



# CHELTENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Audit Committee

**Wednesday, 21 March 2012**  
**6.00 pm**  
**Montpellier Room, Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Andrew Wall (Chairman), Paul Massey (Vice-Chair), Rowena Hay, Robin MacDonald, Paul Wheeldon and Bernard Fisher

The Council has a substitution process and any substitutions will be announced at the meeting

### Agenda

<b>1.</b>	<b>APOLOGIES</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>	<b>MINUTES OF THE LAST MEETINGS</b> 21 September 2011 and 11 January 2012 (meeting was adjourned).	(Pages 1 - 8)
<b>4.</b>	<b>PUBLIC QUESTIONS</b> These must be received no later than 10am on the fifth working day before the date of the meeting	
<b>5.</b>	<b>ANNUAL AUDIT LETTER 2010-11</b> Report of KPMG	(Pages 9 - 16)
<b>6.</b>	<b>FINANCIAL STATEMENTS AUDIT PLAN 2011-12</b> Report of KPMG	(Pages 17 - 38)
<b>7.</b>	<b>CERTIFICATION OF GRANTS AND RETURNS 2010-11</b> Report of KPMG	(Pages 39 - 46)
<b>8.</b>	<b>REVIEW RISK MANAGEMENT POLICY</b> Report of the Corporate Governance, Risk and Compliance Officer	(Pages 47 - 76)
<b>9.</b>	<b>REVISED CODE OF CORPORATE GOVERNANCE</b> Report of the Corporate Governance, Risk and Compliance Officer	(Pages 77 - 98)

<b>10.</b>		<b>INTERNAL AUDIT MONITORING REPORT</b> Report of the Audit Partnership Manager	(Pages 99 - 112)
<b>11.</b>		<b>ANNUAL INTERNAL AUDIT PLAN</b> Report of the Audit Partnership Manager	(Pages 113 - 120)
<b>12.</b>		<b>WORK PROGRAMME</b>	(Pages 121 - 122)
<b>13.</b>		<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
<b>14.</b>		<b>DATE OF NEXT MEETING</b> 20 June 2012	
		Briefing Notes (for information only) 1. Corporate advertising and sponsorship 2. Audit Committee self assessment 3. Corporate Governance Group	

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### Audit Committee

**Wednesday, 21st September, 2011  
6.00 - 8.25 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Andrew Wall (Chairman), Pat Thornton, Rowena Hay and Paul Wheeldon
<b>Also in attendance:</b>	Sarah Didcote (Group Accountant), Sara Freckleton (Borough Solicitor and Monitoring Officer), Jan Griffiths (Director of Commissioning), Rob Milford (Audit Partnership Manager), Ian Pennington (Director – KPMG), Martyn Scull (Group Accountant), Mark Sheldon (Director of Resources), Rachael Tonkin (Auditor – KPMG) and Shirin Wotherspoon (Corporate Solicitor Manager – One Legal)

### Minutes

**1. APOLOGIES**

Councillors Fisher, Massey and MacDonald had given their apologies. Councillor Thornton was a substitute for Councillor Massey.

**2. DECLARATIONS OF INTEREST**

No interests were declared.

**3. MINUTES**

The minutes of the last meeting had been circulated with the agenda.

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 22 June 2011 be agreed and signed as an accurate record.

**4. PUBLIC QUESTIONS**

No public questions were received.

**5. PROGRESS IN DELIVERING KPMG ACTION PLAN**

The Borough Solicitor and Monitoring Officer informed members that both of the approved action plans were now substantially complete.

The action plan had last been reviewed by Audit Committee in April when there was a discussion with regard to monitoring and logging decisions. Whilst the Modern.gov system had a facility to update a decision status this was not widely used by other councils and not cost-effective in terms of the Democratic Services resource that would be needed to monitor decisions. Implementation of decisions was instead the responsibility of Directors and these would be reviewed with members via 1-1s.

In terms of mandatory risk management training the Borough Solicitor and Monitoring Officer reported that the risk management e-learning module had been completed and was loaded on the Learning Gateway. When asked whether there was a log of who had completed the learning the Director Human Resources and Organisational Development explained that the online system did have a reporting facility. Members were surveyed about their skills and learning requirements and they were encouraged to use online learning but it was recognised that there were varying degrees of user competence.

Members requested an information note to be attached to the Audit Committee papers at its next meeting on the outstanding action point (R10).

Having considered the information set out in the Report and Appendices and having monitored the implementation of the action plans Members

### **Resolved**

**That it was satisfied that all specified actions had been fully addressed.**

## **6. REVISED FINANCIAL RULES**

Sarah Didcote, Group Accountant, introduced the item explaining that the draft updated financial rules had been compiled for use in each of the Authorities forming the GO Shared Services, subject to approval by each Council. They had been discussed and agreed in principal by Officers representing the Shared Services (Cheltenham, Cotswold, Forest of Dean and West Oxfordshire), subject to some further consideration of the suggested financial limits, as indicated on the documents.

The draft documents had also been reviewed by members of the Constitution working group, Internal Audit and One-Legal.

The Audit Committee was invited to consider the documents prior to the final revised financial rules being considered by Full Council in October as part of the review of the Constitution.

Members examined the draft financial rules in detail and the main points they raised included :

- Limits and relevant approvals should be consistent throughout the document i.e. above £100k would require Council approval
- For virements up to £5000 the virement level had been removed in order to give more freedom and flexibility to budget holders without the accompanying bureaucracy
- Put a value on the ICT assets and set limits accordingly
- Questioned the 30 day period for all certified accounts for payment to be paid. CBC had signed up to the Prompt Payment Code and most payments were made between 15 and 20 days.
- Certification of purchase invoice as correct for payment-remove percentage and maintain a value instead
- Treat car parking debt the same way as normal debt

When asked whether he was confident with the proposed new set of rules the S151 Officer confirmed that the rules were comprehensive and had been

simplified as far as possible. Changes which had been requested by officers to facilitate more flexibility for budget holders had to a large degree been taken on board and managers were familiar with the rules.

The Group Accountant thanked members for their comments and agreed to propose the changes amongst the other councils and send members the updated version.

**7. LOCAL AUTHORITY COMPANY (WASTE) GOVERNANCE ARRANGEMENTS**

The Director Commissioning and the Corporate Solicitor Manager, One Legal, gave a presentation on the Local Authority Company which is attached to these minutes for information.

Members noted that there was currently no member input on the board. In response the Director Commissioning stated that having an elected member on the board was currently under discussion following the gateway review. The Articles of Association and the shareholder agreement would be circulated to Audit Committee members for their views.

Members asked what safeguards were in place should the new company not meet its obligations. In response the Director Commissioning confirmed that this would be carried out through performance monitoring.

In terms of the prospect of other councils joining the Company in the future the Corporate Solicitor manager explained that both the articles and the shareholders agreement were robust and on what terms a new council may join the company would be a reserved matter for the two existing shareholder councils.

When asked about the costs involved, the Director Resources explained that the set up costs were shared equally but as CBC would be using more services these operational costs would be shared proportionately.

With regard to monitoring the Director Commissioning explained that as Cotswold District Council currently had a client side manager for their current external waste contract CBC would share this under the new Local Authority Company arrangements.

**8. REVIEW OF ANNUAL STATEMENT OF ACCOUNTS**

Sarah Didcote, Group Accountant, explained that the accounts were now being presented differently in order to be IFRS compliant.

Martyn Scull, Group Accountant, gave a presentation on the Statement of Accounts which is attached for information.

**Resolved**

**To approve the Statement of Accounts for 2010/11 at Appendix 14, including the Annual Governance Statement for 2010/11.**

**To authorise the chair of the Audit Committee to sign the Statement of Accounts in order to formally signify the Council's approval of the accounts.**

**9. YEAR END - AUDIT COMMITTEE REPORTING**

Ian Pennington, Director, KPMG, complimented the finance team for a well presented set of accounts and stated that it had been a model audit.

Members congratulated the team for an excellent result.

**10. ENHANCEMENT OF AUDIT PARTNERSHIP GOVERNANCE**

The Audit Partnership Manager explained that the audit partnership governance consisted of a Memorandum of Understanding and supporting secondments and this was only ever intended to be a short term arrangement. This was in order to enable partners to assess if the arrangement across the three authorities could be successfully implemented. The Audit Partnership Board had recognised the benefits that the new partnership had brought and it was now proposed to move to the Section 101 agreement form of governance.

When asked what member input there had been the Audit Partnership Manager stated that Audit Committee and Cabinet had been kept informed throughout the process. Members also asked KPMG to confirm whether they were of the view that the partnership was working well and they replied in the affirmative and explained that they were recommending the AuditCotswold model to their clients wishing to share services.

**Resolved**

To support the recommendation to Cabinet and Council that the Internal Audit Service is delegated to Cotswold District Council under a Section 101 agency agreement.

**11. INTERNAL AUDIT MONITORING REPORT (INCLUDING RECOMMENDATIONS TRACKER UPDATE)**

The Audit Partnership Manager introduced the report which was a standing item on the agenda and which gave the Audit Committee the opportunity to comment on the work completed by the partnership. He highlighted the other work which AuditCotswolds had undertaken beyond the specific audits which included ongoing support for the GO-Programme and the Local Authority Company. Whilst the Local Authority Company was fairly resource intense work on lesser risk audits had not been deferred.

In terms of follow-ups the Audit Partnership Manager highlighted payroll and car parking. Payroll continued to receive only limited assurance. When asked whether the issues behind this were the same as last year, the Director of Human Resources and Organisational Development explained that a cluster of issues remained the problem. They included written procedures with regard to payroll, issues with password security, security regarding holding personnel records and the process for notifying ICT of leavers and new starters. Good progress had been made in terms of fully documented procedures and fixing generic passwords and Members were assured that within GO the limited assurance would be corrected. Resilience in payroll would also be improved upon within GO as CBC would have more access to payroll expertise.

The Audit Partnership Manager confirmed that the issues were being positively addressed.

**Resolved**

To note the report.

**12. WORK PROGRAMME**

Members noted the work programme. The Chair invited Members to contact him directly should they have any agenda items for the next meeting.

**13. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**

There were no urgent items for discussion.

**14. DATE OF NEXT MEETING**

The next meeting was scheduled for 11 January 2012.

Andrew Wall  
**Chairman**

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**Audit Committee**

**Wednesday, 11<sup>th</sup> January 2012  
6.00 - 6.15 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Rowena Hay and Paul Massey (Vice-Chair)
<b>Also in attendance:</b>	Rob Milford (Audit Partnership Manager), Ian Pennington (KPMG Auditor) and Mark Sheldon (Director of Resources)

**Minutes**

- 1. APOLOGIES**  
Councillors MacDonald, Wheeldon and Wall (Chairman) had given their apologies.
- 2. ADJOURNMENT**  
As the committee was inquorate and in accordance with Part 4C of the Committee procedure Rule 6 the meeting was adjourned for 10 minutes following which, as the meeting remained inquorate it was abandoned and all business was adjourned to the next scheduled meeting.
- 3. DATE OF NEXT MEETING**  
The next meeting was scheduled for the 21 March 2012.

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# Annual Audit Letter 2010/11

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Cheltenham Borough Council

November 2011

Agenda Item 5

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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

**This report summarises the key findings from our 2010/11 audit of Cheltenham Borough Council (the Council).**

**Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audit covers the audit of the Council's 2010/11 financial statements and the 2010/11 VFM conclusion.**

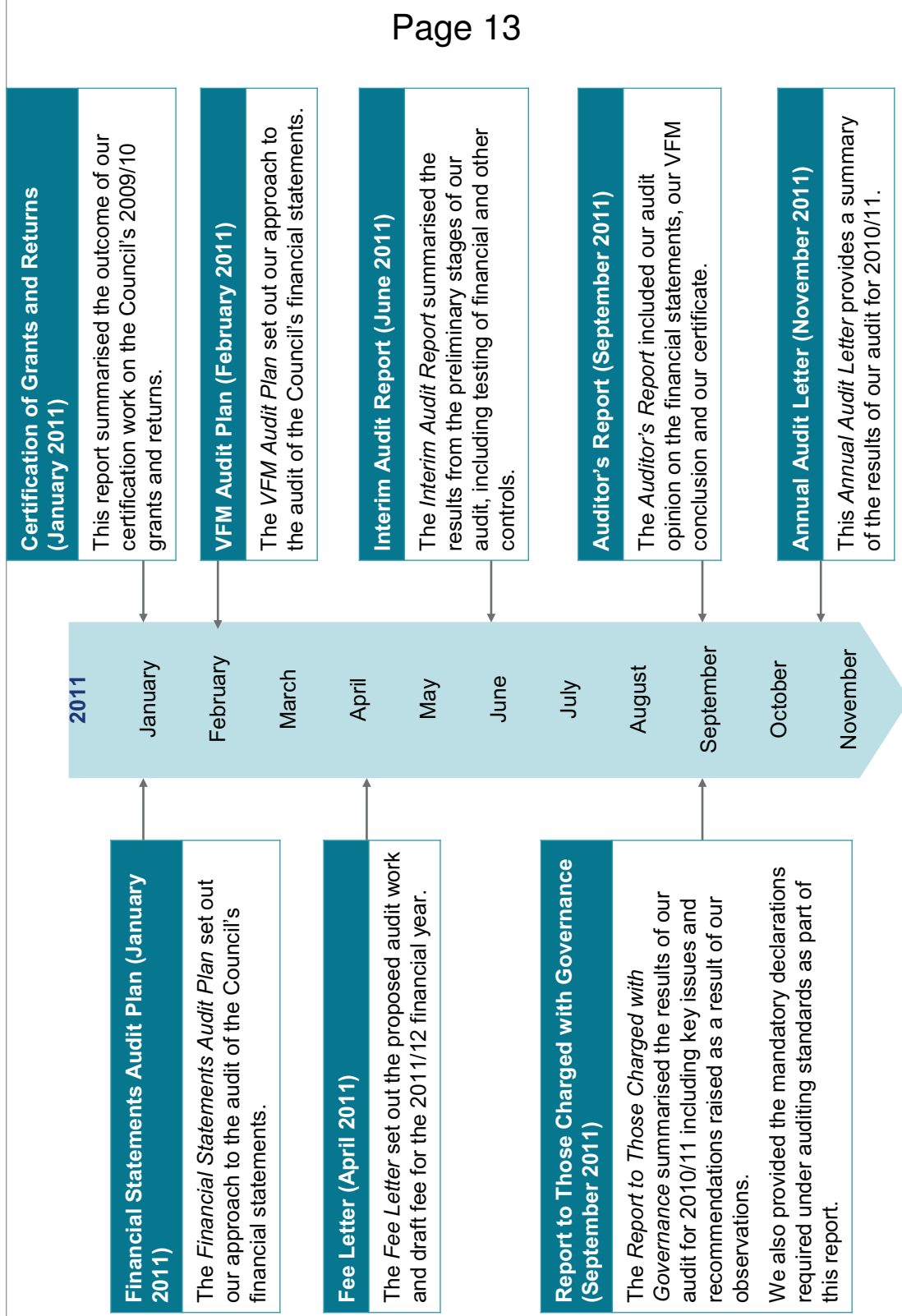
<p><b>VFM conclusion</b></p>	<p>We issued an unqualified value for money ("VFM") conclusion for 2010/11 on 21 September 2011. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<p><b>Audit opinion</b></p>	<p>We issued an unqualified opinion on your financial statements on 21 September 2011, which meant that the financial statements gave a true and fair view of the financial position of the Council and of its expenditure and income for the year.</p>
<p><b>Financial statements audit</b></p>	<ul style="list-style-type: none"> <li>▪ The quality of the accounts and working papers provided to us were again excellent. Officers dealt efficiently with audit queries and the audit process was completed to the planned timescales. It should be noted that this was achieved whilst coping with the transition to the International Financial Reporting Standards (IFRS), which resulted in a significant amount of additional work for officers, and who were also preparing for the 'GO shared services project'.</li> <li>▪ We identified no issues in the course of the audit that are considered to be material or required adjustment.</li> <li>▪ There were no significant matters which we were required to report.</li> </ul>
<p><b>Annual Governance Statement</b></p>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

**All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.**

<b>High priority recommendations</b>	We raised no high priority recommendations as a result of our 2010/11 work.
<b>Certificate</b>	We issued our certificate on 21 September 2011. The certificate confirms that we have concluded the audit for 2011 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2010/11 was £118,989, excluding VAT, which includes an amount of £5,000 in respect of follow up of the Public Interest Report. However, the Council will receive a reimbursement from the Audit Commission in respect of the IFRS conversion costs which will reduce the total fee by £7,626 to £111,363. Our final fee was in line with the amount originally agreed and planned. Further detail is contained in Appendix 2.

## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for 2010/11.

We have summarised below the outturn against the 2010/11 planned external audit fee.

**External audit**

Our fee for 2010/11 was £118,989, excluding VAT, which includes an amount of £5,000 in respect of follow up of the Public Interest Report. However, the Council will receive a reimbursement from the Audit Commission in respect of the IFRS conversion costs which will reduce the total fee by £7,626 to £111,363. Our final fee was in line with the amount originally agreed and planned.

**Certification of grants an returns**

Our grants work is still ongoing and the final fee will be confirmed through our report on the *Certification of Grants and Returns 2010/11* which we are due to issue in January 2012.





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# Financial Statements Audit Plan 2011/12

Cheltenham Borough Council

January 2012

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This document describes how we will deliver our financial statements audit work for Cheltenham Borough Council.

### Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the *Audit Commission's Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

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

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Council.

### Scope of this report

This document describes how we will deliver our financial statements audit work for Cheltenham Borough Council. It supplements our *Audit Fee Letter 2011/12* presented to you in April 2011.

We also set out our approach to value for money (VFM) work for 2011/12.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

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

### Structure of this report

This report is structured as follows:

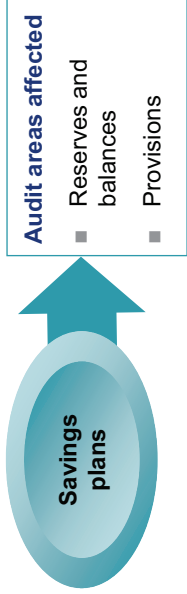
- Section 2 includes detail on the financial statements audit risks.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 explains our approach to VFM work.
- Section 5 provides information on our proposed deliverables and fees for our work.

### Acknowledgements

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

For each key risk area we have outlined the impact on our audit plan.


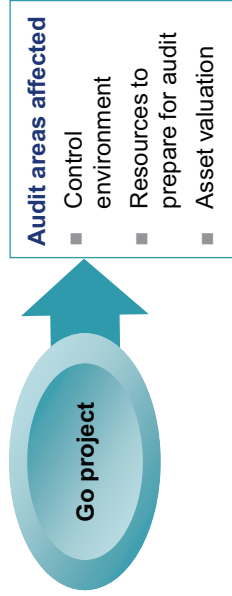
We will provide an update on how the council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
	<p><b>Risk</b></p> <p>As at December 2011, the Council is forecasting that it will deliver its 2011/12 budget in overall terms.</p> <p>With continued pressure to deliver the required level of public sector cuts, this may increase the risk of management bias on the financial statements, for example reducing the levels of provisions and liabilities.</p> <p>If there are any liabilities arising from the savings plans at year end, these will need to be accounted for in the 2011/12 financial statements as appropriate</p> <p><b>Our audit work</b></p> <p>In conjunction with our VFM work we will critically assess the controls the council has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Council can continue to provide services effectively. We will also review how the Council is planning and managing its savings plans.</p> <p>As part of our final accounts audit we will review the council's assessment of any potential liabilities arising from its savings plans against the Code. If applicable, we will review the council's provision, including the methodology, assumptions and calculations.</p>

## Section two Key financial statements audit risks (continued)

For each key risk area we have outlined the impact on our audit plan.


We will provide an update on how the council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Asset valuation</li> <li>■ Various</li> </ul>	<p><b>Risk</b></p> <p>The 2011/12 Code includes a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage assets include historical buildings, museum and gallery collections and works of art.</p> <p>The 2011/12 Code also clarifies requirements in a number of areas where ambiguity was identified in the 2010/11 Code.</p> <p>The Council needs to review and appropriately address these changes in its 2011/12 financial statements.</p> <p><b>Our audit work</b></p> <p>As part of our interim work we will review the Council's approach to addressing the Code changes.</p> <p>As part of our final accounts audit we will review the appropriateness of the accounting entries and disclosures in the accounts.</p>
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Control environment</li> <li>■ Resources to prepare for audit</li> <li>■ Asset valuation</li> </ul>	<p><b>Risk</b></p> <p>As the Go project progresses towards completion, the Council's resources will become further stretched as staff will be asked to take on additional roles in the lead up to the Go Live 'date'. This may have an adverse impact on the Council control environment.</p> <p>The accounting for the Go project involves decisions as to whether project costs should be treated as Capital or Revenue. We will also review the accounting for the Council re-charging costs to its partners.</p> <p><b>Our audit work</b></p> <p>We will review the control environment during our interim audit and assess whether there has been any impact on the control environment and report this to the Audit Committee in June.</p> <p>We will review the accounting policy and treatment of the project costs together with the assumptions behind the treatment in our Interim audit and complete the substantive final audit procedures at the year end audit visit in July.</p>

## Key financial statement audit risks

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
 <p><b>Property sales</b></p> <div data-bbox="446 1032 614 1317" style="border: 1px solid black; padding: 5px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Fixed asset valuations</li> <li>■ Reserves</li> </ul> </div>	<p><b>Risk</b></p> <p>There is a potential that a property sale will be completed before the end of the year.</p> <p><b>Our audit work</b></p> <p>We will review the timing of any sale and its accounting treatment.</p>
 <p><b>Icelandic Banks update</b></p> <div data-bbox="798 1032 949 1317" style="border: 1px solid black; padding: 5px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Investment valuation</li> <li>■ Capital Direction</li> <li>■ Reserves</li> </ul> </div>	<p><b>Risk</b></p> <p>Following the outcome of the Court case, the impairment and Capital Direction needs to be reviewed and the accounting treatment updated, once the legal guidance has been finalised.</p> <p><b>Our audit work</b></p> <p>We will review the latest guidance on accounting treatment and check that the financial statements correctly reflect the guidance.</p>
 <p><b>Former Managing Director</b></p> <div data-bbox="1101 1032 1252 1317" style="border: 1px solid black; padding: 5px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Account disclosures</li> <li>■ Provisions</li> <li>■ Reserves</li> </ul> </div>	<p><b>Risk</b></p> <p>The recent BBC interviews with the Former Managing Director may have increased the level of public interest in the case again. The Council is currently waiting for the Pension Ombudsman ruling. The accounting treatment for this in the year end financial statements will depend on the ruling, therefore this must be kept under review.</p> <p><b>Our audit work</b></p> <p>We will review the ruling when it is issued and consider the accounting treatment.</p>

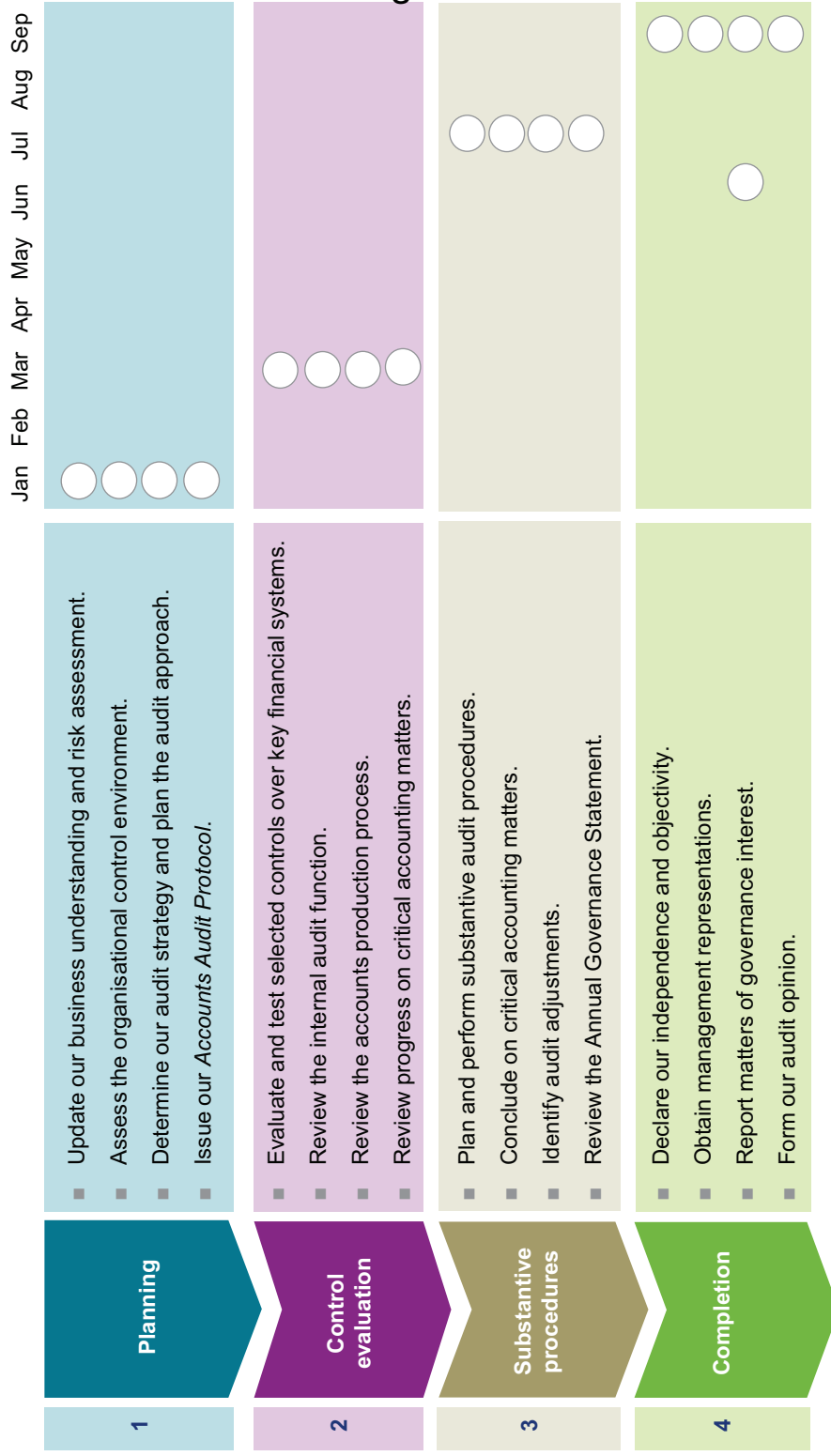


## Section three Financial statement audit approach

We undertake our work on your financial statements in four key stages during 2012:

- **Planning (January).**
- **Control Evaluation (March).**
- **Substantive Procedures (July).**
- **Completion (August and September).**

We have summarised the four key stages of our financial statements audit process for you below:



## Financial statement audit approach – planning

**During January we complete our planning work.**

**We assess the key risks affecting the Council's financial statements and discuss these with officers.**

**We assess if there are any weaknesses in respect of central processes, including the Council's IT systems, that would impact on our audit.**

**We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Council to support the financial statements.**

Our planning work takes place in January 2012. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

### Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. Most of the organisational controls we assess were previously linked to the use of resources assessment. In particular, the areas of risk management, internal control and ethics and conduct have implications for our financial statements audit.

The Council relies on information technology to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

### Business understanding and risk assessment

We update our understanding of the Council's operations and identify any areas that will require particular attention during our audit of the Council's financial statements.

We identify the key risks affecting the Council's financial statements. These are based on our knowledge of the Council, our sector experience and our ongoing dialogue with Council staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Council's responsibility to address these issues. We encourage the Council to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with Sarah Didcote and Martyn Scull on a regular basis to consider issues and how they will be addressed during the financial year end closedown and accounts preparation.

### Audit strategy and approach

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of audit judgement.

### Accounts audit protocol

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide during our interim and final accounts visits.

## Financial statement audit approach – control evaluation

**During March we complete our interim work.**

**We assess if controls over key financial systems were effective during 2011/12. We work with your internal audit team to avoid duplication.**

**We work with your finance team to enhance the efficiency of the accounts audit.**

**We will present our *Interim Report* to the Audit Committee in June.**

Our interim visit on site will be completed during 19 March – 30 March. During this time we will complete work in the following areas:

Control Evaluation
<ul style="list-style-type: none"><li>■ Evaluate and test controls over key financial systems.</li><li>■ Review the internal audit function.</li><li>■ Review the accounts production process.</li><li>■ Review progress on critical accounting matters.</li></ul>

### Controls over key financial systems

We update our understanding of the Council's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Appendix 1 illustrates how we determine the most effective balance of internal controls and substantive audit testing.

We work with the Council's internal auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and have met with Rob Milford, Head of Internal Audit, to discuss the principles and timetables for the managed audit process for 2011/12.

### Review of internal audit

Where we intend to rely on internal audit's work in respect of the Council's key financial systems, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to Rob Milford at the end of our interim visit.

### Accounts production process

We raised a few recommendations in our *Report to Those Charged with Governance (ISA 260 Report) 2010/11* relating to the accounts production process.

We will assess the Council's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

We were impressed with how the finance team managed the conversion and the quality of the first IFRS accounts produced in 2010/11. However, we consider that the accounts would benefit from a review in advance of the year end accounts process, to consider whether the accounts and Annual Governance Statement can be reduced in length and the clarity improved for the reader. We can provide you with advice in this process.

### Critical accounting matters

We will carry out the work to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit we will issue our *Interim Report* which will set out the findings of our planning and interim work. This will be discussed at the June Audit Committee meeting.

## Financial statement audit approach – substantive procedures

During July we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* to the Audit Committee in September.

Our final accounts visit on site has been provisionally scheduled for the period 2 July – 20 July. During this time, we will complete the following work:

### Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify audit adjustments.
- Review the Annual Governance Statement.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

### Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

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### Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is based on various factors such as our overall assessment of the Council's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

### Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since.

### Audit adjustments

During our on site work, we will meet with Paul Jones on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

We report the findings of our final accounts work in our *ISA 260 Report*.

## Financial statement audit approach – other

In addition to the financial statements, we also audit the Council's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 2.

We confirm our audit team's independence and objectivity is not impaired.

### Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

### Electors challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

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

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

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

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 17.

### Independence and objectivity confirmation

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

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

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

### Confirmation statement

We confirm that as of 11 January 2012, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Our approach to VFM work follows guidance provided by the Audit Commission.

**Background to approach to VFM work**

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing <b>financial resilience</b> .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial governance</li> <li>■ Financial planning</li> <li>■ Financial control</li> </ul>
The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b> .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>	<ul style="list-style-type: none"> <li>■ Prioritising resources</li> <li>■ Improving efficiency and productivity</li> </ul>

## Section four VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

### Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ the Council's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ information from the Audit Commission's VFM profile tool and financial ratios tool;</li> <li>■ evidence gained from previous audit work, including the response to that work; and</li> <li>■ the work of the Audit Commission, other inspectorates and review agencies.</li> </ul>

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify the areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
<p><b>Linkages with financial statements and other audit work</b></p>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the council's organisational control environment, including the council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<p><b>Assessment of residual audit risk</b></p>	<p>It is likely that further audit work will be necessary in some areas to ensure comprehensive coverage of the two VFM criteria.</p> <p>This work will involve a range of interviews with relevant officers, and review of documents such as policies, plans and minutes. We will also refer to any self assessment the council may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted.</p>
<p><b>Identification of specific VFM audit work</b></p>	<p>If we identify residual audit risks, then we will highlight the risk to the council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ considering the results of work by the council, the Audit Commission, other inspectorates and review agencies; and</li> <li>■ carrying out local risk-based work to form a view on the adequacy of the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>



Where relevant, we draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

VFM audit stage	Audit approach
<p>Delivery of local risk based work</p>	<p>Depending on the nature of the residual audit risk identified, we will be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>■ local savings review guides based on selected previous Audit Commission national studies; and</li> <li>■ update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the council's arrangements for securing VFM), which forms part of our audit report.</p>

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Committee dates
<b>Planning</b>		
<b>Financial Statements Audit Plan</b>	<ul style="list-style-type: none"> <li>Outline audit approach.</li> <li>Identify areas of audit focus and planned procedures.</li> </ul>	<b>January 2012</b>
<b>Control evaluation</b>		
<b>Interim Report</b>	<ul style="list-style-type: none"> <li>Details and resolution of control and process issues.</li> <li>Identify improvements required prior to the issue of the draft financial statements and the year-end audit.</li> </ul>	<b>June 2012</b>
<b>Substantive procedures</b>		
<b>Report to Those Charged with Governance (ISA 260 Report)</b>	<ul style="list-style-type: none"> <li>Details the resolution of key audit issues.</li> <li>Communication of adjusted and unadjusted audit differences.</li> <li>Performance improvement recommendations identified during our audit.</li> <li>Commentary on the Council's value for money arrangements.</li> </ul>	<b>September 2012</b>
<b>Completion</b>		
<b>Auditor's report</b>	<ul style="list-style-type: none"> <li>Providing an opinion on your accounts (including the Annual Governance Statement).</li> <li>Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>	<b>September 2012</b>
<b>Annual Audit Letter</b>	<ul style="list-style-type: none"> <li>Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>	<b>November 2012</b>

The main fee for 2011/12 audit of the Council is £108,290. The fee has not changed from that set out in our *Audit Fee Letter 2011/12* issued in April 2011.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

The fee for our grants work will be confirmed through our summary report on the certification of grants and returns which will be issued in February 2012.

**Audit fee**

Our *Audit Fee Letter 2011/12* presented to you in April 2011 first set out our fees for the 2011/12 audit. We have not considered it necessary to make any changes to the agreed fees.

Element of the audit	2011/12 (planned)	2010/11 (actual)
Gross audit fee	£108,290	£111,363

The main fee for 2011/12 audit is £108,290, which includes our work on the VFM conclusion and our audit of the Council's financial statements.

**Audit fee assumptions**

The audit fee is indicative and based on you meeting our expectations. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2010/11;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Council Accounting in the UK 2011/12* within your 2011/12 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;
  - requested information will be provided within the agreed timescales;
  - prompt responses will be provided to queries and draft reports;

- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to minimise the audit fee. The Council already provides us with high quality working papers and draft final accounts for audit and also answer our queries on a timely basis, which has kept your audit fee relatively low. If the Authority continues to provide the same quality in future years, then the audit fee will continue to be minimised.

**Changes to the audit plan**

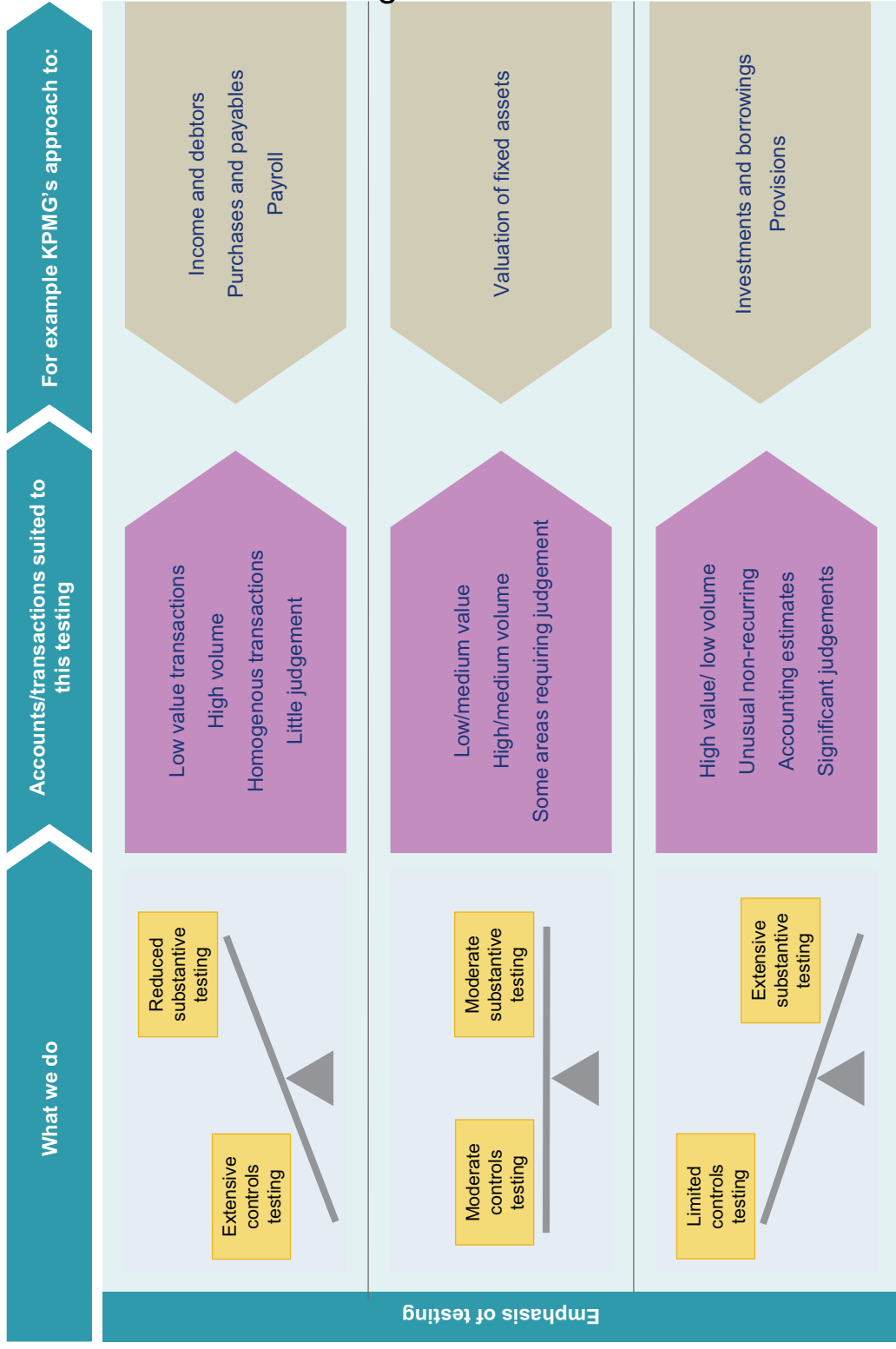
Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with Mark Sheldon.

# Appendix 1: Balance of internal controls and substantive testing

This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing.



## Appendix 2: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

### Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the engagement lead.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a

local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

## Appendix 3: Quality assurance and technical capacity

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

The diagram summarises our approach and each level is expanded upon.

We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect that future talent to develop with our application of most effective in-house and external training support.

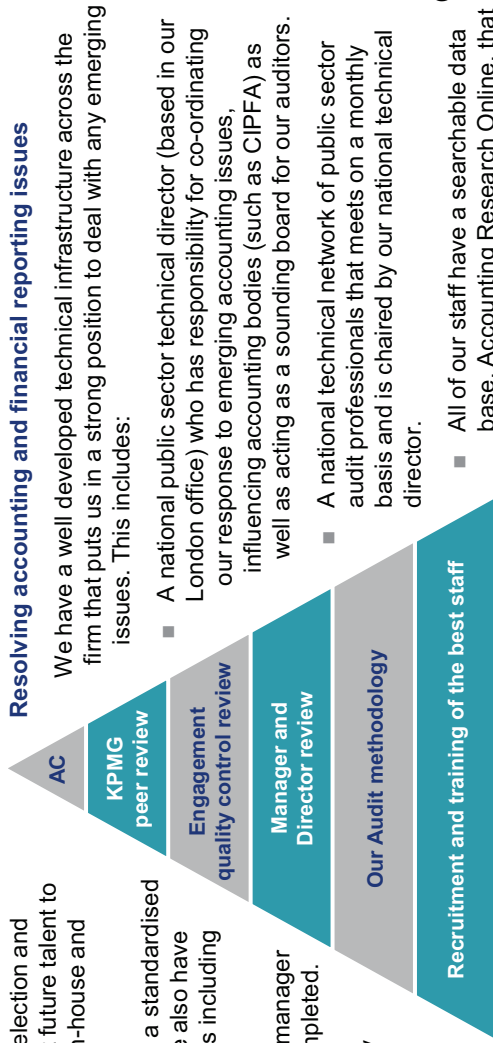
Our audit methodology determines that we use a standardised audit approach and pro forma work papers. We also have standards of audit evidence and working papers including requirements for working paper retention.

At critical periods of the audit we conduct both manager and engagement leader review of the work completed. Upon final completion, managers and directors complete a checklist to indicate the satisfactory conclusion of the audit under the audit methodology.

Partners who meet certain skills and experience criteria, conduct quality control reviews of individual audits depending on the level of audit risk. Their role is to perform an objective evaluation of the significant accounting, auditing and financial reporting matters with a high degree of detachment from the audit team. This provides an objective internal assessment on the quality of our audit. Peer review is undertaken across the firm, with an annual sample of our work being undertaken from a different national office. This encourages a constant focus on quality and ensures there is continuous improvement and that best practice is shared.

### Our quality review results

We are able to evidence the quality of our audits through the results of the National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year ([www.audit-commission.gov.uk/reports](http://www.audit-commission.gov.uk/reports)). The latest report dated October 2011 showed that we performed highly against all the Commission's criteria.



### Resolving accounting and financial reporting issues

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director (based in our London office) who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals that meets on a monthly basis and is chaired by our national technical director.

All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

When dealing with the Audit Commission, as you would expect, we both attend and cascade across the firm the papers considered by their various technical groups for auditors. In addition, as the Audit Commission has developed we have established a series of formal and informal relationships. These benefit both the Audit Commission and our local Council clients. As a result of all of these factors, and combined with our overall audit approach, we seek to offer early warnings of issues arising with the independent regulator and provide pragmatic solutions.



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# Certification of grants and returns 2010/11

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Agenda Item 7

Cheltenham Borough Council  
February 2012

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■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	5

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, who is the engagement leader to the Council (telephone 029 2046 8087, e-mail [ian.pennington@kpmg.co.uk](mailto:ian.pennington@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

<p><b>Introduction and background</b></p>	<p><b>This report summarises the results of work on the certification of the Council’s 2010/11 grant claims and returns.</b></p> <ul style="list-style-type: none"> <li>■ For 2010/11 we certified:             <ul style="list-style-type: none"> <li>– Six grants and returns with a total value of £98million.</li> </ul> </li> </ul>	
<p><b>Certification results</b></p>	<p><b>We issued five unqualified certificates and one qualified certificate for the grants and returns</b></p>	<p><b>Pages 3 – 4</b></p>
<p><b>Audit adjustments</b></p>	<p><b>Adjustments were necessary to two of the Council’s grants and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ However, all adjustments were insignificant in nature which is in line with the prior year audit.</li> <li>■ See Summary Outcomes section for further details.</li> </ul>	<p><b>Pages 3 – 4</b></p>
<p><b>The Council’s arrangements</b></p>	<p><b>The Council has good arrangements for preparing its grants and returns and supporting our certification work</b></p>	<p><b>Page 5</b></p>
<p><b>Fees</b></p>	<p><b>Our overall fee for the certification of grants and returns is in line with last year.</b></p> <ul style="list-style-type: none"> <li>■ The fee for grants and certification is £26,080 (2009/10: £26,232 ).</li> </ul>	<p><b>Page 6</b></p>

Overall, we certified 6 grants and returns:

- 4 were unqualified with no amendment;
- 1 was unqualified but required some amendment to the final figures; and
- 1 required a qualification to our audit certificate.

Detailed comments are provided on page 4.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2010/11 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In this circumstance of the qualification detailed in number 1 below, it is unlikely that the relevant grant paying body will require further information from the Council as a result of the minor technical qualification.

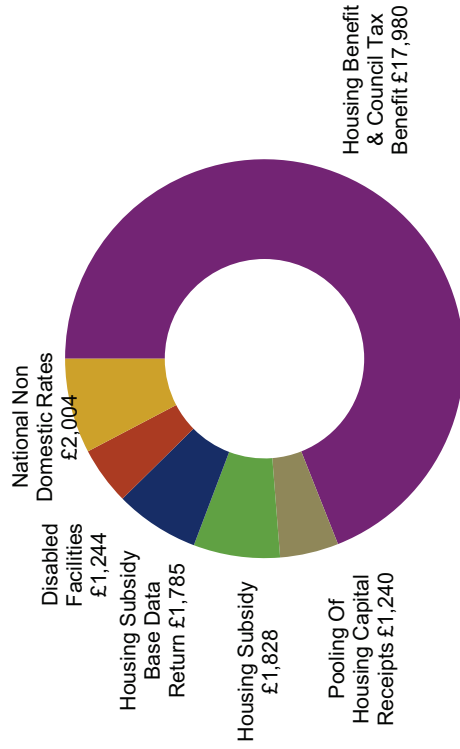
Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
1				
2				
	1	0	2	5

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing Benefits and Council Tax Benefits claim</b></p> <ul style="list-style-type: none"> <li>Minor amendments of £5,322, were required to ensure that the claim presented for audit reconciled to the Housing Benefits system.</li> <li>As in previous years a qualification report was issued to reflect that the benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differed by £303. As in previous years, officers had identified and corrected the adjustments before submitting the form to DWP and to audit; however, the instructions to auditors require that we report the difference in the reconciliation.</li> </ul>	<b>+ £5,322</b>
2	<p><b>Housing Subsidy Base Data Return</b></p> <ul style="list-style-type: none"> <li>The number of shared ownership non PFI dwellings on 1 April 2011 (cell F002DS) had been incorrectly entered into Cell F002DP (the number of PFI dwellings which were <i>not</i> shared ownership dwellings on 1<sup>st</sup> April 2011).</li> <li>The claim was updated to reflect the correct underlying data.</li> </ul>	<b>£0</b>

Our overall fee for the certification of grants and returns is in line with last years fee.

### Breakdown of certification fees 2010/11



Our initial estimated fee for certifying 2010/11 grants and returns was £25,226. The actual fee charged of £26,080 was close to the initial estimate.

Breakdown of fee by grant/return		2010/11	2009/10
		£	£
Housing Benefit & Council Tax Benefit		17,980	15,932
Pooling Of Housing Capital Receipts		1,240	1,147
Housing Subsidy		1,828	1,922
Housing Subsidy Base Data Return		1,785	2,517
Disabled Facilities		1,244	1,237
National Non Domestic Rates		2,004	3,477
<b>Total fee</b>		<b>26,080</b>	<b>26,232</b>



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**Cheltenham Borough Council  
Audit Committee – 21 March 2012  
Review Risk Management Policy**

<b>Accountable member</b>	<b>Cabinet Member Corporate Services, Councillor Colin Hay</b>
<b>Accountable officer</b>	<b>Director of Resources, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Economy and Business Improvement Overview and Scrutiny</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The Risk Management Policy, including any guidance notes, is reviewed once a year by the Audit Committee to incorporate further development in risk management processes and/or organisational change. There have been two key issues that have led to revisions of the Risk Management Policy this year.</p> <ol style="list-style-type: none"> <li>1. The Senior Management Team (SLT) identified the need to include guidance on how confidential risks (defined as exempt items) are managed and reported.</li> <li>2. The need to revise the risk scorecard to simplify the categories and definitions and to increase the Impact scoring range from a factor of 4 to 5.</li> </ol>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Agree the revised Risk Management Policy including a process for managing and reporting confidential risks. Appendix 1</li> <li>2. Agree the introduction of the revised risk scorecard so that it coincide with new risk management module Appendix 2</li> <li>3. To consider the Risk Management Policy and make any further recommendations for improvements.</li> </ol>

<p><b>Financial implications</b></p>	<p>'The identification and assessment of financial risk is a key element in the process of managing the council's financial exposure. The revised scorecard strengthens and clarifies the process for understanding financial exposure and removes some of the ambiguity in assessing financial risk. The revisions to the policy and risk management processes strengthen the councils general risk management approach and, in particular, improve the management of financial risk</p> <p><b>Contact officer: mark.sheldon,@cheltenham.gov.uk,</b> <b>01242 264123</b></p>
<p><b>Legal implications</b></p>	<p>As referred to in the report and policy.</p> <p><b>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>Training / awareness of the new risk management system will need to be arranged for the relevant officers.</p> <p><b>Contact officer: Amanda Attfield,</b> <b>amanda.attfield @cheltenham.gov.uk, 01242 264186</b></p>
<p><b>Key risks</b></p>	<p><i>If the Risk management policy is not maintained to meet changes to strategy and operational developments then there is a risk that the councils assets and reputation are put at risk</i></p>
<p><b>Corporate and community plan Implications</b></p>	<p>None</p>
<p><b>Environmental and climate change implications</b></p>	<p>None</p>

## 1. Background

- 1.1 The Risk Management Policy is reviewed on an annual basis, this years review includes changes that will help facilitate introduction of the new risk management system.
- 1.2 The review also needed to take account of the following recommendation from the Internal Audit assurance report on risk management.

*To enable a comprehensive audit trail of risk scores, both 'original' and 'current' scores (before and after control actions) should be included in the Corporate Risk Register.*

- 1.3 To meet this recommendation and to include a new residual score within the register it is considered necessary for there to be a wider spread of impact score categories. The current scorecard has 4 levels for Impact; the revised scorecard has 5 with the likelihood criteria remaining unchanged at 6.
- 1.4 There have been a number of other suggestions from risk owners and internal audit about the description of risk categories i.e. resources, quality, outcomes and time. These suggestions have been taken on board and the number of categories reduced and their descriptions re-defined.
- 1.5 An amendment has also been made to the policy to include a reference as to how confidential risks should be managed.

## 2. Reasons for recommendations

- 2.1 The council believes that risk needs to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice. The key to having an effective risk management process that is embedded within the culture of the organisation is to have an up to date policy that reflects the structure of the organisation;
- 2.2 That the council continues to achieve its objectives and outcomes and a sustainable improvement in services
- 2.3 SLT consider the Corporate Risk Register on a monthly basis and have agreed that there should be a new risk management module developed to reflect the increasing number of risks being identified, the need for additional information about the mitigating actions being taken and for more publicly available information in-line with the governments commitment for increased transparency.
- 2.4 This new risk management system will capture and report all of the information within the current risk register and provide the following additional functionality and data;
  - The linking of Corporate risks to divisional and programme risks
  - The provision of Residual (the acceptable score after mitigating action has been taken) Risk scoring
  - Wider variety of standard reports
  - Automatic email reminders to officers to update risk information.
- 2.5 This additional functionality will take away some of the manual intervention that has meant that confidential risk were filtered out of public registers. The policy has been amended to allow for these risks to be reported but with certain information being redacted for Data Protection and legal reasons.

- 2.6 The introduction of residual scoring is felt necessary to help officers focus on what are acceptable levels of risk so that they can be managed in a positive way. This will mean that there needs to be a slightly wider range of scoring to allow for a reasonable differential between actual and residual risk.
- 2.7 The new module will also provide risk owners with an audit trail for each individual risk and a “Risk Heat Map” for the whole authority or division.

**3. Consultation and feedback**

- 3.1 A number of officers who are actively involved in the management of risk and Internal Audit have been consulted and a number of positive suggestions have been taken on board and used in revising the policy.

**4. Performance management –monitoring and review**

- 4.1 Monthly risk monitoring reports are monitored by the Senior Leadership Team and informally by Cabinet members and then Quarterly to Economy and Business Improvement Overview and Scrutiny committee and Cabinet which includes:
  - The most significant corporate risks faced by the council;
  - The associated management actions which are considered urgent;
  - The resource implications of any management actions.

<b>Report author</b>	<b>Contact officer: Bryan Parsons, Governance, Risk and Compliance officer</b>  <b>Email; bryan.parsons@cheltenham.gov.uk,</b>  <b>01242 264189</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Report Risk Assessment</li> <li>2. Risk Management Policy</li> <li>3. Risk Scorecard</li> </ol>
<b>Background information</b>	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Risk management policy is not maintained to meet changes to strategy and operational developments then there is a risk that the councils assets and reputation are put at risk	Director Resources	01/03/2012	3	1	3	reduce	To have in place procedures that ensure the policy is kept up to date and relevant and that a culture of effective risk management is maintained	Annual	Corporate Governance, Risk and Compliance officer	

**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-4 (4 being the greatest impact)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6 (6 being most likely)

Impact Description	Impact score	Probability	Likelihood Description	Likelihood Score
Negligible	1	0% - 5%	Almost impossible	1
Marginal	2	5% - 15%	Very low	2
Major	3	15% - 30%	Low	3
Critical	4	30% - 60%	Significant	4
		60% - 90%	High	5
		> 90%	Very high	6

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close

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## Risk management policy

**Document control**

**Document Location** S:\Corporate\Risk\23\_03\_2011\_risk\_policy

**Review Period** Annual

**Reviewed by** Audit Committee and Corporate Governance Group

Version Number	Version Date	Summary of Changes
1.0	14/02/2009	New Policy
1.2	19/04/2011	revised policy
1.3	23/01/2012	Draft Revised policy
<u>1.4</u>	<u>08/03/2012</u>	<u>Draft for Audit Committee</u>

This document has been distributed to;	
All CBC staff, Public website, Audit committee and Cabinet	1.0
All CBC staff, Public website, Audit Committee and Cabinet	1.2 Aril 2011

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- [15.](#) Impact scorecard
- [16.](#) Likelihood scorecard
- [17.](#) Risk register template

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# Introduction to risk management cut out and keep section

The council believes that risks need to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice. Through having a sound risk management process we will ensure:

- That the council continues to achieve its objectives and outcomes and sustainable improvement in services;
- That the council is developing and maintaining a safe and healthy environment for the public, and for its employees; and
- That the council reduces the number and cost of insurance claims.
- That by mitigating risk we will make processes safer and more effective which in turn will reduce costs and make us more efficient.

## Risk is defined in line with ISO 31000:2009 Risk Management Principles and Guidelines.

There are many definitions of risk and risk management. The contemporary definition set out in ISO 3100 is that risk is the “effect of uncertainty on objectives” where uncertainty can be either positive or negative.

Risk Management is defined as ‘the culture, processes and structures directed towards realising opportunities whilst managing adverse effects’. Its purpose is not to eliminate risk, but to understand it so as to take advantage of the upside and minimise the downside.

Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management.

## Our expectations / commitments

- Senior Leadership team will own and maintain the corporate risk register which will be updated on a monthly basis.
- Directors will ensure that there is an up to date divisional risk register for their divisions using the template [on the intranet](#). This should be reviewed at least quarterly at the divisional management team meetings. **Any divisional risk that has a score of 16 or greater will be referred to SLT** for consideration for inclusion on the Corporate Risk Register
- Service Managers will document risks to meeting their team objectives.
- All committee reports that require a decision should be accompanied by a risk assessment
- All project and programme managers will assess the strategic and operational risks associated with the programme or project objectives.
- We will ensure that partnership working is part of our risk management approach; partnerships should identify the risks to achieving their objectives and the council will document the risks to working in partnerships.

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# Part One – Our approach to risk

## 1. Introduction

- 1.1 The aim of this policy is to set out Cheltenham Borough Council's approach to risk and the management of risk. It is presented in three parts; the first is our approach to risk management; the second outlines the process for risk management and the third part sets out roles and responsibilities.
- 1.2 The council believes that risk needs to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice. Through having a sound risk management process we will ensure:
- That the council continues to achieve its objectives and outcomes and sustainable improvement in services;
  - That the council is developing and maintaining a safe and healthy environment for the public, and for its employees; and
  - That the council reduces the number and cost of insurance claims.
- 1.3 Risk is defined as
- “An uncertain event or set of events which, should it occur, will have an effect upon the achievement of objectives, within the lifetime of the objective.”*
- 1.4 Risk can be both negative and positive, but it tends to be the negative side that we focus on and score . This is because some things can be dangerous, such as putting lives at risk or a cost to an individual or the organisation in financial terms
- 1.5 Negative risk is represented by potential events that could harm the project. In general, these risks are to be avoided and can be measured in terms of impact and likelihood. Positive risk, on the other hand, refers to risk that we initiate because we see a potential opportunity, along with a potential for failure.
- 1.6 There are two examples of positive risks. The risk could either be a positive experience, or the reason for taking the risk has rewards that are well worth it. For example the risk could make us feel better, or by taking a different option we could improve efficiency, reduce costs or improve income by a greater amount than was originally identified. See also section 8 about monitoring and managing risk.
- 1.7 Risk management is
- “The activities required to identify and control exposure (negative risk) to uncertainty which may impact on the achievement of objectives”. or/and to use Positive risks to help us exceed our objectives.*
- 1.8 From these two definitions, we can see that risk management is focused on the risk to meeting our objectives.
- 1.9 Given the definitions above, the council will assess, monitor and manage risks to the achievement of its objectives, including:
- Our corporate objectives – as set out in our corporate strategy;
  - Divisional objectives;
  - Service team objectives;
  - Project and programme objectives; and

- 1.10** This policy sets out how we will identify, assess and manage risks, how we will report risk and how we will support risk management.
- 1.11** Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management. More information on roles and responsibilities is given in part 3.

## **2. Identifying, assessing and managing risks**

- 2.1** The council will take a rounded view on what constitutes a risk. The starting point is that a risk could be anything, from an internal or external source, that poses a threat to the achievement of our objectives.
- 2.2** In terms of external sources, changing circumstances can have a significant impact on our ability to deliver our objectives. The environment we operate in is not stable and is in constant flux. Good risk management is about trying to anticipate these changes and put in place actions to respond to the resulting risks by minimising the likelihood and/or impact. Our view of the source of external risks could include the following:
- Local and national political change
  - Local and national economic circumstance
  - Social change
  - Technological change
  - Climate change
  - Legislative change
  - Environment
  - Complying with equality considerations
  - Change in the organisational structure for local government
  - Changing expectations/needs from customer/citizens
  - Change in how we are resourced
  - Recommendations from assessment or review
- 2.3** In terms of internal source of risks, the ability of the council to continue to deliver its objectives is dependent on the following:
- Finance - sufficient finances in place to deliver service;
  - Human resource - enough skilled, competent, experienced, healthy, motivated staff in the right place at the right time to deliver the service;
  - Premises - the most appropriate environment from which to deliver the service;
  - Technology – the most appropriate form of technology to support service delivery;
  - Procurement – the most appropriate service/resource provider in place to deliver the service objectives (if service out-sourced);
  - Legal/Contractual – the most appropriate form of contract to guide service delivery;
  - Partners – commitment from appropriate other partners (both internal and external) to deliver the service;

- Changing priorities – a stable environment in terms of organisation priorities, clear objectives and manageable level of complexity;
- Information – an exchange of reliable information (internal and external) that is accurate and timely on which decisions can be fairly and correctly based.
- Safety and security of assets.

**2.4** It is also worthwhile noting that as we gradually adopt a commissioning approach whereby the council may deliver services through different organisational models, then we must ensure that these arrangements are included within our risk management processes. These risks can then be included in the same register as all other risks to the delivery of the objective. When it is necessary to the achievement of an objective to procure products and services, the risk/s to the objective if the procurement process fails should also be identified and managed. When these ownership and management mechanisms have been defined risk owners need to ensure that effective monitoring and governance controls are in place to protect council assets.

**2.5** In addition we would expect all programme and project managers to assess the strategic and operational risks associated with the programme or project objectives before the project is selected and approved. Risks should be reviewed as the project proceeds and included within the Corporate Risk Register if the risk is likely to impact upon the authority as a whole.

**2.6** All committee reports that require a decision should contain a risk assessment. These risks are to the objectives of the report topic.

**2.7** Risk management should not be seen as a separate management function; it is a core part of good management.

**2.8** The council have separate and detailed Health and Safety policies that provide advice about how this type of risks should be identified and managed. They can be found at [safety policies and guidance | corporate pages on CBCi](#)

### **2.9 Defining and scoring risk**

**2.10** Once risks have been identified using the information given above, the council would like risks to be defined in a consistent way using the “cause and effect” approach (see Part 2, 5.3 for more information). Risks will be then scored for impact and likelihood using the risk scorecard. (The risk score is the multiplication of impact and likelihood.)

**2.11** The initial score will be based on current circumstances and referred to as the ‘original’ score. After controls have been actioned, the risk will be scored again. This score will be referred to as the ‘current’ score.

### **2.12 Tolerance and controls**

**2.13** The scored risk can then be assessed against the council’s tolerance levels. Currently we have three levels which set out the council’s attitude to that particular risk. The three tolerance levels are coloured red, amber and green. Risks that are scored in the red and amber areas (7 and above) will require action.

**2.14** The council then has four options on how to control the risk;

- Reduce the risk
- Accept the risk
- Transfer the risk to a third party
- Close the risk

2.15 The decision on how to control the risk will be made by the risk owner or an appropriate senior officer depending on where the score falls in the tolerance areas and the costs associated with the control.

**2.16 Monitoring and managing risk**

2.17 As risk management is an integral part of good management all identified risks should be recorded and managed through either the Divisional Risk Register or the Corporate Risk Register. Corporate Risks are monitored monthly and Divisional Risk Registers will be monitored quarterly at routine Divisional Team meetings. **Any divisional risk that has a score of 16 or greater will be referred to SLT** for consideration for inclusion on the Corporate Risk Register

2.18 The Corporate Risk register is held on the S: Drive and is collectively monitored and managed by the Senior Leadership Team.

**2.19 Recording risk**

2.20 The risk registers should be used to inform decision making and resource allocation and should be updated as required to meet agreed monitoring arrangements.

2.21 Divisional Risk Registers are the responsibility of Directors with the individual risks being assigned to officers within the division (or across divisions where appropriate.)

2.22 The Corporate Risk Register is held on the s drive. Any new risk must be agreed by SLT before being added to the register. Risks cannot be deleted from the register unless they have agreed that it can be closed. Mitigating actions and deadlines can be updated by the risk owner at anytime prior to the monthly review at SLT.

**3. Risk registers & reporting risk**

**3.1 The corporate risk register**

3.2 The 'corporate risk register' contains strategic risks to the organisation

- The longer-term risks to the delivery of outcomes (ambitions) are described within the Corporate Strategy. The outcomes are linked directly to specific improvement actions which again are described within the Corporate Strategy but are individually risk assessed and managed within the Corporate Risk Register.
- Headline risks associated with exceptional circumstances.

3.3 **Senior Leadership team will own and maintain the corporate risk register and associated actions which will be updated on a monthly basis. The owner of the objective (or outcome) is the owner of its associated risk/s.**

3.4 The corporate risk register will provide the necessary assurance for the annual governance statement.

**3.5 Divisional, service area and team risk registers**

3.6 Each division needs to take a proactive approach to risk management making sure that it is embedded as a part of the good management of the division. Each division should compile and maintain a divisional risk register that captures the risks to the delivery of its objectives.

3.7 Each service team, project/programme may also have a risk register which capture risks to their respective objectives. The important issue is to make sure that risk is discussed and debated at management teams and that risks are then identified and managed.

- 3.8** It is also important to note that those particularly high scoring divisional risks will not necessarily have a place on the corporate risk register unless it has a direct impact on our corporate objectives. In this case, the cause or effect may be different and the impact and likelihood scores must be scored appropriately.
- 3.9** It is possible that the same risk will appear in more than one register. The impact or likelihood may be different against the different objectives and should therefore be scored accordingly. Where actions to control a risk fall to another division, it is that division's responsibility to implement that action and the risk owner's responsibility to remain updated and manage the risk accordingly.

### **3.10 Reporting risks**

**3.11** Monthly risk monitoring reports will be presented to the Senior Leadership Team and then Quarterly to Economy and Business Improvement Overview and Scrutiny committee and Cabinet which will include:

- The most significant corporate risks faced by the council;
- The associated management actions which are considered urgent;
- The resource implications of any management actions; and
- An overview of how significant risks may affect the Council's ability to meet its ambitions.

Risk management reporting should be co-ordinated with continuous routine performance monitoring; the ESP system links objectives, risks, activities and performance indicators.

## **4. Supporting risk management**

### **4.1 Risk management co-ordination**

**4.2** The risk management policy, including any guidance notes, will be reviewed once a year by the Audit Committee and the responsible Director and when necessary, updated to incorporate further development in risk management processes and/or organisational change.

**4.3** Where the council has established groups who have responsibility for risk, they should include detail about their role in the terms of reference or constitution for the group.

### **4.4 Training**

**4.5** The requirement for risk management training which will ensure that elected members and officers have the skills required to identify, evaluate, control and monitor the risks associated with the services they provide, or govern should be identified through the appraisal process.

**4.6** Risk Management training for staff and elected Members will be delivered through an elearning tool on the learning gateway

**4.7** Where required, training in corporate governance, of which risk management is a part, should be identified through the induction process for all new employees and members.

### **4.8 Communication**

**4.9** Risk should be considered at least quarterly by management team and service team meetings as part of good management practice. When necessary, new and emerging risks, significant change and where control actions are significantly succeeding or failing should be discussed.

**4.10** It is the responsibility of the risk owner to communicate and discuss risk and control actions with other relevant officers, including those from other divisions.

- 4.11 If the cause of a risk or the failure of an objective or activity has the potential to impact on another objective or activity, it is the duty of the responsible officer to communicate that cause or failure to the owner of the effected objective or action.
- 4.12 Information and guidance on risk management will be available to all employees with computer access via the intranet and shared drive. Employees without computer access should speak to their manager for a printed copy.
- 4.13 Employees will be kept up to date on risk management progress and good practice through management meetings, team briefings and the intranet.

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## Part 2 - Process & Guidance

### 5. How to identify and define risks

- 5.1 Identifying risks is about asking:
  - what could happen that would impact on the objective?
  - when and where could it happen?
  - how and why could it happen?
  - how can we prevent or minimise the impact or likelihood of this happening?
- 5.2 What risks are identified and who you involve in the process will depend on whether you are looking at a specific team area or at a more strategic, organisational level. It is best practice to involve others in identifying risk as this gives you different perspectives on the same situation. Those involved must be clear about what objective is being risk assessed. Approaches to identify risks can include:
  - Brainstorming on possible risks in a facilitated session;
  - Mapping out the processes and procedures; asking staff to identify risks at each stage;
  - Drawing up a checklist of risks and asking for feedback.
- 5.3 Risks should then be defined using the 'if ..... then ....' (or the cause and effect or likelihood and impact) approach and given a reference number.
- 5.4 Risks should be specific and worded carefully and concisely and should not consist of a single word.
- 5.5 Risks should be outcome based and if one cause creates several impacts, each impact should be identified separately. This is because each might result in a different score and control.

### 6. How to score risk

- 6.1 The council has produced a scorecard to help risk owners score the risk by assessing impact and likelihood (effect & cause).

#### Impact

- 6.2 To help assess the impact (effect), we have identified a scale of impact from 1 to 5:

- 1) Low
- 2) Negligible
- 3) Marginal
- 4) Major
- 5) Critical

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6.3 Risk owners are encouraged to decide the scale of the impact by considering what type of impact the risk has on the objective, using the risk types Financial, Employee, Capacity, VFM, H&S and wellbeing, Business continuity, Contractual Governance, Reputation, Customer satisfaction, Governance, Performance forecasting and

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Corporate Strategy

6.4 A full description of impact type and scoring is detailed in the 'impact scorecard' which should be used when assessing risk.

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**Likelihood**

6.5 To help the risk owner assess the likelihood score (cause), we have identified 6 categories of likelihood that the risk will occur during the lifetime of the objective. These are:

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Score	Likelihood	Probability	Action
1	Almost impossible	0-5%	Awareness of risk, no action
2	Very low	6-15%	Action to ensure likelihood does not increase
3	Low	16-30%	Preventative action required
4	<u>Moderate</u>	31-60%	Minimise probability and/or impact
5	High	61-90%	Minimise probability and/or impact immediately
6	Very high	>90%	Plans made in advance must be carried out.

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**Risk score**

- 6.6 The risk score is a multiplication of impact and likelihood.
- 6.7 On occasion it is possible to have a risk that proposes more than one score of impact, e.g. a single cause that could have minimal cost implications, maximum cost implications or anywhere in between. In this instance, we advise that you score and manage the risk according to the most likely scenario. Using the areas of tolerance may also help.

**7. Selecting a risk control and understanding tolerance**

7.1 The scored risk can then be assessed against the council's tolerance levels. Currently we have three levels which set out the council's attitude to that particular risk. The three tolerance levels are coloured red, amber and green. Risks that are scored in the red and amber areas (above 7) will require action.

Score	Colour	Action/need to apply control	Responsibility
1-6	Green	Acceptable, subject to monitoring.	Risk owner
7-15	Amber	Needs active management	Risk owner
16-24	Red	Requires urgent attention	Manager

7.2 The decision on how to control the risk will be made by the risk owner or an appropriate senior officer depending on where the score falls in the tolerance areas and the costs associated with the control.

7.3 The council has four options on how to control the risk;

Control	Description	Tolerance area

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Reduce	The impact and/or likelihood needs to be reduced.	Amber or red
Accept	Impact and/or likelihood is at an acceptable level, it is impossible to reduce or is more cost effective to take the risk in not treating.	Amber or green
Transfer	Some of the risk is better controlled by an external partner. However some of the risk will remain (e.g. reputation) and that needs to be managed.	Any
Close	The risk has been terminated or is exceptionally low.	Green

**8. Monitoring and managing risk**

8.1 As risk management is a an integral part of good management our view is that risks should be reviewed at least quarterly and revised as and when actions prove to be successful or unsuccessful and when new information becomes available.

<i>Progress of action</i>	<i>Further action</i>
Positive but by a small margin	Current action not as effective as first hoped. Make changes or think of new action.
Positive by a significant margin	Current action successful – redirect resources.
Negative	Current action unsuccessful. Need new action.

8.2 The identification of risk may raise the question not to pursue a course of action. If this decision is made, it must be clearly documented.

8.3 The identification of risk may raise a success or positive learning point. This should be communicated to those who may benefit.

**9. Risk registers**

9.1 All risks will be recorded in either a Divisional Risk Register or a Corporate Risk register.

9.2 A risk register will record:

- Risks identified - to an objective, including a reference code and specified using “if...& then...”;
- Original risk assessment and score based on impact and likelihood;
- Risk owner;
- Date raised;
- Control applied;
- Actions to control the risk;
- The officer responsible for the action;
- An indication as to whether the mitigating actions are on target
- The action status including progress notes;
- Current risk assessment and score once the action has been implemented.
- The date the risk was last reviewed

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**9.3 Confidential Risk**

**9.4** The Corporate Risk Register is a public document and is reported to Cabinet, Overview and Scrutiny and Audit Committees. These reports may contain risks that contain confidential information and have been determined as being an "exempt item" under Schedule 12A of the Local Government Act 1972.

**9.5** All corporate confidential risks will be recorded in the normal way but they will be redacted as appropriate to ensure compliance with data protection requirements and preserve confidentiality for any other appropriate reason such as commercial sensitivity or legal privilege.

**9.6** Advice on the wording and inclusion of any confidential risks within the Corporate Risk Register must be sought from One Legal.

**9.7** The Senior Leadership Team may decide that they require additional assurance in respect of a particular confidential risk because it is not in the public domain, in which case it can be referred to the Corporate Governance group. Where they are referred they will be discussed with the risk owner and the outcome referred back to the SLT.

**9.8** A process chart relating to the management of confidential risks is available on the Intranets Risk Management page.

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## Part 3 - Roles and Responsibilities

Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management.

### 10. Elected members

**10.1** All elected members have risk management responsibility; they should promote the desired culture essential for successful risk management, acknowledging risk management as a strategic and operational tool to further the council's objectives. All should feel secure that, by identifying risk in their area, they are doing so within a corporate framework that is robust and easily understood.

**10.2** The risk assessment included in all reports, that require a decision, that are brought to council, cabinet and committees should be used to inform decision making and should be revisited to ensure the risks are being managed.

**10.3** They will also participate in training workshops to maintain an up-to-date understanding of how CBC manages risk.

#### 10.4 Audit Committee

**10.5** Audit Committee will endorse the council's corporate risk management policy, and at least annually, monitor and review the effectiveness of risk management systems and its contribution to corporate governance arrangements.

**10.6** Audit Committee will also seek assurance from the internal audit team that risks are being managed in an appropriate manner and by the terms of this policy.

#### 10.7 Economy & Business Improvement Overview & Scrutiny Committee

**10.8** Economy & Business Improvement Overview & Scrutiny Committee will monitor the corporate risk register quarterly when reviewing the council's performance to ensure that a control has been identified and that effective action is being taken and is being used to inform service delivery and improvement.

**10.9 Cabinet and council**

- 10.10 The Cabinet will approve the Risk management policy.
- 10.11 Cabinet and Council, as decision-making bodies, will be made aware of risks associated with any decision taken to them. They will have the responsibility to ensure that any risks to a report or project they sign off are managed and should request a revision of previously identified risks as and when necessary.
- 10.12 The Corporate Risk Register will be reported to Cabinet on a quarterly basis so that they can monitor the progress of mitigating action.
- 10.13 The Leader has risk management identified as part of their portfolio. They will have responsibility to ensure that their cabinet colleagues consider risk when setting policy and making decisions. These risks should be revisited to identify how they are being managed.
- 10.14 Individual cabinet members should seek assurance that the risk management process is being met in reference to their respective portfolios through discussions with Directors.

**10.15 The Corporate Governance Group**

- 10.16 The Corporate governance Group are consulted on proposed amendments to the Risk management policy and the Corporate Risk Register.

10.17 The Senior Leadership Team can request that the CGG review and challenge any risk or group of risks to ensure that they are being recorded, scored and monitored correctly. This additional review process which can be found on the intranet relates to confidential risks and is designed to provide additional assurance to SLT and the risk owners that they are being managed correctly.

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**11. Officer responsibilities**

- 11.1 The **Chief Executive** and **Executive Board** have strategic responsibility for the risk management policy and collectively oversee the council's effective management of risk. In their role as 'coach', they will advise and support senior managers to ensure that risk is managed consistently and in line with this policy.
- 11.2 The Executive Board are responsible for setting tolerance levels. The risk owner is empowered by Executive Board to make decisions about the control of the risk, depending on the risk score and what tolerance area it falls within.
- 11.3 They will consider corporate risk as part of developing and implementing the council business plan and corporate strategies, projects and programmes.
- 11.4 The **Senior Leadership Team** are collectively responsible for overseeing the risks recorded on the Corporate Risk Register
- 11.5 **Directors** are responsible for managing risks to the delivery of the objectives of their own division, jointly with their service managers. These risks will be managed in accordance with this policy, using the risk register template attached.
- 11.6 The **Director of Resources** is responsible for minimising the overall cost of insurance claims which do arise and supporting the risk management programme by supplying any advice and data to the Board.
- 11.7 The **Director of Resources** is responsible for monitoring the implementation and effectiveness of this risk management policy and for reviewing compliance with controls introduced by all other directors to collectively manage risks through the Senior Management Team. Any responsibilities delegated to internal audit will be covered in the annual internal audit programme.

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11.8 The **Audit Partnership Manager** is responsible for ensuring that where corporate risks are identified in the Annual Audit Plan they are cross referenced to the Corporate Risk Register.

## 12. Service managers

12.1 **Service managers** are responsible for identifying and managing risks to the objectives of their service team in line with this policy. The council encourages managers to identify, understand and manage risk, and learn how to accept risk within the applicable tolerance level.

12.2 They should ensure that their teams carry out risk assessment, where appropriate, as a routine part of service planning and project management, including reporting to members.

## 13. All council employees

13.1 The identification of risk relies on input from teams and individuals.

13.2 A 'Risk Owner' is the owner of a risk and will manage that risk accordingly. This will involve maintaining awareness of how control actions are progressing.

13.3 All actions identified to control a risk will be assigned to an individual officer who will be called the action 'Responsible Officer'.



# Part 4 – Scorecards & Register Template

## 14. Impact scorecard

Effect	Risk Category	Impacts	Impact		
Negligible	Financial Employee Capacity VFM H&S and wellbeing Business continuity Contractual Governance Reputation Customer satisfaction Governance Performance forecasting Corporate Strategy	Financial risk (<£100k Capital) or (Revenue <£50k p.a.) Define the value and in relation to revenue the commitment period within risk description Low morale is contained within team and managed. Short term capacity affecting service delivery (define term within risk description) Minimal negative impact on value for money. Risk to personal health & safety and general wellbeing Brief interruption of non-core service provision. Minor breakdown of shared services or contracts. No media coverage/minor complaints. Minimal impact on delivering customer needs. Poor governance but zero impact on outcomes. Targets are missed but only marginally with no impact on other targets or objectives. Partial failure to deliver corporate action (quantify what is meant by partial failure in risk description)	1 1 1 1 1 1 1 1 1 1		
	Low	Finance Employee Capacity VFM H&S and wellbeing Business Continuity Contractual Governance Reputation Customer satisfaction Governance Performance Forecasting Corporate Strategy	Financial risk (£100K to £250K Capital) or (Revenue £50k to £100k p.a.) Define the value and in relation to revenue the commitment period within risk description. Some hostility from staff and minor non-cooperation. Medium term capacity issue affecting service provision (define term with risk description) Some negative impact on value for money. Risk to personal health & safety may result in broken bones and short term illness. Slightly reduced service provision with marginal disruption. Some breakdown of joint services or contracts with disruption to progress. Adverse local media/negative local opinion/formal complaints. Some customer needs or expectations may not be met either in time or quality. Governance has been missed/misunderstood/not up-to-date with marginal impact on improvement. Targets are missed with marginal impact on other targets or objectives and resources. Failure in delivering corporate action (quantify what is meant by marginal failure in risk description)	2 2 2 2 2 2 2 2 2 2	
		Marginal	Finance Employee Capacity VFM H&S and wellbeing Business continuity Contractual Governance Reputation	Financial risk (>£250k to £1m Capital) or (Revenue £100k to £250 k p.a.) Define the value and in relation to revenue the commitment period within risk description Industrial action in the short term/staff leaving. Long term capacity issues affecting service (define term within risk description) Severe negative impact on value for money inc. Risk to reputation & external intervention. Risk to personal health & safety includes sustained or major illness of 1 or more people. Service suspended in short term with noticeable disruption. Collapse of at least one aspect of joint service or contract with significant disruption or temporary suspended service. Adverse local & national media/member/senior staff position threatened.	3 3 3 3 3 3 3 3

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3	Customer satisfaction Governance Performance Forecasting Corporate Strategy	Key customer needs or expectations may not be significantly met either in time or quality. Governance arrangements have failed with some reputation/legal implication and cost to recover. Targets are missed with significant reputation/legal implication and cost to recover. Significant Failure in delivering corporate action (quantity what is meant by significant failure in risk description)	Formatted
4	Finance Employee Capacity VFM H&S and wellbeing Business Continuity Contractual Governance Reputation Customer satisfaction Governance Performance Forecasting Corporate Strategy	Financial risk (>£1m to £2m Capital) or (Revenue £250k to £500k p.a.) Define the value and in relation to revenue the commitment period within risk description Prolonged industrial action. Significant Long term capacity affecting service delivery/reputation. (define term within risk description). Failure to provide value for money with major risk to reputation & external intervention. Risk to personal health & safety includes loss of life/large scale illness. Priority 1 and Priority 2. ICT systems suspended for long term with major disruption. Joint service or contract delivery fails, is suspended long term or is a non-starter with major disruption. Situation is remembered for years/members and/or senior staff resign/media coverage. Failure to meet regulatory standard resulting in loss/fine Customer needs or expectations are not met. Governance arrangements have failed with major reputation/legal implication and cost to recover. Targets missed continuously/data is unreliable, major impact on reputation/legal implication and cost to recover. Total Failure in delivering corporate action (quantity what is meant by total failure in risk description)	Formatted: Font: Bold
5	Business H&S and wellbeing Business Continuity Contractual Governance Corporate Strategy	Risk to personal health & safety includes possibility of serious injuries and illness Total loss of ICT systems and other key assets Joint service or contract delivery fails & suspended long term or is a non-starter with major disruption resulting in significant loss of jobs/reputation and finance Total failure in delivering corporate action (quantity what is meant by total failure in risk description)	Formatted: Font: Bold

### 15. Likelihood scorecard

Probability	Likelihood Description
0% - 5%	Almost impossible
5% - 15%	Very low
15% - 30%	Low
30% - 60%	Significant
60% - 90%	High
> 90%	Very high

### 3.1 The risk score is the multiplication of impact and likelihood.

Code	Risk score	Risk Management view
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25 - 30	<u>Must be managed by SLT to reduce risk scores as soon as possible, or agree a contingency plan</u>
Amber 16 - 24	<u>Must be managed down to reduce risk scores as soon as possible, or agree a contingency plan and escalated to SLT for consideration</u>
Green 7 - 15	<u>Seek to improve the risk score in the short/medium term or develop a contingency plan</u>
0 - 6	<u>Tolerate and monitor within the division</u>

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## Further information

This policy and process document, the full impact scorecard and registers are all available via the Intranet.

The scale increases as the type worsens; e.g. 0-10% impact on budget = score 1 / >90% impact = score 4:

<i>Type of impact</i>	
Cost	% of budget; % resource cost; Value for money; Cost of legal action, Personal health & safety, Morale.
Quality	Interruption of service provision; Negative assessments/intervention from Government; Breakdown of joint working.
Outcomes	Reputation (media coverage & complaints); Missed targets; Poor governance; Impact on delivering customer needs.
Time	Schedule slippage; Capacity; Staff time

Risk Category	Impacts	Impact	Score
Resources	<10% financial cost impact due to legal issues,	1	1
Resources	<10% of objective's budget,	1	1
Resources	<10% resource cost,	1	1
Resources	Low morale is contained within team and managed.	1	1
Resources	Minimal negative impact on value for money,	1	1
Resources	Risk to personal health & safety is no more serious than a sticking plaster,	1	1
Quality	Brief interruption of non-core service provision,	1	1
Quality	Minor breakdown of joint services or contracts.	1	1
Quality	Negative assessments that do not impact on overall outcome,	1	1
Outcomes	Minimal impact on delivering customer needs.	1	1
Outcomes	No media coverage/minor complaints,	1	1
Outcomes	Poor governance but zero impact on outcomes,	1	1
Outcomes	Targets are missed but only marginally with no impact on other targets or objectives.	1	1
Time	10% or less reduction in capacity with minimal impact on overall outcomes,	1	1
Time	<10% delay in schedule with no impact on other targets,	1	1
Time	<10% staff time with minimal impact on service delivery,	1	1

Risk Category	Impacts	Impact	Score
Resources	11-30% financial cost impact due to legal issues,	2	2
Resources	11-30% of objective's budget,	2	2
Resources	11-30% resource cost,	2	2
Resources	Risk to personal health & safety may result in broken bones/illness,	2	2
Resources	Some hostility from staff and minor non-cooperation.	2	2
Resources	Some negative impact on value for money,	2	2
Quality	Poor assessments with marginal impact on overall outcome,	2	2

Quality	Slightly reduced service provision with marginal disruption,	2	2
Quality	Some breakdown of joint services or contracts with disruption to progress,	2	2
Outcomes	Adverse local media/negative local opinion/formal complaints,	2	2
Outcomes	Governance has been missed/misunderstood/not up-to-date with marginal impact on improvement,	2	2
Outcomes	Some customer needs or expectations may not be met either in time or quality.	2	2
Outcomes	Targets are missed with marginal impact on other targets or objectives and resources,	2	2
Time	11-30% delay in schedule with marginal impact on other targets,	2	2
Time	11-30% reduction in capacity with some disruption to overall outcomes,	2	2
Time	11-30% staff time with marginal impact on service delivery,	2	2

Risk Category	Impacts	Impact	Score
Resources	31-60% financial cost impact due to legal issues,	3	3
Resources	31-60% of budget,	3	3
Resources	31-60% resource cost,	3	3
Resources	Industrial action in the short term/staff leaving.	3	3
Resources	Risk to personal health & safety includes sustained or major illness of 1 or more people,	3	3
Resources	Severe negative impact on value for money inc. risk to reputation & external intervention,	3	3
Quality	Collapse of at least one aspect of joint service or contract with significant disruption or temporary suspended service.	3	3
Quality	Negative assessment require temporary intervention into service service/qualified audit opinions,	3	3
Quality	Service suspended in short term with noticeable disruption,	3	3
Outcomes	Adverse local & national media/member's/senior staff position threatened,	3	3
Outcomes	Governance arrangements have failed with some reputation/legal implication and cost to recover	3	3
Outcomes	Key customer needs or expectations may not be significantly met either in time or quality.	3	3
Outcomes	Targets are missed with significant reputation/legal implication and cost to recover,	3	3
Time	31-60% delay in schedule with significant impact on other targets,	3	3
Time	31-60% reduction in capacity with temporary suspension of services or questionable to proceed,	3	3
Time	31-60% staff time with significant impact on service delivery.	3	3

Risk Category	Impacts	Impact	Score
Resources	61-100% financial cost impact due to legal issues,	4	4
Resources	61-100% of budget,	4	4
Resources	61-100% resource cost,	4	4
Resources	Failure to provide value for money with major risk to reputation & external intervention,	4	4
Resources	Prolonged industrial action.	4	4
Resources	Risk to personal health & safety includes loss of life/large scale illness,	4	4
Quality	Joint service or contract delivery fails, is suspended long term or is a non-starter with major disruption.	4	4
Quality	Negative assessment require long term and high level intervention into service,	4	4
Quality	Service suspended for long term with major disruption,	4	4
Outcomes	Customer needs or expectations are not met.	4	4
Outcomes	Governance arrangements have failed with major reputation/legal implication and cost to recover,	4	4
Outcomes	Situation is remembered for years/members and/or senior staff resign,	4	4
Outcomes	Targets are missed continuously/data is unreliable; major impact on reputation/legal implication and cost to recover,	4	4
Time	61-100% delay in schedule with cancellation of other targets,	4	4
Time	61-100% reduction in capacity with long term suspension or cancellation of services,	4	4
Time	61-100% staff time with major delay or cancellation of other activities.	4	4

<i>Code</i>	<i>Risk score</i>	<i>Risk Management view</i>
Red	16 – 24	Must be managed down to reduce risk scores as soon as possible, or agree a contingency plan
Amber	7 – 15	Seek to improve the risk score in the short/medium term or develop a contingency plan
Green	0 – 6	Tolerate and monitor within the division

## Risk Scorecard - Impact and Likelihood

Effect	Risk Category	Impacts	score
Negligible	Finance Employee Capacity VFM H&S and wellbeing Business continuity Contractual Governance Reputation Customer satisfaction Governance Performance forecasting Corporate Strategy	Financial risk (<£100k Capital) or (Revenue <£50k p.a.) Define the value and in relation to revenue the commitment period within risk description Low morale is contained within team and managed. Short term capacity affecting service delivery (define term within risk description) Minimal negative impact on value for money. Risk to personal health & safety and general wellbeing Brief interruption of non-core service provision, Minor breakdown of shared services or contracts. No media coverage/minor complaints. Minimal impact on delivering customer needs. Poor governance but zero impact on outcomes. Targets are missed but only marginally with no impact on other targets or objectives. Partial failure to deliver corporate action (quantify what is meant by partial failure in risk description)	1 1 1 1 1 1 1 1 1 1 1
Low	Finance Employee Capacity VFM H&S and wellbeing Business Continuity Contractual Governance Reputation Customer satisfaction Governance Performance Forecasting Corporate Strategy	Financial risk (£100K to £250K Capital) or (Revenue £50k to £100k p.a.) Define the value and in relation to revenue the commitment period within risk description. Some hostility from staff and minor non-cooperation. Medium term capacity issue effecting service provision (define term with risk description) Some negative impact on value for money. Risk to personal health & safety may result in broken bones and short term illness, Slightly reduced service provision with marginal disruption, Some breakdown of joint services or contracts with disruption to progress, Adverse local media/negative local opinion/formal complaints, Some customer needs or expectations may not be met either in time or quality. Governance has been missed/misunderstood/not up-to-date with marginal impact on improvement. Targets are missed with marginal impact on other targets or objectives and resources, Failure in delivering corporate action (quantify what is meant by marginal failure in risk description)	2 2 2 2 2 2 2 2 2 2 2
Moderate	Finance Employee Capacity VFM H&S and wellbeing Business continuity Contractual Governance Reputation Customer satisfaction Governance Performance Forecasting Corporate Strategy	Financial risk (>£250k to £1m Capital) or (Revenue £100k to £250 k p.a.) Define the value and in relation to revenue the commitment period within risk description Industrial action in the short term/staff leaving. Long term capacity issues effecting service (define term within risk description) Severe negative impact on value for money inc. Risk to reputation & external intervention, Risk to personal health & safety includes sustained or major illness of 1 or more people, Service suspended in short term with noticeable disruption, Collapse of at least one aspect of joint service or contract with significant disruption or temporary suspended service. Adverse local & national media/member/senior staff position threatened, Key customer needs or expectations may not be significantly met either in time or quality. Governance arrangements have failed with some reputation/legal implication and cost to recover Targets are missed with significant reputation/legal implication and cost to recover, Significant Failure in delivering corporate action (quantify what is meant by significant failure in risk description)	3 3 3 3 3 3 3 3 3 3 3
Major	Finance Employee Capacity VFM H&S and wellbeing Business Continuity Contractual Governance Reputation Customer satisfaction Governance Performance Forecasting Corporate Strategy	Financial risk (>£1m to £2m Capital) or (Revenue £250k to £500k p.a.) Define the value and in relation to revenue the commitment period within risk description Prolonged industrial action. Significant Long term capacity effecting service delivery/reputation (define term within risk description) Failure to provide value for money with major risk to reputation & external intervention, Risk to personal health & safety includes loss of life/large scale illness, Priority 1. and Priority 2 ICT systems suspended for long term with major disruption, Joint service or contract delivery fails, is suspended long term or is a non-starter with major disruption. Situation is remembered for years/members and/or senior staff resign/media coverage, Failure to meet regulatory standard resulting in loss/fine Customer needs or expectations are not met. Governance arrangements have failed with major reputation/legal implication and cost to recover, Targets missed continuously/data is unreliable; major impact on reputation/legal implication and cost to recover, Total Failure in delivering corporate action (quantify what is meant by total failure in risk description)	4 4 4 4 4 4 4 4 4 4 4
Critical	Finance H&S and wellbeing Business Continuity Contractual Governance Corporate Strategy	Financial risk (>£2m Capital) or (Revenue >£500k p.a.) The value and in relation to revenue the commitment period to be defined within risk description Risk to personal health & safety includes possibility of multiple fatalities or serious injuries and illness Total loss of ICT systems and other key assets Joint service or contract delivery fails, is suspended long term or is a non-starter with major disruption resulting in significant loss of jobs/ reputation and finance. Total Failure in delivering corporate action (quantify what is meant by total failure in risk description)	5 5 5 5

Risk Scorecard - Impact and Likelihood

**Likelihood scorecard**

How likely is it that the risk will occur? The likelihood of a risk is given a rating depending on how possible it is. This is 1-6 (6 being most likely). Use the second table below to identify the risks likelihood.

Probability	Likelihood Description	Likelihood
0% - 5%	Almost impossible	1
5% - 15%	Very low	2
15% - 30%	Low	3
30% - 60%	Moderate	4
60% - 90%	High	5
> 90%	Very high	6

**Risk Management scoring is impact multiplied by likelihood**

Code	Risk score	Risk Management view
Red	25 - 30	Must be managed by SLT to reduce risk scores as soon as possible, or agree a contingency plan
Amber	16 - 24	Must be managed down to reduce risk scores as soon as possible, or agree a contingency plan and escalated to SLT for consideration
Green	7 - 15	Seek to improve the risk score in the short/medium term or develop a contingency plan
Green	0 - 6	Tolerate and monitor within the division

**Cheltenham Borough Council  
Audit Committee – 21 March 2012**

**Revised Code of Corporate Governance**

<b>Accountable member</b>	<b>Councillor Steve Jordan, Leader of the Council</b>
<b>Accountable officer</b>	<b>Director of Resources, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Economy and Business Improvement</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The Council has approved a Code of Corporate Governance (the Code) that is based upon a SOLACE and CIPFA model and there is a requirement to review the Code annually to ensure that it remains up to date and relevant. This year the review has taken place alongside the work that has been undertaken to review the Constitution.</p> <p>The key changes ensure that;</p> <ul style="list-style-type: none"> <li>- it reflects the work of the council in respect of commissioning</li> <li>- the deletion of appendices relating to policies so that they can be included separately as an appendix to the Constitution</li> </ul> <p>The Director of Resources will consider any recommendations from this committee and amend the Code accordingly before it is presented to council in March 2012. Following approval by Council the Code will become an appendix to the Constitution.</p>
<b>Recommendations</b>	<b>The committee consider the revised Code, suggest any further changes as appropriate and recommend it to council for approval.</b>

<b>Financial implications</b>	<p>Good corporate governance arrangements assist in protecting both the councils and taxpayer's assets from financial loss. The policy continues to demonstrate that the council ensures that this is an important principle is embedded in the organisation. There are no specific financial implications arising from this report.</p> <p><b>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<b>Legal implications</b>	<p>The Code is a transparent way of evidencing that the Council is committed to sound governance.</p> <p><b>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</b></p>

<b>HR implications (including learning and organisational development)</b>	There will need to be awareness among the relevant officers of the revised Code of Corporate Governance, (i.e. the key changes).  <b>Contact officer: Amanda Attfield,</b>  <b><i>amanda.attfield@cheltenham.gov.uk, 01242 4186</i></b>
<b>Key risks</b>	If the code of Corporate Governance is not updated and implemented then there is a risk that we will not meet policy and legislative requirements  If the Council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner  If the Council does not have an effective governance framework then there is an increased risk of error, fraud and corruption.
<b>Corporate and community plan Implications</b>	Effective corporate governance supports the councils Corporate Strategy, MTFS and partnership working arrangements.
<b>Environmental and climate change implications</b>	None

## 1. Background

- 1.1 The current Code of Corporate Governance was approved by the Audit Committee in January 2010 and by Council in the following March. It was reviewed by the Corporate Governance Group in March 2011 but there were no recommendations for it to be updated at that time. In-line with the policy requirements it was reviewed again in February 2012.
- 1.2 The recommendations from the KPMG Public Interest Report relating to governance have been fully implemented including a review of the Risk Management Policy and the Constitution.
- 1.3 The amendments to the Code include details of what key documents support it based upon the model CIPFA/SOLACE framework and removes appendices A and B that listed policies so that they can be referred to separately within the constitution

## 2. Reasons for recommendations

- 2.1 The council has adopted a commissioning approach to delivering its services which has led to the development of a Commissioning Protocol which describes the principles that govern the approach to commissioning and provides a description of the context in which commissioning is undertaken which is referenced within the Code.
- 2.2 The Audit Committee are also being asked to consider if there are any other further issues that it wishes officers to consider as part of the review so that they can ensure that it fully reflects the governance arrangements that are in place.

## 3. Alternative options considered

- 3.1 None

## 4. Consultation and feedback



4.1 Senior officers involved in the constitutional review and the development of commissioning have been consulted and their views have been fully reflected in the revisions made. The Corporate Governance Group and the Senior Leadership Team have also been consulted.

**5. Performance management – monitoring and review**

5.1 An Annual Governance Statement reflecting the effectiveness of the current governance arrangements as defined within the Code will be reported to the Audit Committee and to Council in June 2012.

<b>Report author</b>	<b>Bryan Parsons, Corporate governance, risk and compliance officer</b> <b>bryan.parsons@cheltenham.gov.uk,</b> <b>01242 264189</b>
<b>Appendices</b>	1. Report Risk Assessment 2. The draft Code of Corporate Governance
<b>Background information</b>	1. None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the code of Corporate Governance is not updated and implemented then there is a risk that we will not meet policy and legislative requirements.	Director Resources	21/03/2012	3	1	3	Reduce	Directors to ensure that any key internal policies are maintained and used in line with the constitution, Financial Rules and Legislation .	31/03/2013	Corporate Governance, Risk and Compliance officer	No
	If the council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.	Director Resources	21/03/2012	3	1	3	Reduce	Review and revise Code of Corporate Governance	01/04/2012	Corporate Governance, Risk and Compliance officer	No
	If the council does not have an effective Governance framework then there is an increased risk of error, fraud and corruption.	Director Resources	21/03/2012	3	1	3	Reduce	Revise assurance check lists to measure changes introduced through amendments to the	01/03/2013	Corporate Governance, Risk and Compliance officer	No

constitution and report within the 2012/13 annual governance statement

**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-4 (4 being the greatest impact)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6 (6 being most likely)

Impact Description	Impact score	Probability	Likelihood Description	Likelihood Score
Negligible	<u>1</u>	0% - 5%	Almost impossible	<u>1</u>
Marginal	<u>2</u>	5% - 15%	Very low	<u>2</u>
Major	<u>3</u>	15% - 30%	Low	<u>3</u>
Critical	<u>4</u>	30% - 60%	Significant	<u>4</u>
		60% - 90%	High	<u>5</u>
		> 90%	Very high	<u>6</u>

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# CHELTENHAM BOROUGH COUNCIL

## Code of Corporate Governance

### Audit Committee Approved Version

March 2012

#### 1. Introduction

1.1 Cheltenham Borough Council is committed to the principles of good corporate governance. The Council demonstrates many aspects of best practice which it aims to strengthen through the adoption of this Code.

1.2 Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.3 Governance comprises the systems and processes and the cultures and values by which organisations are directed and controlled. In the case of local government, this includes the way Councils account to and engage with and lead their communities.

1.4 Governance is also about having a system of Internal Controls that reflects an organisations ability to be flexible, confident, **and forward** thinking and capable of pro-actively re-acting to new challenges and risks.

1.5 The purpose of this code is to demonstrate that the Council is complying with the framework recommended by CIPFA/SOLACE. It identifies its key Internal policies and procedures that provide the Council with a framework to meet the 6 principles of good corporate governance:

. The core governance principles of the Council are:-

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1. focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. developing the capacity and capability of members and officers to be effective; and
6. engaging with local people and other stakeholders to ensure robust public accountability

## 2. Compliance with the Six Principles

### Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating an implementing a vision for the local area

To support the requirements of this principle the Council is committed to undertaking the following:-

In order to exercise strategic leadership the Council will:-	This will be achieved through:-
<ul style="list-style-type: none"> <li>• Develop and promote the authority's ambition, key priorities and values.</li> <li>• Review on a regular basis the authority's ambition for the local area and its impact on the authority's governance arrangements.</li> <li>• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.</li> <li>• Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>	<ul style="list-style-type: none"> <li>5 year Corporate Plan</li> <li>1 year Action Plan</li> <li>People and Organisation Development Strategy</li> <li>Consultation Strategy</li> <li>Community Access Strategy</li> <li>Annual Report</li> </ul>
In order to ensure users receive quality services, whether directly, in partnership or	This will be achieved through:-

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<p><b><u>by commissioning</u> the Council will:-</b></p> <ul style="list-style-type: none"> <li>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</li> <li>Put in place effective arrangements to identify and deal with failure in service delivery.</li> </ul>	<p>Corporate Strategy  <u>Commissioning Protocol</u>                  Effective performance management framework  <u>Meaningful performance targets</u>  <u>Appropriate governance frameworks i.e. Ltd company trust or mutual.</u>  <u>Effective client management arrangements</u></p>
<p><b>In order to ensure the Council makes best use of resources and that taxpayers and service users receive excellent value for money the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>
<ul style="list-style-type: none"> <li>Decide how value for money is to be measured and make sure that the authority or any partnership arrangements which the authority has made, has the information needed to review value for money and performance effectively.</li> <li>Measure the environmental impact of policies, plans and decisions.</li> </ul>	<p>Procurement Strategy                  Medium Term Financial Plan                  Environmental Management Strategy</p>

**Deleted:** Sustainable Community Strategy  
 Corporate Business Continuity Plans

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**Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles**

To support the requirements of this principle the Council is committed to undertaking the **following**:-

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<p><b>In order to ensure effective leadership throughout the organisation the Council will:</b></p>	<ul style="list-style-type: none"> <li>• Set out a clear statement of the respective roles and responsibilities of Members both in terms of committee and individual responsibilities and the authority's approach towards putting this into practice.</li> <li>• Set out a clear statement of the respective roles and responsibilities of senior officers.</li> <li>• Establish clear roles and responsibilities for the Scrutiny Committee</li> </ul>	<p><b>This will be achieved through:-</b></p>
<p>Local Code of Conduct for Members, Co-opted Members and Parish Council members Code of Conduct for Officers Constitution Terms of reference for Committee Protocol for Member/Officer Relations People and Organisation Development Strategy <a href="#">Commissioning Protocol</a></p>	<p><b>This will be achieved through:-</b></p>	
<p><b>In order to ensure a constructive working relationship exists between members and officers the Council will: -</b></p>		



<ul style="list-style-type: none"> <li>• Develop effective and clear Member/officer protocols.</li> <li>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.</li> <li>• <b>Make the Chief Executive responsible and accountable to the authority for operational management in his role as Head of Paid Service.</b></li> <li>• Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</li> <li>• Make the Section 151 Officer responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</li> <li>• Make the Monitoring Officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable <b>UK and EU</b> statutes, regulations are complied with.</li> </ul>	<p>Member/Officer Protocol Scheme of Delegation to Officers</p> <p>Constitution</p> <p><u>Constitution</u></p> <p><u>Constitution</u></p>
<p><b>In order to ensure its relationships with its partners and public are clear, the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>

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<ul style="list-style-type: none"> <li>• Develop protocols to ensure effective communication between members and officers in their respective roles.</li> <li>• Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective job evaluation process for officers' remuneration and a remuneration panel for members.</li> <li>• <u>Ensure that effective mechanisms exist to monitor service delivery.</u></li> <li>• Ensure that its ambition, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</li> <li>• When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</li> </ul>	<p>Member/Officer Protocol</p> <p>Members Allowances Scheme</p> <p>Terms and Conditions of Employment for employees</p> <p>Pay and grading framework</p> <p>Performance Appraisal process for staff</p> <p>Disciplinary and Grievance Procedures</p> <p>Performance Management Framework</p> <p>Consultation Strategy</p> <p>Local Development Framework</p> <p>Debt Management Policy (being drafted)</p> <p>HB/CTB Overpayments policy</p> <p><u>Commissioning Protocol</u></p>
<ul style="list-style-type: none"> <li>• When working in partnership:             <ul style="list-style-type: none"> <li>- ensure that there is clarity about the legal status of the partnership</li> <li>- ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</li> </ul> </li> </ul>	<p><u>Commissioning Protocol</u></p>

**Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

To support the requirements of this principle the Council is committed to undertaking the following:-

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<p><b>In order to ensure members and officers exemplify good standards of conduct the Council will:-</b></p>	<ul style="list-style-type: none"> <li>• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> <li>• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> <li>• Put in place arrangements to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>	
	<p>Anti-Fraud and Corruption Strategy                  Whistle-Blowing Policy                  Staff Satisfaction Surveys                  Local Code of Conduct for Members                  Code of Conduct for Officers                  Register of Member Interests and Gifts and Hospitality                  Declaration of Members interests publish on the internet                  Registers of Officers Interests and Gifts and Hospitality                  Equality Policy                  Safeguarding children and vulnerable people policy</p>	
<p><b>In order to ensure organisational values are put into practice the Council will:-</b></p>		

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<ul style="list-style-type: none"> <li>Develop and maintain, <u>articulate and communicate corporate and leadership values</u>, both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.</li> <li>Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</li> <li>Develop and maintain an effective standards committee.</li> </ul>	<p>Corporate values</p> <p>5 year Corporate Plan</p> <p>Annual Action Plan</p> <p>Constitution</p> <p>Terms of Reference of the Standards Committee</p> <p>People and Organisation Development Strategy</p> <p>Organisational competencies</p>
<ul style="list-style-type: none"> <li>Use its <u>corporate values</u> to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.</li> <li>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</li> </ul>	<p><u>Corporate values</u></p> <p><u>Commissioning Protocol</u></p>

**Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In being rigorous and transparent about how decisions are taken the Council will:-</p>	<p>This will be achieved through:-</p>
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<ul style="list-style-type: none"> <li>• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and the performance of any organisation which it scrutinises</li> <li>• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> <li>• Put in place arrangements to safeguard members and staff against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</li> <li>• Develop and maintain an effective Scrutiny Committee</li> <li>• Put in place effective transparent and accessible arrangements for dealing with complaints</li> </ul>	<p>Agendas and Minutes Access to Information Procedure Rules ICT Strategy Registers of Members Interests and Gifts and Hospitality Registers of Officers Interests and Gifts and Hospitality Complaints Procedures</p>
<ul style="list-style-type: none"> <li>• Develop and maintain an effective Scrutiny Committee</li> <li>• Put in place effective transparent and accessible arrangements for dealing with complaints</li> </ul>	<p>Freedom of Information Terms of Committee Reference Overview and Scrutiny Procedure Rules</p>
<p><b>In order to ensure the Council has good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs, it will:-</b></p>	<p><b>This will be achieved through:-</b></p>

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<ul style="list-style-type: none"> <li>• Ensure that those making decisions whether for the authority or a partnership are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of technical issues and their implications.</li> <li>• Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</li> </ul>	<p>Committee reporting guidelines</p> <p><u>Consultation with finance, HR and legal built into report protocol and template</u></p>
<p><b>In order to ensure there is an effective system of risk management the Council will:-</b></p> <ul style="list-style-type: none"> <li>• Ensure that risk management is embedded into the culture of the organisation , with members and managers at all levels recognising that risk management is part of their job</li> <li>• Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.</li> </ul>	<p><b>This will be achieved through:-</b></p> <p>Risk Management Policy Business Continuity Strategy Anti- Fraud and Corruption Strategy Whistle-Blowing Policy</p>
<p><b>In order to use its legal powers for the full benefit of the community the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>

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<ul style="list-style-type: none"> <li>Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.</li> <li>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.</li> <li>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into its procedures and decision making processes.</li> </ul>	<p>Constitution</p> <p>5 year Corporate Plan</p> <p>Annual Action Plan</p> <p>Medium Term Financial Strategy</p> <p>Monitoring Officer Protocol</p>
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**Principle 5 - Developing the capacity and capability of members and officers to be effective**

To support the requirements of this principle the Council is committed to undertaking the following:-

<p><b>In order to make sure members and officers have the necessary skills and resources the Council will:-</b></p> <ul style="list-style-type: none"> <li>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</li> <li>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.</li> </ul>	<p><b>This will be achieved through:-</b></p> <p>Members induction and training programme</p> <p>Corporate Appraisal scheme</p> <p>Personal Development Plans</p> <p>Annual Budget</p>
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<p><b>In order to develop the capability of people with governance responsibilities the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>
<ul style="list-style-type: none"> <li>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> <li>Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</li> <li>Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and agreeing an action plan which might for example aim to address any training or development needs</li> </ul>	<p><u>Commissioning Protocol</u></p> <p><u>Members induction and training programme</u></p> <p><u>Self assessments of committees effectiveness</u></p> <p>Performance Management Framework</p> <p><u>SLT monthly performance review</u></p> <p><u>Prince project methodology includes performance review</u></p> <p><u>Lessons learnt exercises carried out following significant projects</u></p>
<p><b>In order to encourage new members of the authority the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>

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- Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.
- Ensure that support is in place for members and officers to encourage participation and development.

Consultation Strategy

Elected Members development plan  
Briefing Seminars

**Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability**

To support the requirements of this principle the Council is committed to undertaking the following:-

<p><b>In order to exercise leadership through a robust scrutiny function the Council will:-</b></p> <ul style="list-style-type: none"> <li>• Make clear to all stakeholders and the community to whom it is accountable and for what.</li> <li>• Consider those institutional stakeholders to whom it is accountable and assess the effectiveness of the relationships and any changes required.</li> <li>• Produce an annual report on scrutiny function activity.</li> </ul>	<p><b>This will be achieved through:-</b></p> <p>Constitution Complaints Procedures Freedom of Information requests Anti-Fraud and Anti-Corruption Policy Whistle-Blowing Policy External and Internal Audit reports <u>Commissioning Protocol</u></p>
<p><b>In order to take an active approach to dialogue with accountability to the community, it will ensure effective and appropriate service delivery either directly by the council, in partnership or through commissioning by:-</b></p>	<p><b>This will be achieved through:-</b></p>

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<ul style="list-style-type: none"> <li>• Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.</li> <li>• Holding meetings in public unless there are good reasons for confidentiality.</li> <li>• Ensuring arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</li> <li>• Establishing a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result.</li> <li>• publishing an annual report giving information on the authority's ambition, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</li> <li>• Ensuring that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</li> </ul>	<p>Customer Services Strategy</p> <p>Access to Information Procedure Rules (FOI)</p> <p>Equality and Diversity</p> <ul style="list-style-type: none"> <li>- Equality and diversity policy</li> <li>- racial harassment policy</li> <li>- racist incidents reporting policy and procedure</li> <li>- disability policy</li> <li>- sexual harassment policy</li> </ul> <p><a href="#">Commissioning Protocol</a></p> <p>Annual Report</p> <p>ICT Strategy</p>
<p><b>In order to make best use of human resources the Council will:-</b></p>	<p><b>This will be achieved through:-</b></p>

Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	<p>A People and Organisational Development Strategy</p> <p>Policy for consultation on Health and Safety and welfare</p> <p>Joint consultative committee arrangements</p>
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### 3. Monitoring compliance with the framework

The Corporate Governance Group will in line with its terms of reference consider and monitor on a regular basis any issues placed on its significant issues action plan (SIAP) to strengthen the Council's governance arrangements. Progress against the SIAP will be monitored by the Corporate Governance Group and reported to Senior Leadership Team and the Audit committee which will assist in the completion of the Annual Governance Statement.

### 4. ANNUAL ASSURANCE ASSESSMENT

Although the review of the corporate governance arrangements will be an ongoing process, each year the Assistant Directors will be required to sign an Annual Governance Certificate assessing the effectiveness of their divisions corporate governance arrangements, the results of which will form the basis of the Annual Governance Statement along with other

The Annual Governance Statement will be agreed by the Audit Committee and then included in the Annual Report and Statement of Accounts to be agreed by full council.

The Annual Governance Statement will be informed by, and based upon the work undertaken by the Corporate Governance Group which is chaired by the Chief Executive, and attended by other senior officers including the Section 151 Officer, the Monitoring Officer and The Internal Audit manager.

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## Cheltenham Borough Council Audit Committee – 21 March 2012 Internal Audit Monitoring Report

<b>Accountable member</b>	<b>Cabinet member corporate services - Councillor Colin Hay</b>
<b>Accountable officer</b>	<b>Audit Partnership Manager – Robert Milford</b>
<b>Accountable scrutiny committee</b>	<b>Economy and business improvement</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The council must ensure that it has sound systems of internal control that facilitate the effective management of all the council's functions. The work delivered by AuditCotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report however is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on its content as necessary</b>

<b>Financial implications</b>	<p><i>There are no direct financial implications arising from this report.</i></p> <p><b>Contact officer: Mark Sheldon, Chief Finance Officer</b>  <b>mark.sheldon@cheltenham.gov.uk,</b>  <b>01242 264123</b></p>
<b>Legal implications</b>	<p><i>None specific arising from the report recommendation.</i></p> <p><b>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p><i>No additional HR implications arising from this report.</i></p> <p><b>Contact officer: Julie McCarthy, HR Operations Manager</b>  <b>julie.mccarthy@cheltenham.gov.uk,</b>  <b>01242 26 4355</b></p>

<p><b>Key risks</b></p>	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>
<p><b>Corporate and community plan Implications</b></p>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve 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.”</i> (Chartered Institute of Internal Auditing UK &amp; Ireland).</p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
<p><b>Environmental and climate change implications</b></p>	<p>One of the specialist skills now provided by the service is that of environmental auditing. This would therefore aid the Council in its environmental and climate change objectives.</p>

## 1. Background

- 1.1 The Annual Audit Plan was aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. At the time of preparing the 2011/12 plan, the Councils Corporate Strategy 2010-2015 was being reviewed and, as internal audit is there to help the organisation to achieve objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the recently prepared Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments.
- 1.2 There is also a requirement to support the work of the External Auditor (KPMG). This is in the form of financial audits governed by the Joint Working Agreement, and the governance audits to support such activities as Use of Resources.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

## 2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is now a partnership so coordinating resources across multiple organisations is critical to the success of the partnership.
- 2.4 This report highlights the work completed by internal audit and provides comment on the assurances provided by this work.

## 3. Internal Audit Output

- 3.1 The internal audit service commenced quarter 2 with reduced resources due to maternity leave. However there is still the expectancy to complete the audit plan 2011/12 as planned. The partnership made use of existing staff to cover the maternity issue by acting up one senior auditor to principal level and increasing the days available to another senior auditor.
- 3.2 Internal Audit has concluded the following audits in quarter 2 & 3 and commenced quarter 4 work:

Audit	Report status	Assurance
Risk Management	Final	Satisfactory

Governance Compliance (Register of Interests & Declaration of Gifts/Hospitality)	Final	Limited
Waste Management - Income	Final	Limited
Main Accounting Systems*	Final	High
Debtors	Final	High
Creditors	Final	Satisfactory
Payroll	Draft	
Council Tax & NNDR	Ongoing	
Housing Benefits	Ongoing	
<i>Information Security – H/Check</i>	Ongoing	
<i>Information Technology – H/Check</i>	Ongoing	

\*Main Accounting Systems include Bank Reconciliation, Budgetary Control, General Ledger and Treasury Management – these have been aligned to the GO programme's timetable for implementation

3.3 Further detail specific to each audit finalised is shown in **Appendix 1**.

3.4 AuditCotswolds has also undertaken the following:

- Audit support for the GO-Programme (see 3.5)
- Audit support for the Local Authority Company (see 3.6)
- Cheltenham Borough Homes – client (audit days delivered)
- Business Continuity Planning support/review
- Audit support for the Commissioning Programme
- Audit Support for the other key Change Programmes

3.5 GO Programme – Audit support at programme board level, independent assessment of gateway reviews and results, advice on the implementation projects including coordinating implementation



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audit support at Forest of Dean, monitoring of risk assessments and highlight reports, etc

- 3.6 Local Authority Company – Audit support at Project Board level, advice on project governance, risk management and gateway review systems, advice at implementation level projects, etc
- 3.7 Both of these projects are going to require internal audit services from 1<sup>st</sup> April 2012 and therefore some audit management time has been allotted to the development of new audit structures and plans for this provision.
- 3.8 The level of involvement the internal audit service has within the Cheltenham Borough Council change programmes is substantial but it is considered necessary when there is such a high level of risk with such significant changes being introduced.

<b>Report author</b>	<b>Robert Milford, Audit Partnership Manager, 01242 775174, Robert.milford@cheltenham.gov.uk</b>
<b>Appendices</b>	<b>1. Internal Audit Monitoring Report</b>

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## Appendix 1

## Internal Audit Monitoring Report

Audit	Report status	Assurance
Risk Management	Final	Satisfactory

The risk management process at Cheltenham Borough Council was reviewed to seek assurance that the identification, monitoring and reporting of risks are sound and that there is an effective process in place to ensure divisional risks can be escalated to corporate level for further actions.

The management of risk at corporate level has been greatly improved since the area was last reviewed in November 2009 and a 'satisfactory' audit opinion is now given.

A new Risk Management Policy was approved in April 2011 which clearly identifies the Council's approach to risk management, roles and responsibilities. Monthly reviewing of the Corporate Risk Register by the Senior Management Team was introduced in the autumn of 2010 as a standing item on the meeting agenda. Previously risk management was discussed on an ad hoc basis. This regular reviewing process and quarterly discussions, plus scrutiny by members, has contributed to increased awareness of risks facing CBC, and improved the focus on risk management activities.

We found limited evidence to support risk management activities at divisional level, although systems were in place to ensure emerging risks could be escalated to corporate level. The review found inconsistent use of terminology in divisional risk registers leading to risk scores being recorded differently. For example, some registers recorded 'original' risk scores and others recorded 'current' scores. If high scoring risks need to be escalated this inconsistent approach could lead to errors in transferring them to the Corporate Risk Register. Therefore a consistent approach should be adopted by the divisions which align to the corporate style.

The Council is increasing emphasis on the commissioning model to deliver services and so effective management of risk will become even more important. As a result, ongoing promotion of risk management is paramount to ensure the process is understood and effectively managed. Additionally, it will help to support the embedding of a risk enabled culture at all levels of the Council.

The KPMG Public Interest Report, dated 2 March 2010, recommended mandatory risk management training for Members and officers involved in risk management activities. The review found a basic e-learning module had been developed and launched in May 2011, which although ideal for new employees, does not give detailed guidance to officers and Members who have specific risk management responsibilities. Our review also found that some Members had not received this basic risk management training. Additional information to officers will hopefully be achieved through promotion as described above. We have recommended that the Corporate Governance, Risk & Compliance Officer pursues with Democratic

<p>Services for any additional Member training.</p> <p><b>Management Response:</b></p> <p>Report findings and recommendations agreed</p>		
<p>Governance Compliance (Register of Interests &amp; Declaration of Gifts / Hospitality)</p>	<p>Final</p>	<p>Limited</p>
<p>Members are required by Section 81 of Local Government Act 2000 and Cheltenham Borough Council Member Code of Conduct to maintain their part of the Register of Interests. This Register is held by Democratic Services and is available for public inspection. The Register of interests had been completed after the election in May 2010. There were no subsequent amendments to the register entries and no effective system in place to remind Members to update their forms in the event of any changes to their personal interests. During the review an email was sent asking Members to update their interests form. Whilst acknowledging that it is the Members responsibility to comply with the Code of Conduct, introducing a robust reminder system is good practice in ensuring Members responsibility to register interests are not over looked.</p> <p>Members' declarations of gifts and hospitality are also kept with the Register of Interests. There was an example of good practice where a member's declarations were made within 28 days of receipt of the hospitality; however there were several occasions where it was difficult to determine when the hospitality had been received and therefore whether the declaration had been made within 28 days as required by the Code of Conduct.</p> <p>The Councils Constitution stipulates that senior management are responsible for ensuring officers' declarations of interests, gifts and hospitality are approved and recorded. The review found there are varying degrees of control across the Council due to the lack of a corporate system. Human Resources are aware and accept that a corporate system must be implemented urgently for both declarations of interests and hospitality, and are working towards achieving this goal by the end of December 2011.</p> <p>The audit opinion therefore is a limited assurance as expected controls for officers' interests and hospitality are not in place and current processes are not robust enough to ensure the Members Register of Interests is effectively maintained or that declarations of hospitality are adequately recorded. Recommendations have been made and accepted which will improve the systems and controls. These changes will be followed-up in accordance with Audit Cotswolds protocol to ensure they have been implemented and result in the desired improvement.</p> <p><b>Management Response:</b></p> <p>Report findings and recommendations agreed</p>		

Waste Management - Income	Final	Limited
<p>The garden waste collection service makes a significant contribution to the recycling rate within the Borough. The Council has no statutory obligation to provide a free kerbside garden waste collection service and due to financial constraints can no longer provide the service free of charge</p> <p>A new chargeable service was therefore introduced from February 2011 for those residents who subscribed to the service by paying in advance for one year. For the duration of the subscription participants receive a brown wheeled bin for garden waste which is emptied fortnightly on the alternative week to the kerbside recycling box.</p> <p>Payment for the service is approaching the end of the first year and renewal procedures will shortly commence. The payment collection administration and customer services functions associated with the service are also to transfer from the Depot to the Municipal Offices before these procedures commence and in advance of Ubico Ltd being established from 1<sup>st</sup> April 2012.</p> <p>This review has therefore looked at current arrangements to ensure they are fit for purpose and that appropriate control arrangements are in place to ensure efficient delivery of the service.</p> <p>Current systems are based on the sharing of an in-house produced database from Tewkesbury but this arrangement, because of Data Protection issues and the decision by Tewkesbury not to sign up initially to Ubico Ltd, now has to change. The review has therefore also briefly looked at current and future proposals for system software to manage the scheme.</p> <p>Looking forward, the need to ensure suitable arrangements are in place to define roles and ensure proper links are maintained between payment administration, the collection service and customer services has also been considered.</p> <p>The review has highlighted a number of points concerning current control arrangements relating to both income management and the stock of green waste bins at the Depot. These are currently unsatisfactory and fall well short of complying with the Financial Rules of the Council.</p> <p>Some issues also emerged in relation to the total accuracy of the existing database (e.g 'chargeable' addresses not having been recorded in the database where these differ from 'bin' addresses; some duplication of entries in the database) which will cause difficulties in the renewal process if not corrected before renewals commence. Current availability of management reports from the database is also limited.</p> <p>Further discussion needs to take place on the detail of how tasks involved in day to day operation of the service are to be undertaken and the respective roles between customer services and operational staff at the depot. This is urgent and meetings are already taking place between relevant staff at the Depot and Municipal Offices. Staff now need to action this as a priority. The point is recognised in the Operations</p>		

Division risk register with a specific risk identified as high.

A number of initiatives are under consideration to develop the service and improve take up. These include alternatives to the brown bins for some roads (e.g. where terraced housing/narrow streets makes it difficult for residents to have bins); charging concessions; direct debit payments; future software developments (in conjunction with Cotswold District Council when the Waste Company has been established). Senior Management must ensure that capacity is available to ensure proper consideration before introduction of those initiatives adopted. Current considerations include allowing payment to cover '13 months for the price of 12' but with a current February 'start' date and no accrual taking place this would create major issues for the annual budget in 2 or 3 years time if this concession were to be repeated in a subsequent year. The Director, Operations states that this will be a 'one off' offer only.

The Council's fees and charges policy requires an annual review of charges to be undertaken. A report, part of which relates to this, will be going to Cabinet in December.

A number of potential risks have therefore been highlighted during the review and, pending action and clarification of these, the opinion rating arising from the audit is limited.

**Management Response:**

Report findings and recommendations agreed

Core Financials	Final	High
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This review encompasses the core financial systems which are fundamental to the financial management of the Council. These are:-

- Treasury management
- Budgetary control
- General ledger
- Bank reconciliation

No key issues or recommendations arose from the review of treasury management procedures.

No key issues arose from the review of budgetary control procedures. One recommendation has been made in relation to the authorisation of completed virement forms.

No key issues arose from the review of general ledger control procedures. One recommendation has been made in relation to the documentation of manual

journals.

No key issues arose from the review of bank reconciliation control procedures. One recommendation has been made in relation to the guidance in the GO Financial Rules.

Conclusions from the review are that all systems are operating effectively and that sound control procedures are being maintained, but that major risks are identified for next year in relation to maintaining appropriate controls during the changes arising from introduction of the new general ledger and the transfer of staff under the GO programme.

**Management Response:**

We are moving into a period of significant change for both officers who will move into GO Shared Services and officers who will remain within the retained council. As a consequence it is recognised that ‘business as usual’ has slipped in some areas to help deal with the demands of implementing a new ERP system and the creation of a shared service.

This report clearly demonstrates that despite these conflicting pressures the service overall has maintained a ‘high’ assurance level for system control.

Financial rules have been re-written as a consequence of the move to a new system and shared service and these revised financial rules should help service managers to understand the level of virement that they can undertake. I have reminded officers within the service that a signature must be obtained for each virement as required by the financial rules. I can therefore endorse the recommendations made in this report and for them to be submitted to Audit Committee.

Debtors	Final	High
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The Sundry Debtors system along with the two officers who administer the system have successfully transferred to the Finance division, and processes and procedures were found to be working effectively. A proactive approach to debt recovery processes has been implemented to ensure minimum debt is transferred to ABW. Recommendations from the previous audit report have been actioned and testing confirmed all was satisfactory. A high audit opinion is given for operational activity within the Sundry Debtors function. No key issues arose; although, testing of processes in service areas evidences some weaknesses, which will hopefully be addressed by the implementation of ABW and the roll out of training for users.

**Management Response:**

Report findings and recommendations agreed

Creditor	Final	Satisfactory
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Processes and procedures have not changed for the Creditors system since the last audit report, although a temporary trainee officer has been appointed to assist in payment processing due to the Payments Manager’s increased involvement with

ABW. Testing found generally systems were sound and a satisfactory audit opinion is given. There was a concern with the processing of discounted invoices; a recommendation has been made and actioned. In addition a recommendation has been made in relation to duplicate payments.

**Management Response:**

Report findings and recommendations agreed

Payroll	Draft	
Council Tax & NNDR	Ongoing	
Housing Benefits	Ongoing	
Information Technology	Ongoing	
Information security	Ongoing	

**Follow-up of audit recommendations:**

The audits followed up and reported below were completed between December 2010 and June 2011. This time window is wider than normal but enables the process of reporting follow-up activity to Audit Committee to start with a complete coverage of the 2011/12 financial year audits reported to the committee.

**Debtors and Creditors**

These were both satisfactory audit opinions. Recommendations in respect of Debtors have been fully implemented. The Creditors review included two medium level recommendations which are expected to be completed in the next quarter as part of the GO implementation project, including the update of authorised signatory lists (an essential requirement for the set up of automated processes in the new ERP system) and the production of guidance notes for BAC's payments.

**Main Accounting System and Treasury Management**

There were no significant recommendations last year and no priority recommendations have arisen out of this year's audits of the current system.

**Cash Receipting**

This was a satisfactory assurance audit opinion last year. Recommendations concerning the update of procedures are being addressed as part of preparations for GO shared service implementation. One medium risk recommendation concerning unpaid card transactions has been implemented and no further issues arose during the 2011-12 audit.



## **Payroll**

Last year's limited assurance audit is currently being followed up and will include in the assurance opinion our comments on potential risks during the transition to the new ERP system planned for April 2012. We will update our audit opinion based on the results of 2011-12 testing and evaluation in January 2012.

## **Housing Benefits**

This was a satisfactory assurance audit opinion. There were four medium level recommendations. All proposed actions have been implemented apart from completing a review of team roles, planned for January 2012, which is intended to create more resilience in the service given the overall reduction in team resources.

## **Enforcement Team Review (street scene)**

This was a limited assurance audit opinion which resulted in a number of priority recommendations aimed at improving the performance, efficiency and financial control of the team. The management structure, procedural and performance issues identified in the report have been addressed. The option to introduce a GPS tracking system is being investigated to improve operational efficiency, control over expenses and to mitigate the risks of lone working. An improved manual system for scheduling and logging officers' movements is in place in the meantime.

## **Community Investment Grants**

This was a satisfactory assurance opinion report with three medium level recommendations concerning improvements in outcome based performance monitoring and the approach to determining the level of grant award. Performance monitoring routines are now properly established for each of the CIG recipients. The recent transfer of responsibility for CIGs to the Strategy and Engagement Manager and the continuing development of a corporate commissioning approach is helping to deliver an improved outcome based approach to contract management and a needs based decision making process for grant funded services.

## **Town Hall Box Office Review**

This review followed up control weaknesses identified as a result of a financial irregularity in 2010. There was a satisfactory assurance opinion and all the medium level recommendations have been addressed, partly through the implementation of the new Artifax event management system in early 2011. Also updates to box office procedures now ensure controls over refunds and other routine management reviews are in place.

## **Environmental and Sustainability Management**

This satisfactory assurance opinion audit will be followed up in January 2012 and will take full account of the planned establishment of the Local Authority Company in April 2012 and the influence of sustainability objectives in the council's commissioning structure and methodology.

*---end---*

**Cheltenham Borough Council  
Audit Committee – 21 March 2012  
Internal Audit Annual Plan**

<b>Accountable member</b>	<b>Cabinet member corporate services - Councillor Colin Hay</b>
<b>Accountable officer</b>	<b>Audit Partnership Manager – Robert Milford</b>
<b>Accountable scrutiny committee</b>	<b>Economy and business improvement</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	The Council must ensure that it has sound systems of internal control which facilitate effective management of all the Council's functions. The work planned by Audit Cotswolds, the Council's internal audit service, is one of the control assurance sources to the Audit Committee and Senior Leadership Team and which supports the work of the external auditor. The work is also a key component of the Council's governance framework and an assurance source supporting the Annual Governance Statement, which forms part of the statutory accounting standards.
<b>Recommendations</b>	<b>The Audit Committee approves the Internal Audit Plan for 2012/13</b>

<b>Financial implications</b>	There are no financial implications arising from this report.  <b>Contact officer: Mark Sheldon, Chief Finance Officer</b> <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a>  <b>01242 264123</b>
<b>Legal implications</b>	None specific arising from the report recommendation.  <b>Contact officer: Peter Lewis,</b> <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>  <b>01684 272012</b>
<b>HR implications (including learning and organisational development)</b>	No additional HR implications arising from this report.  <b>Contact officer: Julie McCarthy, HR Operations Manager</b> <a href="mailto:Julie.mccarthy@cheltenham.gov.uk">Julie.mccarthy@cheltenham.gov.uk</a>  <b>01242 264355</b>

<p><b>Key risks</b></p>	<p>The audit plan has been derived from consultation with the Senior Leadership Team and through the reference to relevant policy, strategy and protocol documents including the risk register. The plan is designed to capture key and emerging risks that this Council faces over the year and therefore the plan will remain as flexible as possible to ensure internal audit resources remain focused and valued.</p> <p>Internal audit activity is needed each year to satisfy assurance requirements. For example, internal audit review key financial systems annually because the external auditors rely on this in their own work on final accounts under the Joint Working Agreement. In addition, the requirement for the Council to review its system of internal control and governance procedures means that assurance is required on systems and procedures relating to the compilation of the Annual Governance Statement. If this work is not completed by the Internal Audit additional fees from external audit may be incurred.</p> <p>Furthermore Internal Audit is a statutory function under the Accounts and Audit (Amendment)(England) Regulations 2006, in that a relevant body must: "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control."</p> <p>The risk of failure to deliver core elements of the plan will be mitigated through the Partnership Board monitoring process. The representative from Cheltenham BC is Mark Sheldon (Director of Resources). The Partnership Board's terms of reference were noted by Audit Committee on the 30<sup>th</sup> September 2009. Furthermore Audit Committee will continue to receive quarterly reports through 2012/2013 from Internal Audit detailing the work undertaken in relation to the plan.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The delivery of an effective internal audit service supports the control arrangement across the Council's priority areas. This is identified in the audit plan.</p>
<p><b>Environmental and climate change implications</b></p>	<p>There are no direct environmental and climate change implications arising from this report.</p>

## 1. Background

- 1.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change. The development of the GO Shared Service (including the Enterprise Resource Planning [ERP] system) is the most significant change to the core financial management process and governance systems.
- 1.2 Therefore Audit Cotswolds as the Internal Audit provider needs to be responding to the changing environment and the areas where the organisation now requires assurances. This reinforces the requirement for Internal Audit to follow a more flexible and risk based plan.
- 1.3 It should also be recognised that the audit partnership has two further clients with Ubico and GO Shared Services; so coordinating resources across multiple organisations is critical to the success of the Audit Cotswolds partnership.

## 2. Annual Plan

- 2.1 The development of the annual plan has been aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. In preparing the 2012/13 internal audit plan, consideration has been given to the Councils Corporate Strategy as internal audit is there to help the organisation to achieve objectives; part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the Medium Term Financial Strategy and change programme agendas.
- 2.2 There is also a requirement to support the work of the External Auditor (KPMG). This is in the form of financial audits governed by the Joint Working Agreement, along with governance audits to support the External Auditors programme of work.
- 2.3 The core financial systems delivered to the Council by the GO shared service will be covered within the GO shared service audit plan. Audit Cotswolds will be delivering this plan which will provide;
  - assurance to the GO shared service management team over the controlled delivery of the service level agreements,
  - assurance to this Council over the delivery of its services, including its core financial systems,
  - the required support to the external auditor as outlined in the Joint Working Agreement.
- 2.4 The audit plan also needs to consider risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process.
- 2.5 The impact of changes to legislation on the Council, like the Localism Act and the current economic climate is expected to continue to impact on the work of audit as it seeks to support the Council through these challenging and changing times.
- 2.6 In-year processes:
- 2.7 The plan outlines a preferred programme of work which was developed through to early February before I unfortunately was taken sick. The final planned consultations have not been as comprehensive as I would have liked, but the plan is not 'set in stone'. The risk based theme and the assessments made at the planning stage may well differ during the year, and so these will be revisited in some detail during the first quarter. With this in mind I will rely on feedback from SLT,

the Programme / Project boards on new and evolving risk areas, and areas where the control environment will change as a result of changes in management arrangements, working practice and externally driven change. This is particularly relevant in 2012/2013 with the projects driven by the change programmes like Strategic Commissioning. Significant variance from the plan will be identified to Audit Committee through the quarterly monitoring reports.

### 2.8 Value for Money (VFM):

2.9 VFM is an important feature of internal audit work and exploring opportunities for improving VFM is a feature of all audits undertaken. Specific provision has been made in the plan to continue to provide input to the Council's 'Bridging the Gap' work streams and any other work linked to service reviews.

### 2.10 Audit partnership working (update):

2.11 During 2011/12 the partnership audit service with Cotswold District Council and West Oxfordshire District Council continued to develop and consolidate. The partnership ethos and culture evolved; new staff was appointed and existing staff continued to develop through internal and professional training. From 1 April 2012 the partnerships will be hosted by Cotswold DC under a Section 101 agreement.

2.12 The Director Resources continues to represent Cheltenham Borough Council on the Audit Partnership Board and the Audit Partnership Manager is now firmly established in the role of Head of Internal Audit for Cheltenham Borough Council. The quarterly reports to Audit Committee will continue to be used to assist the Audit Committee in the monitoring of the audit partnership and its activities.

2.13 Attachment A shows the annual audit plan for 2012/2013 and is broken down into two categories:

- Core Financial and Governance Audits (CFGAs)
- Risk Based Audits (RBAs)

2.14 The CFGA work is fundamental to the work requirements of the Joint Working Agreement with the External Auditor (KPMG) and, as such, this work must be delivered annually. The Governance work is key to supporting the organisation as a public body and the requirements of such reports as the Annual Governance Statement. RBA work is where flexibility is expected. Currently RBA reflects the key risks identified for 2012/2013, however, it will remain subject to review to ensure it continues to reflect the risk and enables assurances to be given over the controls in place to mitigate these risks. Finally, Health Checks days are available as part of a contingency for capturing short or responsive work by Internal Audit that does not necessarily go to the depth required to gain a formal opinion.

## 3. Possible changes to the Annual Audit Plan & Resources

3.1 There are no additional changes to report to the Audit Committee at this time. However, the Audit Committee will continue to receive a monitoring report that will notify the committee of any significant variance in resources or changes to the plan.

## 4. Conclusion

4.1 Audit Cotswolds has been established, to deliver the Internal Audit Service to its three core partners. The annual plan is to be delivered by the Audit Partnership to Cheltenham Borough Council.

## 5. Reasons for recommendations

5.1 Following CIPFA's guidance on Audit Committees the Committee this evening should "*formally approve (but not direct) the internal audit plan.*"

**6. Alternative options considered**

6.1 None Applicable

<b>Report author</b>	<b>Contact officer: Robert Milford, Audit Partnership Manager</b> <a href="mailto:Robert.milford@cheltenham.gov.uk"><u>Robert.milford@cheltenham.gov.uk</u></a>  <b>01242 774115</b>
<b>Appendices</b>	<b>A. Internal Audit Plan 2012-13</b>

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## Cheltenham BC Audit Committee

Type of Audit and Forecast Month	Core Governance & Financial Management Audits	Detail	Risk Based Audits	Detail
April	Governance Compliance	Review of section 5 of the Local Code of Corporate Governance	Single post service vulnerabilities	Identify single posts and assess the risks & controls ensuring service delivery
May	AGS review & Joint Core Strat	Review of AGS evidence & Joint Core Strategy review	Work force Capacity Management	Review of workfore capacity regarding shared services and commissioning
June	Performance Management	Review of data quality	Leisure @	Review of progress or change relating to commissioning
July	Risk Management	Testing of corporate and service risk controls as detailed on the registers	GO ICT Host CofE review	Review of the governance and performance
August	Change Programme	Review of change programme	The implementation of new legislation	Coverage of the localism act, the finance bill and benefits reform
September	Council Tax	Systems review	Commissioning	Review of the commissioning structure and governance
October	NNDR	Systems review	AG&M project	Review of the delivery of the AG&M project
November	Housing & CT Benefits	Systems review	CBH delivery of management agreement	Review of the monitoring of the CBH management agreement
December	Cash Receipting	Systems review with focus on GO interfaces	Service Governance Review (GO / Ubico)	Review of the practical workings of the governance arrangements
January	Capital Expenditure	Risk led testing of a capital project	Public Protection - Food Safety	Systems review
February	ICT review	Network review or shared service consultancy	Democratic Services	Review of systems focus on Members training
March	NFI	Audit support for NFI including Key Contact	Non - Ubico Services	Review of service changes and control after Ubico

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Item	Officer
<b>21 March 2012</b>	
<b>Chairs briefing:</b> 15 February 2012	<b>Compete reports by:</b> 09 March 2012
Annual audit letter 2010-11	KPMG
Audit Plan 2011-12	KPMG
Grant certification	KPMG
Corporate Risk Register Policy – annual update	Bryan Parsons
Code of Corporate Governance – annual review and approve	Bryan Parsons
Internal Audit monitoring report – standing item	Rob Milford
Annual Internal Audit Plan	Rob Milford
Corporate advertising and sponsorship (briefing note to be circulated with papers)	Nina Philippidis
Audit Committee self assessment (briefing to be circulated by email only)	Rob Milford
Corporate Governance Group – update (briefing to be circulated by email only)	Bryan Parsons
<b>20 June 2012</b>	
<b>Chairs briefing:</b> 17 May 2012	<b>Compete reports by:</b> 08 June 2012
New member training session	
Internal Audit monitoring report – standing item	Rob Milford
Annual Internal Audit Opinion for 2011/12	Rob Milford
Annual Governance Statement – approve	Bryan Parsons
Future external audit proposals – government response to consultation	Rob Milford
Interim report	KPMG
GO Shared Services – post implementation update	Tbc
Corporate Governance Group – update (briefing for information only)	Bryan Parsons
<b>19 September 2012 (tbc)</b>	

Audit Committee 2012-2013 work plan

Item	Officer
<b>Chairs briefing:</b>	<b>Complete reports by:</b>
Year end Audit Committee reporting	KPMG
<b>9 January 2013 (tbc)</b>	
<b>Chairs briefing:</b>	<b>Complete reports by:</b>
Annual Audit Letter 2011-12	KPMG
Financial Statements Audit Plan 2012-13	KPMG
<b>20 March 2013 (tbc)</b>	
<b>Chairs briefing:</b>	<b>Complete reports by:</b>
Certification of grants 2011-12	KPMG
<b>19 June 2013 (tbc)</b>	
<b>Chairs briefing:</b>	<b>Complete reports by:</b>
Annual Internal Audit report	Rob Milford
Interim Audit report 2012-13	KPMG
Audit fee letter 2012-13	KPMG
<b>Items to be added at a future date</b>	
Corporate Strategy 2012/13 – consideration of governance issue	Rob Milford
Joint training session with Cotswold and West Oxford councillors?	Rob Milford / Mark Sheldon

# ***Audit Committee Briefing Note***

**Author: Nina Philippidis**

**Date: 21<sup>st</sup> March 2012**

***Subject: Advertising & Sponsorship – Corporate Policy & Procedures***

## **Background**

At present, CBC has an ad hoc approach to sponsorship; a more structured, committed approach to the advertising and sponsorship of the council's assets has been identified as having potential to generate a new revenue stream, support the maintenance of existing assets and provide synergies between the council's corporate aims and objectives and the advertising needs of external organisations.

The lack of policy or strategy has resulted in their not being a joined up approach across the council to corporate sponsorship and advertising. This means opportunities could have been lost and income may not have been maximised.

## **Policy & Procedures**

To address this, with the backing of the Senior Leadership Team and sponsored by Grahame Lewis, an Advertising & Sponsorship task group has been established. The task group is attended by officers across the organisation so that full representation is achieved. The group has worked to develop a policy framework and procedure for a corporate approach to advertising & sponsorship. The draft policy and procedure will accompany a forthcoming Cabinet report.

The policy, procedure and report have been reviewed by Cllr John Rawson and will be presented to Cabinet for approval shortly.

## **Criteria for consideration of advertisers and sponsors**

An extract from the draft policy is shown below:

*"The council will not enter into agreements for sponsorship or advertisements from:*

- Organisations not complying with the council's Advertising policy or the Advertising Standards Authority Code of Practice*
- Organisations in financial or legal conflict with the council*
- Organisations with a political purpose, including pressure groups and trade unions*
- Organisations involved in the production and sale of weaponry including firearms*
- Organisations involved in the production of tobacco and cigarettes*
- Organisations involved in discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010 against people on the grounds of age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, sexual orientation, marriage and civil partnership.*

*The above list is not exhaustive, and the council retains the absolute right to decline sponsorship and/or advertising from any organisation, group or individual or in respect of particular products which the council in its sole discretion considers inappropriate."*

The list above allows for flexibility which the council needs if it is to secure preferred advertising and sponsorship arrangements, however takes account of organisations which would be considered inappropriate partners for the council.

## **Process**

The draft policy proposes a procedure for how applications for advertising and sponsorship should be dealt with in future; to provide guidance for officers, consistency for the council and a central point for co-ordination of all arrangements, which includes maintaining a central register of all arrangements.

An extract from the draft policy is shown below:

### Procedure

*"Before seeking advertising or sponsorship, officers must consider the council's Corporate Advertising and Sponsorship policy and consult with the officer responsible for advertising and sponsorship within the Commissioning Division.*

*Sponsorship bids above £30,000 must be approved by the Director of xxxx\* in association with the appropriate Cabinet Member, and all bids must comply at all times with the council's procurement policy, which may require the advertising of a sponsorship opportunity to potential sponsors.*

*All advertising and sponsorship opportunities will be progressed in accordance with the Development Control team and relevant planning legislation.*

*The council will maintain a central advertising and sponsorship register. The register will be controlled and maintained by the Commissioning Division. It will be the responsibility of the xxx\* Division to enter advertising and sponsorship opportunities and completed agreements on this register.*

*Sponsorship agreements must be referred to One Legal for review, prior to signing."*

### Approvals

*"Advertising and sponsorship valued at £1,000 or under (and relating to only one financial year or event) can be agreed by the relevant cost centre manager (unless there are any special circumstances which make a second authorisation desirable e.g. if the issue might be politically sensitive, or the sponsor has requested unusual conditions).*

*Advertising and sponsorship agreements for deals valued between £1,001 and £30,000 (or covering more than one financial year with an aggregate total of between £1,001 and £30,000) must be agreed and countersigned by the relevant Director. The relevant cabinet member should also be informed of all deals valued between £10,000 and £30,000.*

*Deals valued at over £30,000 should not be agreed without consultation with the relevant Cabinet member and should be signed by the relevant Director."*

## **Going Forward**

By establishing a task group, policy and procedure, and a central point for co-ordination of all arrangements, it is anticipated that the council will develop a corporate approach and a clear identity in terms of suitable partners for advertising and sponsorship opportunities, and maximise its revenue return.

By involving a cross-section of officers and establishing SLT and Cabinet buy-in to a policy and procedure, the risk of arrangements having a negative impact on other policies should be mitigated although this is flagged up in the risk register of the Cabinet report as an issue to consider.

\* To be determined.

# Briefing Notes

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Committee name – Audit Committee

Date 21 March 2012

Responsible officer – Robert Milford, Audit Partnership Manager

## **Audit Committee Effectiveness Review**

This note contains information to keep Members informed of matters relating to the work of the Committee but where no decisions from Members are needed.

If Members have questions relating to matters shown, they are asked to contact the Officer indicated.

### **1. Why has this come to Audit Committee?**

1.1 To update the Committee on the work relating to the effectiveness review.

### **2. Summary**

2.1 In the attached Appendix 1 is a table of best practice questions from CIPFA relating to Audit Committees and the aspects considered when assessing the effectiveness of the committee. It also includes some proposed actions for review in 2012/13 following elections.

2.2 All Members of the Audit Committee did have the opportunity to comment on the questions as this report was presented to the January Committee for consideration. The responses to date have been included with the Corporate Governance Group comments and their assessment of documented evidence.

### **3. Conclusion**

3.1 The Audit Committee has been found to be generally effective. However there are areas for improvement, in particular the number of Members trained and available to attend the meetings. Also formal reporting to Council on the Committee's work is to be introduced. Finally, as part of the new Internal Audit Partnership monitoring an annual meeting with the Head of Internal Audit is to be introduced.

### **4. Summary of supporting information**

- Appendix 1 Assessment of Audit Committee.

### **5. Further information**

5.1 If you require further information please contact; Robert Milford – Audit Partnership Manager – 01242 264115

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**Audit Committee Checklist**

Question	Yes	No	N/A	Comments	Proposed actions
<b>1. Role and remit</b>					
Does the audit committee have written terms of reference?	Y			Detailed in the Constitution	
Do the terms of reference cover the core functions of an audit committee (as identified in CIPFA guidance)?	Y			Detailed in the Constitution	
Are the terms of reference approved by the council and reviewed periodically?	Y			As part of the Constitution refresh or if otherwise required.	
Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			5 members and contains representations of political balance The Committee is supported by staff from Democratic services and can request papers etc.	Consider increasing the number of members to ensure quotate.
Can the audit committee access other committees and full council as necessary?	Y			Part of the standard reporting processes	
Does the authority's Annual Governance Statement include a description of the audit committee's establishment and activities?	Y			Included in Annual Governance Statement	
Does the audit committee periodically assess its own effectiveness?	Y			This questionnaire is an example	
Does the audit committee make a formal annual report on its work and performance during the year to full council?		N		Reports to Council as necessary but no formal report.	Consideration to a formal report to Council on an annual basis
<b>2. Membership, induction and training</b>					
Has the membership of the audit committee been formally agreed and a quorum set?	Y			Quorum has been set	As above - Consider increasing the number of members to ensure quotate.

Is the chair independent of the executive function?	Y			Independent Chair - Council has laid down a constitutional requirement that the chair of the audit committee would always be from the main opposition group not from the governing group		
Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			Training provided at regular intervals e.g. risk management, internal audit, IFRS	Training for substitutes to be considered. Plus a general awareness session for all Members to encourage Members to join this committee	
Are new audit committee members provided with an appropriate induction?	Y			Standard induction plus specific audit committee session		
Have all members' skills and experiences been assessed and training given for identified gaps?	Partial			A skills audit is being conducted by democratic services at the moment.		
Has each member declared his or her business interests?	Y					
Are members sufficiently independent of the other key committees of the council?	Partial			There were concerns raised by members of the committee that the same Members may be attending Audit, EBI, Treasury Management Panel and the Budget Working Group, etc	Consideration of this element should be undertaken once the new scrutiny arrangements are in place.	
<b>3. Meetings</b>						
Does the audit committee meet regularly?	Y					
Do the terms of reference set out the frequency of meetings?		N		However, the committees are scheduled to meet financial and governance statement requirements		
Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			Aligned to final accounts		
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Partial			There are no specific actions taken by Officers to address Members that do not regularly attend Audit Committee. However, attendance records are published on the Council's website.		

Are meetings free and open without political influences being displayed?	Y					
Does the authority's S151 officer or deputy attend all meetings?	Y					
Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y				Example Amanda Atfield for Payroll audit report update, Bryan Parsons for Corporate Governance, etc	
<b>4. Risk Management and Internal Control</b>						
Does the audit committee satisfy itself that the organisation's main risk areas are being reviewed by internal and external audit?	Y				This is linked to the audit planning approval process and the regular attendance by both Internal and External audit.	
Does the audit committee consider the findings of the Annual Governance Statement (AGS), including a review of the effectiveness of the system of risk management and internal control?	Y				Risk management and internal control are part of the internal and external audit review work. This is reported to committee and debated.	
Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y				Separate agenda item	
Does the audit committee consider how meaningful the AGS is?	Y				Training has been provided on the AGS and the significance relating to the Financial Statements. Follow-up of recommendations from the AGS has also been debated by the committee e.g. ICT issues reported by KPMG.	
Does the audit committee satisfy itself that the system of internal control, risk management and corporate governance has operated effectively throughout the reporting period?	Y				Linked closely to the annual audit opinion from both internal and external audit	
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y				The Audit Committee reviews the Risk Management policy and considers findings of internal and external audit. Recommendations flowing from this review are taken forward.	
Does the audit committee ensure that the risk of	Y				Internal and external audit reports and	

fraud is being appropriately monitored and managed, and that measures are being put in place to counter fraud and corruption?						corporate governance group activity updates that all regularly go before the Audit Committee.	
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y					Through the reporting and debate regarding the annual plan.	
Does the audit committee review the authority's strategic risk register at least annually?	Y					Annual update is reported to Audit Committee	
Does the audit committee monitor how the authority assesses its risk?	Y					Policy presented and debated by Audit Committee	
Do the audit committee's terms of reference include oversight of the risk management process?	Y					Constitution	
<b>5. Financial Reporting and Regulatory Matters</b>							
Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y					Constitution	
Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• The suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Changes in accounting treatment</li> <li>• The reasonableness of accounting estimates</li> <li>• The narrative aspects of reporting?</li> </ul>	Y					Full and detailed presentations are given to the Audit Committee that are subsequently debated.	
Is an audit committee meeting scheduled to receive the external auditors report, including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y					Regular reporting from External Audit includes final account matters	
Does the audit committee review management's letter of representation?	Y						
Does the audit committee annually review the accounting policies of the authority?	Y					Recently approved the Financial Rules for GO –the accounting policies are reviewed annually in line with approval	

Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y							of the final accounts	
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y							Presentations are given by the finance team – to be monitored for changes due to GO Updates in training and trough reported information e.g. Icelandic Banks matters	
<b>6. Internal Audit</b>									
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y							Charter and Annual Plan – however three year strategy is now delegated to the Audit Partnership Board	
Does internal audit have an appropriate reporting line to the audit committee?	Y							Head of Internal Audit has direct access to the committee	
Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y							Monitoring report is a standing item for each meeting, annual report is presented in line with AGS requirements	
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y							Follow-up audit activity is reported	
Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Partial							The option is available to the Audit committee but in the last three years this has not been required.	Consider a briefing as part of the monitoring of the Audit Cotswolds partnership. This could be an annual arrangement when reviewing the annual audit opinion report.
Is there appropriate cooperation between the internal and external auditors?	Y							Joint working agreement in place	
Does the audit committee review the adequacy of internal audit staffing and other resources?	Y							The Audit Committee recently supported the delegation of internal audit to Cotswold DC. This was part of	

						the agreement for an audit partnership that enhanced service resilience and knowledge/skills.	
Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit in Local Government in the UK?	Y					Reported in September 2011 – full compliance	
Are internal audit performance indicators monitored by the audit committee?	Y					Audit Partnership Board representative (Section 151 Officer) is able to report to the Audit Committee the performance of internal audit and the partnership as shown by report issued in September 2011.	
Has the audit committee considered the information it wishes to receive from internal audit?	Y					Regular feedback is provided by the AC to the Head of IA e.g. detail in the monitoring report	
<b>7. External Audit</b>							
Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y					Regular scheduled progress updates and approval of annual plan	
Does the audit committee hold periodic private discussions with the external auditor?	Y					The option is available to the Audit committee and was used for the Public Interest Report produced by KPMG.	
Does the audit committee review the external auditor's annual report?	Y					Reported to committee in Sept 2011.	
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y					Follow-up of KPMG PIR and ICT reports	
Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Y					Normal reporting schedules demonstrate the annual audit letter is presented to Audit Committee	
Does the audit committee assess the performance of external audit?	Y					Performance is linked to debate on the fees.	

Does the audit committee consider and approve the external audit fee?	Y				But limited actions available on the fees	
<b>8. Agenda Management</b>						
Does the audit committee have a designated secretary from Committee/ Member Services?	Y					
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y				Forward plan demonstrates publication dates prior to meetings and in advance of each meeting there is a pre-meeting with the Chair and Vice Chair to discuss the agenda which is usually well attended	
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y				Agendas are planned ahead	
Are inputs for Any Other Business formally requested from committee members, relevant officers, internal and external audit?	Y				Linked to agenda setting	
<b>9. Agenda Management</b>						
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y					
Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	Y				Done through Officers	
<b>10. Agenda Management</b>						
Are minutes prepared and circulated promptly to the appropriate people?	Y					
Is a report on matters arising made and minuted at the audit committees next meeting?	Y				Minutes are reviewed at each AC but there is no specific actions report – actions are included in the minutes.	
Do action points indicate who is to perform what and by when?	Y					
<b>11. General Comments</b>						
There are a few areas where improvements could be made through 2012/13, but generally the committee if found to be effective.						

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## Corporate Governance Group

This briefing paper contains information to keep Members informed of matters relating to the work of the Committee, no decisions are required but members can make comments on the work of the group or suggestions for additional action.

### 1. Why has this come to Audit Committee?

- 1.1 To update the Committee on the work of the Corporate Governance Group (CGG).

### 2. Summary

- 2.1 The council has a statutory duty to prepare an annual governance statement (AGS) to be approved as part of the annual statement of accounts. The AGS includes a Significant Issues Action Plan (SIAP); this is approved by the Audit Committee and indicates how the council is complying with the code of corporate governance including internal control arrangements. The audit committee need to satisfy itself that the AGS fairly reflects the arrangements within the council.

- 2.2 The CGG which is chaired by the Chief Executive and routinely meets to;

- monitor and challenge the internal controls (Annual Certificates of Assurance checklist),
- monitor progress against any recommendations that arise from external audit assessments,
- consider progress against the SIAP; and
- monitor the risk management procedures.

The minutes of the CGG since the last the last Audit Committee are being provided to the Audit Committee so that they will have a more informed view of the issues when the AGS is presented to it for approval.

### 3. Conclusion

The CGG have agreed terms of reference and considers information from a range of internal control sources and assurance checks. These issues and the outcomes from the checks are placed within appropriate action plans, discussed and monitored. The CGG would welcome any comment or input from the audit committee on progress against the action plan or items recorded within the CGG minutes.

### 4. Summary of supporting information

- Appendix 1 minutes of the Corporate Governance Group meetings on the 6<sup>th</sup> October,
- Appendix 2 minutes of the Corporate Governance Group meetings on the 1<sup>st</sup> December
- Appendix 3 minutes of the Corporate Governance Group meeting on the 26<sup>th</sup> January 2012
- Appendix 4 a copy of the most up to date version of the 2010 Annual Governance Statements Significant Issues Action Plan

#### Further information

If you require any further information on any of these issues please contact;  
Governance officer on 01242 264189 or email; [bryan.parsons@cheltenham.gov.uk](mailto:bryan.parsons@cheltenham.gov.uk)

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**Corporate Governance Group**  
**Minutes**  
**6<sup>th</sup> October 2011**  
**11.00 Montpellier Room**

Item	Subject	Lead Officer
1	Apologies;	
2	Minutes of the last meeting 18 <sup>th</sup> August 2011	Agreed
3	SIAP update	The SIAP was reviewed progress and deadlines were considered. It was suggested that the revision of the Annual Assurance process should be brought forward to December to reflect reduced capacity at service manager and Director levels because of time being spent on Go and the Local Authority Waste Company
4	Audit Committee 21 <sup>st</sup> September feedback	It was reported that the Audit Committee had agreed to a review of their effectiveness. This would be facilitated by Internal Audit.
5	Effectiveness review of Audit Committee and Internal Audit (via self Assessment)	See above and RM circulated details relating to the self assessment and updated the group on the proposed review which was likely to take place in January.
4	Information Management suggestions for action days - What - When	BP updated the group on the work of the IMG in delivering a new strategy, updating policies and guidance. A document and file clear out week was also planned for w/c 21/11/2011
11	AOB	None
12	Date of next meeting 1 <sup>st</sup> December Montpellier room.	

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**Corporate Governance Group**  
**Minutes**  
**1<sup>st</sup> December 2011**  
**11.00 Montpellier Room**

Item	Subject	Notes
1	Apologies; Andrew North	Present Mark Sheldon (chair) Julie McCarthy, Rob Milford, Bryan
2	Minutes 6 <sup>th</sup> October 2011	Agreed with the exception that MS noted that his apology had not been reported.
3	SIAP update	The SIP was discussed and amendments agreed. It was also decided that it should be forwarded to JM SF and Paul Woolcock before being included in the Audit Committee briefing. This to be completed by the 18 <sup>th</sup> December
4	Annual Assurance checklists and process update	The revised checklists were circulated and some minor amendments suggested and agreed. It was also agreed that they should be circulated the week before Christmas
5	Effectiveness review of Audit Committee and Internal Audit update	RM briefed the group on the effectiveness review of the Audit committee and asked for comments in relation to a number of issues. The assessment was updated. BP was asked to review the effectiveness review of Internal Audit with the HIA.
4	Mobile Phone VFM review - update	BP updated the group on the VFM review and the report to E&BI and the request from them for further information later in the year. There would be a review meeting on the 22 <sup>nd</sup> December where further action would be agreed
5	Information Management Group – clear out week - update	BP updated the group on the effectiveness of the clear out week project and asked officers to thank staff for their co-operation in removing a total of 68,363 files removed from the T and S drives

6	Privacy Impact Assessment – CBC	BP advised the group of the work that was underway in respect of this assessment for the Go partnership and advised that a similar piece of work needed to be carried out in respect of CBC. A report would be brought to the next CGG meeting in January
11	AOB	None
12	Date of next meeting 26 <sup>th</sup> January Montpellier room.	

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**Corporate Governance Group**  
**Notes of Meeting**  
**26<sup>th</sup> January 2012**  
**11.00 Montpellier Room**

Item	Subject	Notes of Meeting
1	Apologies;	None
2	Present	Andrew North, Bryan Parsons, Mark Sheldon Rob Millford Julie McCarthy
3	Notes 1 <sup>st</sup> December 2011	Accepted
4	Annual Assurance checklists and process - update	Annual Assurance checklists had been circulated. BP to send out reminder.
5	Effectiveness review of Audit Committee and Internal Audit update	RM updated the group on the outcome of the effectiveness reviews for both Audit Committee and Internal Audit. These will be on the Audit Committee agenda for March. .
6	Internal Audit report on Registration of Interest, gifts and hospitality (staff)	RM updated the group on the report produced by internal audit. It was decided that BP would look at developing a process where the hospitality and gifts register would be kept centrally. A discussion about what information is recorded by officers. MS, BP PL and JM would consider further before Code of Conduct for employees is reported to council in March.
7	Internal Audit report on Risk Management	RM reported that there were recommendations relating the management of risk. BP confirmed that these were in the main related to the use of an excel spreadsheet to record the information but an order had been placed for a new risk management module. The new module should be operational by April 2012.
8	Go partnership Privacy Impact Assessment – update  Ubico - Data protection	Work on Data Protection compliance in respect of the Go and Ubico projects was underway and compliance checks were being carried out
9	Risk Management Policy – confidential risks procedure	A new procedure for the reporting and review of confidential risk was discussed and approved. BP would circulate to SLT and update Risk Management Policy.
10	Any confidential risk that requires a review	None
11	AOB	None
12	Date of next meeting 1 <sup>st</sup> March 2012 Sherbourne room.	

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Significant issues action plan – 2010-11 as at 1<sup>st</sup> December - Corporate Governance Group Meeting

Control issue and source April 2010-11	Proposed action	Action taken	Proposed completion date	Lead officer
The new management structure, partnership working and recommendations from the PIR necessitate a revision of the Constitution and Financial Rules (AGS)	Review ongoing to be reported to Council during 2011	All amendments to the Constitution arising from the Public Interest Report have been approved by the Council (December 2010). In October 2011 Council approved revised Financial Rules and a revised Scheme of Delegation. The outcome of the review of the Council's Overview and Scrutiny arrangements will be considered by Council in December 2011. The Constitution will be comprehensively reviewed to include changes agreed in October & December and will be completed by March 2012	March 2012	Monitoring officer Director of Resources

Control issue and source April 2010-11	Proposed action	Action taken	Proposed completion date	Lead officer
<p>Planned constitutional and Financial rule changes and the restructuring of the Senior Leadership Team necessitate a review of the Annual Assurance process to ensure that it remains effective (AGS)</p>	<p>Provide a report to SLT by October 2011 the proposals for the annual assurance review for 2011-12</p>	<p>CGG considered feedback from 2010-11 assurance check 18-08-2011 and amendments to the assurance checklists are being drafted Revised assurance checklists will be considered for approval at CGG meeting 01/12/2011 and circulated to appropriate officers for completion</p>	<p>December 2011</p>	<p>Director Resources</p>
<p>The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. Audit Assurance report carried forward from 2010-11 AGS SIAP</p>	<p>Payroll resilience is being addressed through temporary recruitment of expertise as required. In addition the GO Shared Services project will address resilience issues in the longer term.</p>	<p>This issue is recorded as corporate risk and considered by SLT on a regular basis. Status at present = Amber  New temporary payroll advisor has started.  Due to an increased work load for HR Ops team during GO implementation (parallel pay runs and user acceptance testing) the team are stretched to full</p>	<p>Ongoing  September 2011 - done  Ongoing until April GO go-live</p>	<p>Director People, OD, and Change</p>

Control issue and source April 2010-11	Proposed action	Action taken	Proposed completion date	Lead officer
		<p>capacity. Annual leave during Feb and March is being restricted to ensure resource is available.</p> <p>Generic password issue has been resolved.</p> <p>Filing cabinets in main office (which is itself locked each night) containing records are now lockable and key control in place.</p> <p>Documentation of the complete payroll processes have been specified as part of the Solution Design work for the ABW system to be implemented from April 2012.</p>	<p>31 August – done.</p> <p>April 2011 - done</p> <p>April 2012 – CBC GO – go live implementation.</p>	

Control issue and source April 2010-11	Proposed action	Action taken	Proposed completion date	Lead officer
<p>The Business Continuity Group identified the need for a robust test of back-up ICT systems (AGS)</p>	<p>Upgrade back up systems and install new equipment to migrate the key business systems. Planning a full test for July 2011</p>	<p>Identified as corporate risk and being monitored by SLT on a monthly basis. Planned DR test of GO systems at recovery site planned for 14<sup>th</sup> to 16<sup>th</sup> September. Action plan within ICT for the phased testing of 72 key systems in place.</p> <p>All the key ICT systems linked to the GO project were successfully tested and signed off by the Go partners. Other tests will be discussed and prioritised by SLT Jan 2012</p>	<p>March 2012</p>	<p>Paul Woolcock</p>
<p>CBC needs to comply with the general equality duty to meet new obligations being placed on all public sector organisations under the Equality Act 2010 and ensure that current processes are embedded within the organisation</p>	<p>Review and refresh the Equality and Diversity processes and the Project Initiation Document template</p>	<p>SLT have been briefed on the introduction of the new public sector equality duty set out in the Equality Act. Review of strategy being undertaken. RG will update SLT in January 2012.</p>	<p>March 2012</p>	<p>Director of Commissioning</p>

Control issue and source April 2010-11	Proposed action	Action taken	Proposed completion date	Lead officer
(AGS)				

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