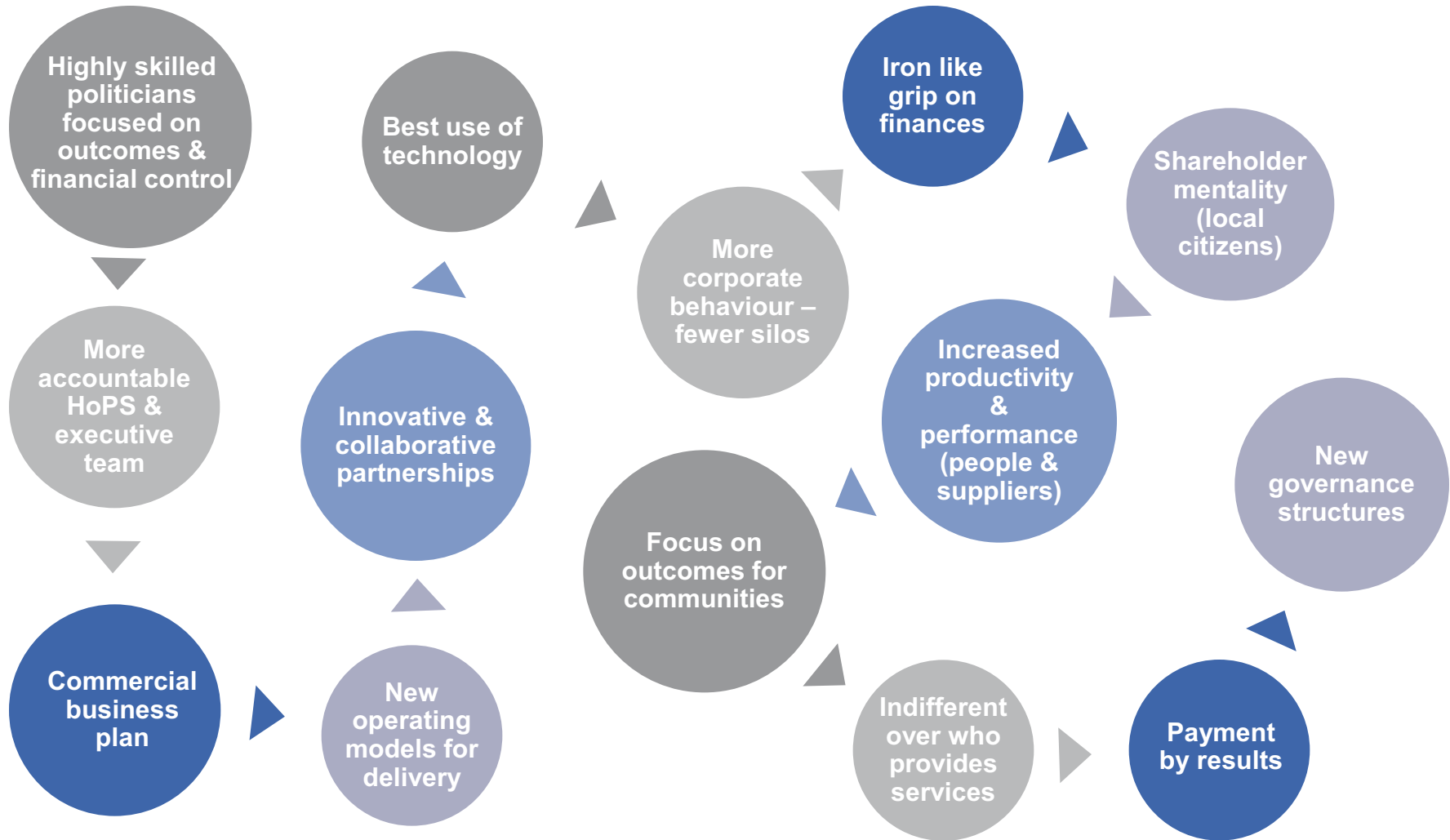
The local government context – now



Context – Next 5 years



A 'brilliant' authority – key features



Financial Grip

- In an age of austerity, an **iron-like grip on the organisation's financial position** will be imperative
- There will be a significantly enhanced board level role for the Finance Director, but operating in a **much more commercial manner**, far less as a monitor of expenditure
- This means operating with a **board of shareholders mentality** (local citizens being the shareholders seeking maximum returns)
- This will entail a **focus on management accounting and understanding the financial and operational performance** of all parts of the business
- It also involves **improved cash and expenditure controls**, especially third party spend.



Financial Grip – examples of what does ‘best in class’ looks like?

A Finance function that is...

Leading the debate on resource allocation

- Analysing options for cost savings
- Expressing trade off between closing budget gap and impact on services
- Analysing data to identify financial pressures and trends
- Supporting decision makers to make tough decisions

Improving transparency between cost of activities and outcomes

- Understanding the true costs of services – internally and externally delivered
- Developing future budgets and targets based on a detailed understanding of costs
- Linking reporting on financial and operational performance

Improving discipline at project inception and tracking benefit realisation

- Challenging business cases of projects
- Ensuring baselines are accurate and properly validated
- Monitoring progress and realisation of benefits

Tightly controlling expenditure within budgets with detailed knowledge of financial commitments

- Zero based budgets which are realistically set and defined in granular detail
- Disciplined focus on monitoring expenditure and income against budget, with appropriate detailed and summarised reporting
- Timely decisions over corrective action when necessary



Audit Committee considerations

- Does your authority have ‘financial grip’:
 - How does it perform currently – on ‘the basics’ and in promoting and supporting change and improvement?
 - What are its strengths?
 - What are its weaknesses/improvement needs?
 - What steps need to be taken to improve?
- Do you receive the necessary assurance on these matters as an audit committee?
- Is the audit committee sufficiently proactive in asking questions & requesting reviews/updates/reports?

Thank You

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Risk	Risk in detail	Comment on RMBC's approach / any actions required
1. Financial Reporting	Do financial reports present financial information in a way that: <ul style="list-style-type: none"> • Is easy to understand • Links financial and performance information • Demonstrates the impact of decisions on outcomes and service delivery 	Financial reports provide important information succinctly. The reports have been developed over time to meet the needs of the readers (eg decision makers, scrutiny etc). Financial and performance information is linked in various ways: <ul style="list-style-type: none"> • Budget setting takes into account the impact on services of budget decisions • The Medium Term Financial Strategy reflects known significant changes • Performance reports indicate where resourcing has affected performance.
	Is financial reporting forward looking or does it focus heavily on historical analysis of variances against budget.	<ul style="list-style-type: none"> • MTFS budget reports project 3 years ahead. • Regular budget monitoring reports show the full year effect of current year activity. • The Council's financial system provides for commitment accounting and profiling of expenditure, and these are used to make predictions on future spend.
2. Public Interest Reports	Are Members aware of the 2 high profile PIR issued by KPMG in last 12 months ?	Information on topical issues is provided to the Audit Committee as required. Issues included in recent public interest reports to principal authorities were not regarded as high level risks at Rotherham. However, it is agreed that summaries of appropriate Public Interest Reports should be presented to the Audit Committee along with confirmation of arrangements in place at the Council in the areas covered by the reports.
	Does Audit Committee receive regular assurances in respect of:	Each year Internal Audit's programme of work considers the extent to which audit work should focus on each of the areas listed by KPMG. Actual work carried out is done so on the basis of Internal Audit's assessment of risk in each of the areas. The Annual Governance Statement (AGS) summarises the assurance available each year on the operation of the Council's control arrangements, including internal audit coverage as appropriate. The AGS is reviewed twice each year by the Audit Committee; at draft and final stages.

Risk	Risk in detail	Comment on RMBC's approach / any actions required
	<ul style="list-style-type: none"> • Risk management arrangements • Declarations of Interest / hospitality • Complying with procurement rules • Delivering Internal Audit • Responding to Whistle-Blowing • Value for Money including financial and contract management arrangements 	<p>In relation to risk management the Audit Committee:</p> <ul style="list-style-type: none"> • receives and considers regular reports on the corporate risk register • enquires about specific risks and the application of risk management arrangements within directorates. • receives and considers the annual review of risk management performance • periodically reviews and approves the Council's risk management policy. <ul style="list-style-type: none"> • Any weaknesses in arrangements are reported by Internal Audit and considered by the Audit Committee. <ul style="list-style-type: none"> • Any weaknesses in arrangements are reported by Internal Audit and considered by the Audit Committee <ul style="list-style-type: none"> • Regular reports are presented to the Audit Committee on Internal Audit's performance and its coverage <ul style="list-style-type: none"> • Reports are presented to the Standards Committee covering whistleblowing cases <ul style="list-style-type: none"> • VFM and contract management arrangements are subject to Internal Audit work on a risk basis. Internal Audit work is reported to the Audit Committee on a regular basis. <p>Reports on whistleblowing cases could be forwarded to the Audit Committee where they involve issues relating to the Committee's Terms of Reference.</p>
	<p>What arrangements are in place to prevent management override of key controls?</p>	<p>The Council's system developments aim to incorporate controls to secure separation of duties and minimise the risk of management override wherever possible.</p> <p>Internal Audit's programme of work takes into account risks where systems do / do not have strong / automated controls in place. Subsequent audit work seeks to identify the</p>

Risk	Risk in detail	Comment on RMBC's approach / any actions required
		controls management can rely on for minimising identified risks, and to improve controls where they are perceived to be inadequate in this respect.
3. Welfare Reforms – Universal Credit	<p>The Universal credit has merged six benefits – housing benefit, jobseeker's allowance, income support, child tax credit, working tax credit and employment support allowance – into one monthly payment.</p> <p>Is the Council adequately prepared for its introduction.</p>	<p>The impact of Welfare Reforms is the 2nd highest rated risk on the Council's risk register. There is a Members & officers steering group overseeing all developments in relation to the reforms. Specific task groups are established as required to address particular issues.</p> <p>Specific reports and presentations have been delivered to the Audit Committee on welfare reforms.</p> <p>All arrangements have so far been implemented successfully locally.</p> <p>There is an implementation plan in place specifically relating to the introduction of the Universal Credit.</p>
4. Council Tax Benefit Localisation	<p>How is the implementation of the new scheme being monitored?</p> <ul style="list-style-type: none"> • Is there an increased backlog? • Are there increased complaints? • IA findings? 	<p>As per above. Council Tax localisation is part of the Welfare Reform programme management.</p>
	<p>Impact on the financial position / standing.</p> <ul style="list-style-type: none"> • Have Council tax arrears increased ? What are the costs of collecting these sometimes small amounts [court costs, officer time] • If we were funding some of the part from reserves, is this as anticipated or has there been pressures. • Has the additional powers to raise Council Tax been effective? What are the collection 	<p>Reports submitted to Cabinet on the Council Tax Reduction Scheme covered these issues.</p> <p>Experience is being monitored and taken into account in budget predictions / setting, and in relation to the impact on individuals.</p> <p>The Council maintained a high collection rate in 2012/13 but is aware of increasing arrears issues.</p>

Risk	Risk in detail	Comment on RMBC's approach / any actions required
	rates? Is it costing more to collect than you are collecting?	
5. Fraud risk		
Governance and the role of the Audit Committee	<p>Who has primary responsibility for the management of fraud risks within RMBC?</p> <p>Who provides oversight and holds the executives / Officers to account?</p> <p>What information does the Audit Committee receive in relation to Fraud?</p> <p>How can RMBC be confident that appropriate systems and processes are in place to identify, manage and mitigate fraud risks?</p>	<p>Financial Regulations set out the respective responsibilities of senior management in relation to fraud risks.</p> <p>The Director of Internal Audit and Asset Management is responsible for ensuring arrangements are kept up to date and comply with best practice.</p> <p>Internal Audit carries out an annual fraud risk assessment and established its annual programme of work taking the risk assessment into account. Internal Audit's work on systems includes assessment of the risk of fraud.</p> <p>A range of management controls are in place to help prevent fraud or spot it quickly where it could be happening (eg authorisation processes, systems reconciliation processes, budgetary control)</p> <p>A fraud strategy is maintained and reviewed at least annually.</p> <p>Historically there are low levels of fraud (excluding housing benefits).</p>
<u>Fraud risk</u> What can RMBC do to identify, manage and mitigate fraud ?	<p>Ensure one Executive Officer has lead responsibility for the organisation's fraud strategy and sets a clear tone from the top.</p> <p>Ensure the Audit Committee acknowledge its responsibilities for oversight of fraud risks and make fraud reporting a standing item on Audit</p>	<p>Arrangements as described above</p> <p>Responsibility for overview of fraud is covered in the Committee's Terms of Reference. The responsibility is satisfied as outlined above.</p>

Risk	Risk in detail	Comment on RMBC's approach / any actions required
	<p>Committee agendas.</p> <p>Undertake a fraud risk assessment to identify priority / critical risk areas.</p> <p>Develop a fraud strategy for the organisation which focuses efforts and resources on priority areas.</p> <p>Raise awareness of fraud risks across the entire organisation;</p> <p>and</p> <p>ensure individuals in key roles are adequately trained.</p> <p>Implement a robust and independent whistle-blowing policy</p> <p>Use data analytics to monitor and measure key fraud risk indicators</p>	<p>An annual fraud risk assessment is completed by Internal Audit as part of its overall planning work.</p> <p>A fraud strategy exists and is updated regularly. It was most recently revised in June 2013.</p> <p>Various methods employed:</p> <ul style="list-style-type: none"> • Manager Briefings • Presentations to the Audit Committee. • Financial Regulations training to Officers includes fraud. • E-learning modules exist e.g. Money Laundering, Benefits Fraud • Annual Fraud report. <p>Certain Internal Audit fraud staff have specialist qualifications: CIPFA Certificate in Investigative Practice. All Benefits fraud staff have formal fraud qualifications.</p> <p>Internal Audit staff regularly attend regional inter-authority fraud group and alert themselves via Fraud newsletters / National anti-fraud organisations material and updates etc.</p> <p>In place and exemplified in number of whistle blowing incidents reported.</p> <p>Data analytics are used on a regular basis on appropriate systems eg payroll, creditor payments. Internal Audit utilises data interrogation tools to perform anti-fraud / error checks.</p>

Risk	Risk in detail	Comment on RMBC's approach / any actions required
	<p>Maintain in-house, or work with an appropriate supplier, to retain specialist fraud investigation resources.</p> <p>Learn lessons from previous fraud cases and feed the findings back in to risk assessments, training and control improvements.</p> <p>Work with partners and 3rd parties to develop a co-operative approach to fraud, share information and keep abreast of changing fraud patterns:</p> <ul style="list-style-type: none"> • replicate the work of the National Fraud Initiative and replicate at a local level • contribute to Fighting Fraud Locally: The Local Government Fraud Strategy 	<p>Specialist companies are employed to support the Council's anti-fraud strategy</p> <ul style="list-style-type: none"> • to detect creditor payments frauds • to perform Council Tax Single Person Discount fraud checks <p>We also participate in the National Fraud Initiative.</p> <p>This is part of our ongoing review and planning processes.</p> <p>Internal Audit attends the South and West Yorkshire [SWY] regional Chief Auditor and Fraud groups where fraud is discussed.</p> <p>Regular contact is also made via members where advice about a current issue is required.</p> <p>Internal Audit receives electronic bulletins from various sources e.g. National Anti Fraud Network [NAFN], and the Audit Commission's National Fraud Initiative [NFI].</p> <p>There is regular pro-active fraud intelligence gathering from various sources exists e.g. CIPFA, including a new CIPFA on-line fraud discussion forum.</p> <p>Internal Audit and Benefits fraud staff regularly attend specialist fraud seminars.</p>
<p>6. Public Health</p>	<p>Finances – how is the ring-fenced grant being invested?</p> <p>Governance – are the arrangements appropriate and meeting the stated requirements?</p> <p>Assurance – is the Internal Audit Plan</p>	<p>The Council's approach is covered in its budget proposals. Budget arrangements for Public Health are known and</p> <p>Performance and financial management review follow the Council's established arrangements.</p> <p>Internal Audit assesses risks in line with its usual approach applied to all services. Coverage of public health matters is included in the audit plan.</p>

Risk	Risk in detail	Comment on RMBC's approach / any actions required
	<p>considering this as a risk to review?</p> <p>Partnerships – relationships with CCGs, awareness of providers of public health services [community service providers].</p>	<p>Partnership working is a key feature of new Public Health arrangements and is integral to the work of the Public Health Team.</p> <p>The Health & Well-being Board oversees all arrangements.</p>
<p>7. Financial Grip</p>	<p>Does your authority have “financial grip” ?</p> <ul style="list-style-type: none"> • How does it perform currently – on the “basics” and in promoting and supporting change and improvement • What are its strengths • What are its weaknesses / improvement needs ? • What steps need to be taken to improve 	<p>KPMG's Annual Audit letter states:</p> <p>“The Council has put in place proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness in the use of its finite resources.</p> <p>The Council has a solid track record of delivering against its annual budget. It has detailed budgeting arrangements involving management, executive and scrutiny.</p> <p>It has a Medium Term Financial Strategy that evaluates the medium term impact of major changes, including future funding levels.</p> <p>Managing within budget is the Council's number 1 risk and is therefore subject to regular update through the Corporate Risk Register, which is reported to the Executive, Scrutiny and Audit Committee</p>
	<p>Do you receive the necessary assurance on these matters as an audit committee?</p>	<p>Yes. The Audit Committee receives the Annual Audit Letter, Statement of Accounts [Certified], update on progress against external recommendations and other specific assurances / reports.</p>
	<p>Is the audit committee sufficiently proactive in asking questions and requesting reviews / updates / reports?</p>	<p>Yes. The Audit Committee has raised questions and sought additional assurances in relevant areas, for example housing rent income.</p>