



CHEL TENHAM

BOROUGH COUNCIL

Notice of a meeting of Audit Committee

Wednesday, 26 March 2014
6.00 pm
Pittville Room, Municipal Offices

Membership	
Councillors:	Paul Massey (Chair), Andrew Chard (Vice-Chair), Colin Hay, Rowena Hay, David Prince, Tim Harman and Pat Thornton

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

Agenda

1.	APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING To approve the minutes of the last meeting held on 15 January 2014.	(Pages 1 - 8)
4.	PUBLIC QUESTIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
	ITEMS REQUIRING A DECISION	
5.	INTERNAL AUDIT MONITORING REPORT (INCLUDING PSN UPDATE) Report of Head of Audit Cotswold, Rob Milford	(Pages 9 - 46)
6.	ICT BUSINESS CONTINUITY ASSURANCE REPORT Report of Customer Services Group Manager, Forest of Dean, Andy Barge,	(Pages 47 - 52)
7.	ANNUAL INTERNAL AUDIT PLAN 2014-15 Report of the Head of Audit Cotswolds, Rob Milford	(Pages 53 - 58)
8.	ANNUAL RISK MANAGEMENT REPORT Report of Director of Resources, Mark Sheldon	(Pages 59 - 86)
9.	ANNUAL REVIEW OF RISK MANAGEMENT POLICY Report of Corporate Governance, Risk and Compliance	(Pages 87 -

		Officer, Bryan Parsons	116)
10.		APPROVAL OF THE CODE OF CORPORATE GOVERNANCE Report of Corporate Governance, Risk and Compliance Officer, Bryan Parsons	(Pages 117 - 136)
		ITEMS FOR DISCUSSION	
11.		AUDIT UPDATE REPORT - YEAR ENDING 31 MARCH 2014 Report of Grant Thornton	(Pages 137 - 150)
12.		AUDIT PLAN FOR THE YEAR ENDING 2014 Report of Grant Thornton	(Pages 151 - 168)
13.		WORK PROGRAMME	(Pages 169 - 172)
14.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
15.		DATE OF NEXT MEETING Date of next meeting: 18 June 2014	

Contact Officer: Rosalind Reeves, Democratic Services Manager, 01242 775153
Email: democratic.services@cheltenham.gov.uk

Audit Committee

**Wednesday, 15th January, 2014
6.00 - 8.00 pm**

Attendees	
Councillors:	Paul Massey (Chair), Andrew Chard (Vice-Chair), Rowena Hay, David Prince, Tim Harman and Pat Thornton
Also in attendance:	Peter Smith, Peter Barber, Mark Sheldon, Robert Milford and Bryan Parsons

Minutes

1. APOLOGIES

Apologies had been received from Councillor Colin Hay.

2. DECLARATIONS OF INTEREST

No interests were declared.

3. MINUTES OF THE LAST MEETING

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 25 September 2013 be agreed and signed as an accurate record

4. PUBLIC QUESTIONS

No public questions had been received.

5. AUDIT UPDATE REPORT

Peter Smith, Audit Manager, Grant Thornton introduced the report which included a summary of emerging national issues and developments. He explained that they were just commencing the 2013-14 progress work so there were no outcomes to report as yet but officers would report back to members at the next Audit Committee meeting in March.

In terms of emerging issues and developments he highlighted the following :

- Charging funded 22.4 % of Cheltenham's overall service expenditure which was nothing extraordinary when compared with other district councils.
- The voluntary code of practice on the HRA was being applied and business rate collection was average in Cheltenham.
- Spending on business rates was in the lowest third of district councils.
- Preparing for the Health and Social care Integration Transformation Fund was largely for the purposes of social services but district councils

were required to fund the disabled facilities grant to the amount of £300-400 k in Cheltenham.

- No issues had been identified with the potential for procurement fraud.
- It had been identified that Cheltenham had longer financial statements than other districts but it was recognised that Cheltenham was a complex council due to group accounts, Icelandic loans and HRA but Grant Thornton would discuss with officers whether there were any further opportunities for streamlining. A consultation had taken place on the local authority accounting code of practice 2014/15 and Cipfa had planned workshops.
- In terms of property plant and equipment revaluations this was to ensure that the Council fairly stated the value of its assets over a five year cycle. It was noted that CBC was intending to value all its assets this year.
- The Local Audit and Accountability Bill was currently going through Parliament.

In response to a question on the accounting of the plant and equipment of Ubico the Director Resources clarified that the plant and equipment were still listed as assets in CBCs accounts and loaned to Ubico for VAT purposes.

RESOLVED that the Audit Update report be noted

6. ANNUAL AUDIT LETTER 2012-13

The Engagement Leader for Grant Thornton introduced the Annual Audit Letter 2012-13 for Cheltenham Borough Council which summarised the key findings arising from work they carried out at the Council for the year ending 31 March 2013.

The audit conclusions were highlighted as follows :

- An unqualified opinion had been issued on the accounts although there was scope for more improvement but it was recognised that this was the first year of GOSS and Grant Thornton
- An unqualified conclusion had been issued in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money)
- An unqualified opinion had been issued on the council's Whole of Government Accounts submission
- Certification of two grant claims and returns had been undertaken with no significant issues being identified; Grant Thornton were currently processing housing benefit claims

Members welcomed the good news in terms of the value for money conclusion but recognised the uncertainty in future settlements for the MTFs and that it would be necessary to plan ahead based on different scenarios.

The Chairman noted that the Council would shortly be considering whether to increase the percentage of its revenue budget funded from the New Homes Bonus (a non guaranteed, one-off source of funding). Would this be a consideration in future financial resilience reports? In response the

Engagement Lead, Grant Thornton, confirmed that they would monitor this, but that Cheltenham Borough Council's plans were currently in line with other similar councils.

RESOLVED that the Annual Audit Letter 2012-13 be noted and approved

7. CERTIFICATION OF GRANTS AND RETURNS (FOR PREVIOUS YEAR)

The Audit Manager for Grant Thornton, introduced the Certification report for 2012/13. He explained that certification typically took place six to nine months after the claim period and represented a final and important part of the process to confirm the Council's entitlement to funding. Three claims and returns had been certified for the financial year 2012/13 relating to expenditure of £92.9 million (£40 million housing benefit and £51 million NNDR). He explained that the number of claims had reduced and may reduce further.

The Audit Manager explained that submission and certification had received a green RAG rating. The accuracy of claim forms submitted to the auditor had received an amber rating. This was due to a small amendment to the housing benefit claim by £943 and an £18 750 amendment to the Pooling of Housing Capital receipts claim. The supporting working papers were good. Recommendations had been made which were outlined in Appendix B and he highlighted the recommendation to investigate the reason why the CIVICA system understated subsidy by not correctly offsetting under and overpayments. A question was raised as to the timescale for the work needed to address this. In response the Director Resources said work was ongoing but he would report back to Audit Committee in due course.

In terms of certification fees the Audit Manager explained that the indicative scale fee for 2012/13 was £12 750. A variation in respect of Housing Pooled Capital receipts of £692 had been approved by the Audit Commission and officers had agreed to pay the additional fee. The Housing Benefit claim work was now complete. It had taken Grant Thornton more time to audit the claim this year and therefore it was able to legitimately seek a £3000 variance in fee and having received agreement from the Director Resources approval was now awaited from the Audit Commission.

When asked on what basis further work was carried out, the Audit Manager explained that based on the results and where errors have been identified in the initial samples, additional sample testing was undertaken. He added that it would be unusual for no additional sampling to be required as housing benefit was a very complex system. CBC was therefore not the only authority subject to this and the level of error involved was relatively minor.

Members then raised questions regarding the underpayment of benefit due to an underclaim. In response the Audit Manager said that the issue is discussed with the claimant but there is no means to claim back.

Members were satisfied that the annual certification of claims report could provide them with a review of progress on the recommendations.

RESOLVED that the Certification of grants and returns 2012/13 report be noted

8. INTERNAL AUDIT MONITORING REPORT (INC PSN UPDATE)

Head of Audit Cotswolds, Rob Milford, introduced the report as circulated with the agenda. He explained that 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 Audit Cotswolds, the council's internal audit service, was one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supported the work of the external auditor.

The Head of Audit Cotswolds highlighted that the PSN review work and some ongoing ICT Audit consultancy had impacted substantially on the 2013-14 plan and as such the 2014-15 plan would include some deferred work from the current year's plan.

In terms of the detail of the four finalised areas he reported the following :

- Ubico contract monitoring was given a satisfactory assurance and it had been recognised that teething problems were inevitable. The issues identified within the action plan were not major and it was anticipated that by the end of the financial year the necessary actions would be put in place.
- Cash receipting had received a satisfactory assurance with the recommendation that internal audit work be undertaken on money laundering policy
- Car parking was given a limited assurance and this was in part due to the impact of the change with the transfer of on-street parking to APCOA and the retained off-street element moving to form part of the Public Protection service. There was now a dedicated project in place to address these issues.

A member noted the comment in the report that during testing Audit had found there was one user of the CIVICA system who was no longer employed by CBC or CBH. The Audit Manager said that this had not caused any issues. When asked what was in place to ensure this did not happen again the Audit Manager explained that as part of the ICT work there were now new mechanisms in place to monitor CBC leavers but he highlighted that where there were specific IT systems for particular services ICT would not know the specific access, this would be managed by system administrators. The Director Resources added that there was now a process in place to monitor access to systems.

When asked what work was envisaged on money laundering the Audit Manager said that there was an educational awareness package in the form of e-learning tools which would be rolled out.

In response to a question on how the action plan for car parking would be implemented the Audit Manager said that as this had been given limited assurance it would be subject to a follow up review and in any case would be highlighted in the monitoring report which would be submitted to the Audit Committee's June meeting.

RESOLVED that the report be noted

9. REVIEW OF RISK MANAGEMENT

Bryan Parsons, Corporate Governance, Risk and Compliance officer, introduced the report on the Risk Management Policy. The report advised Members that the current Risk Management Policy had been approved by the Audit Committee in March 2013 and would be due for a further review in April 2014. At the full Council meeting on the 7 October 2013 during the debate on the ICT PSN issue, there was a request that the Risk Management Policy and Risk scorecard should be reviewed. The ICT Scrutiny working group considered this request on 18 December and supported a wider approach to the 2014 review.

This committee was asked to comment on the approach to this review in terms of the list of questions laid down in the appendix and make any additional recommendations. The Corporate Governance, Risk and Compliance officer added that he would bring back the outcome of the review to the next Audit Committee meeting in March.

Members discussed how best to approach the review. It was agreed that all councillors should be given the opportunity to be involved in the process so a more streamlined questionnaire would be sent out to all members. Subsequent to receiving responses to this a workshop would be scheduled so that the rationale could be gone through in more detail with those interested in taking this forward, using the PSN issue raised at Council as a live example. It was agreed that the Corporate Governance, Risk and Compliance officer would discuss directly with the Chair on how to take these actions forward.

RESOLVED that

- 1. The wider approach to the review of the Risk Management Policy for 2014 be agreed**
- 2. The Corporate Governance, Risk and Compliance Officer take forward the necessary actions.**

10. ANNUAL GOVERNANCE STATEMENT

The Corporate Governance, Risk and Compliance officer introduced the report. He explained that the Audit Committee at their meeting in June 2013 had approved the Annual Governance Statement (AGS) for 2012/13 and had recommended to Council that it be adopted as part of the statement of accounts. The AGS contained a Significant Issues Action Plan and this report identified progress to improve upon these issues.

The Corporate Governance, Risk and Compliance officer, explained that in terms of ICT business continuity testing there had been much progress over the last 12 months. Back up servers had been relocated to the Forest of Dean and testing of the elections business systems were planned for September 2014 with more planned tests involving revenues and benefits, council tax and cashier systems planned over the next 12 months. This testing would be fitted in alongside other work. Due to the progress which had been made this item would no longer feature on the Significant Issues Action plan.

Whilst recognising that progress on business continuity had been positive Members expressed their uneasiness about testing and therefore sought high assurance that if the systems went down major testing had been undertaken to ensure that they would be brought back online within an acceptable time period. It was recognised that testing brought its own risks but if this was not undertaken then this represented a larger risk. The issue with the overheating in the server room was also highlighted by Members.

In response the Corporate Governance, Risk and Compliance officer said that the servers which had been affected by air conditioning problems had now been relocated to the Forest of Dean. ICT Business Continuity was still on the corporate risk register which was monitored by the Senior Leadership Team. He then gave the example of assurance work which had taken place relating to power outages whereby the batteries had been replaced to ensure that there would be 2-3 hours of power available before systems were powered down. In terms of generators CBC was jointly looking with Forest of Dean to share one.

Members regretted that they had not been kept informed of the testing that had taken place as it was this testing that would provide them with the assurance that they needed in the systems the council was running. The Corporate Governance, Risk and Compliance officer was therefore requested to produce a report for the next meeting of the Audit Committee giving them the level of detail they required including the level of tiers and outcomes.

With regard to the issue of safeguarding children and vulnerable adults the Corporate Governance, Risk and Compliance officer reported that this would be completed by March 2014. The County Council was the lead authority in this respect.

In terms of Go Shared Services the Head of Audit Cotswolds was currently undertaking an audit and an opinion would be issued in March. With regard to ICT Services this would feature in next year's audit plan after the conclusion of the ICT review work.

RESOLVED

To note the progress that has been made against the actions and the deadlines set

That a report be brought back to Audit Committee in March 2014 on ICT Business Continuity

11. AUDIT COMMISSION REPORT - AUDITING THE ACCOUNTS 2012/13

The Corporate Governance, Risk and Compliance officer introduced the report. He explained that the Audit Committee had approved the Accounts on 25 September 2013 which had included the Annual Governance Statement (AGS) for the period 1st April 2012 to 31st March 2013. The AGS indicated how the Council was complying with its Code of Corporate Governance including the internal control arrangements and management of risk.

The report published by the Audit Commission – Auditing the Accounts 2012/3 – had been circulated to members. The report summarised the results of the

work of the External Auditors across the country and highlighted an issue with the Council's AGS.

The Audit Manager explained that the Audit Commission had asked in October 2013 whether there was a specific statement in the Annual Governance Statement that conformed to those set out in the CIPFA Statement on the role of the Chief Finance Officer. Grant Thornton's risk-based approach did not identify the absence of a specific statement and this was therefore not reported in its findings letter at the Committee on 25 September 2015. The Director Resources had since taken note of the comments from the auditors and the Audit Commission's report which named CBC in its national report of breaches to the CIPFA statement. A more explicit statement within the 2013/14 was now proposed.

Members discussed the issue. It was clarified that should a new Section 151 officer be appointed then the statement would be amended accordingly and the Annual Governance statement was reviewed on an annual basis. In response to concerns expressed regarding risk to the reputation of the council now that it had been reported in the Audit Commission's report, Grant Thornton assured Members that it was not an issue which was so significant that it impacted on the opinion issued.

RESOLVED that the comments on the work on the AGS 2012/13 as set out in the Audit Commission report be noted.

12. WORK PROGRAMME

The work programme had been circulated with the agenda. The Chair wished to add an item to the agenda for the Audit Committee meeting in June 2014 to discuss whether there should be some independent representation coopted onto the Audit Committee in the future. This idea was currently being consulted upon. Grant Thornton had responded to the consultation expressing its concern with regard to the practicalities of this.

13. LOCAL GOVERNMENT ACT 1972 -EXEMPT BUSINESS

Upon a vote it was unanimously

RESOLVED that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)

14. EXEMPT MINUTES OF THE LAST MEETING

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

Upon a vote it was unanimously

RESOLVED that the exempt minutes of the meeting held on 25 September 2013 be agreed and signed as an accurate record.

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

There were no urgent items for discussion.

16. DATE OF NEXT MEETING

The next meeting was scheduled for 26 March 2014.

Paul Massey
Chairman

Cheltenham Borough Council Audit Committee – 26 March 2014 Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Head of Audit Cotswolds – Robert Milford
Ward(s) affected	All
Key Decision	No
Executive summary	<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 Audit Cotswolds, 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>
Recommendations	The Audit Committee considers the report and makes comment on its content as necessary

Financial implications	<p>None directly arising from this report</p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>None directly arising from this report</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>It is noted that a number of the Audits are in draft and some are ongoing. No HR implications at this time.</p> <p>Contact officer: Amanda Attfield, Head of HR, GOSS Amanda.attfield@cheltenham.gov.uk, 01242 264186</p>
Key risks	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>

Corporate and community plan Implications	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i></p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
Environmental and climate change implications	<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 the consultation with the Senior Leadership Team and supports by such systems as the risk registers. At the time of preparing the 2013/14 plan, the Council's 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 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 (Grant Thornton). This is in the form of financial and governance audits to support such activities as value for money.
- 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 Shared Services impacting on core financial systems and shared services generally impacting on core governance arrangements.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. The prompts the requirement to keep to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is a partnership, so co-ordinating 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 is continuing to review its operational procedures and processes to ensure they align with the Public Sector Internal Audit Standards (PSIAS). Furthermore, the service is reviewing its structure to ensure it is appropriately resourced and skilled for future work expectations.

3.2 Internal Audit has worked on the following audits since the last meeting:

Audit	Report Status	Assurance
Bridging the Gap / Corporate Strategy	Final	Hlgh
*GO Shared Services <ul style="list-style-type: none"> • Budgetary Control and Capital Accounting • Main Accounting (including Bank Reconciliation) and Treasury Management • Accounts Payable • Payroll • Accounts Receivable • Systems Admin 	WiP WiP WiP WiP WiP Draft	
Council Tax	Draft	
NNDR	Draft	
Housing and Council Tax Benefits	Draft	
Property Maintenance Programme	Draft	
Grants to Community Organisations	Draft	
Transparency Agenda	Draft	
Non-GOSS work (Financial or HR Controls outside of GOSS scope)	WiP	
Art Gallery and Museum Project Review	Work Commissioned to Grant Thornton	

3.3 *Further detail – The GO Shared Service audit reports once finalised will be presented to the Client Officer Group for consideration. Each client will be receiving a report regarding the operational controls within their organisation and an assurance on the controls falling within the functions provided by the GO Shared Services.

3.4 Audit Cotswolds has also undertaken the following:

- Audit provision for GO Shared Service
- Audit provision for Ubico Ltd
- Audit provision for Cheltenham Borough Homes

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- 3.5** Internal Audit has undertaken a rolling programme for the sample testing of the amber items highlighted in the PSN report along with follow-up testing of the virus issues identified. Those examined so far are detailed in Appendices 2 and 3.
- 3.6** Internal Audit review of the Art Gallery and Museum Project Review could not be resourced internally, therefore following approval, Grant Thornton have been commissioned to complete the work and will submit a report to the June meeting.

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775058 robert.milford@cheltenham.gov.uk
Appendices	Appendix 1 – Monitoring Report Appendix 2 – PSN update Appendix 3 – Virus update
Background information	None

Internal Audit Monitoring Report

Audit	Report status	Assurance
Corporate Strategy	Final	High

Overview and Key Findings

The objective of this audit was to assess the links between the Corporate Strategy, the Medium Term Financial Strategy (MTFS) and the annual budget.

As part of this audit the Corporate Strategy and action plan, MTFS and annual budget were reviewed. Supporting documentation was gathered to ensure there was sufficient evidence to support the Corporate Strategy and action plan, MTFS and annual budget. Reports to Committees were reviewed. A meeting was held with the Strategy and Engagement Manager to find out more about the links between the MTFS, Corporate Strategy and action plan, and annual budgets.

Internal Audit found that there were established policies and procedures in place which ensured there were clear links between the Corporate Strategy and action plan, the MTFS and the annual budget.

Internal Audit found that the processes in place met the requirements of internal policy, procedural standards and targets. The MTFS, Corporate Strategy and action plan and annual budgets were all reviewed on a regular basis and were approved at the appropriate level. There were effective monitoring arrangements in place to ensure services were being delivered within their approved budgets, that performance targets were being met (and where they were not, appropriate action was being taken) and that the Council's Vision and objectives were being achieved.

Internal Audit found that the processes in place met external codes of practice, professional good practice and statutory regulations as applicable. The Corporate Strategy and action plan, and annual budget were updated annually to reflect any such changes. The full MTFS was updated to reflect any changes which had a significant impact on the Council's finances, such as the Spending Review. The MTFS was due to be updated for February 2014 to reflect the changes as a result of the June 2013 Spending Review.

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Cheltenham Borough Council

Audit Committee – 26 March 2014

ICT Business Continuity Assurance Report

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Director of Resources, Mark Sheldon
Ward(s) affected	None
Key Decision	No
Executive summary	<p>At the Audit Committee meeting on 15 January 2014 Members received a mid-year review of progress against the Significant Issues Action Plan and requested a further report on ICT business continuity arrangements and testing.</p> <p>Robust ICT disaster recovery and business continuity arrangements are essential to meet the business needs of this Council and this report identifies the progress made and the actions proposed to give further assurance on ICT disaster recovery.</p>
Recommendations	<p>The Audit Committee considers the report and the audit findings and makes comment on its content as necessary.</p> <p>Priorities for business application recovery are reviewed on an annual basis to reflect any changing business priorities.</p>

Financial implications	<p>There are no direct financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon, Director of Resources mark.sheldon@cheltenham.gov.uk 01242 264123</p>
Legal implications	<p>Contact officer: , @tewkesbury.gov.uk, 01242</p>
HR implications (including learning and organisational development)	<p>There are no additional HR implications arising from this report.</p> <p>Contact officer: Julie McCarthy, HR Manager julie.mccarthy@cheltenham.gov.uk 01242 264355</p>
Key risks	None arising from this report
Corporate and community plan Implications	Good governance helps to deliver the Council's aspirations to be an excellent, efficient and sustainable Council.

Environmental and climate change implications	None
Property/Asset Implications	Contact officer: David Roberts@cheltenham.gov.uk

1. Background

- 1.1** Cheltenham Borough Council provides a range of services to a large number of people, some of whom are the most vulnerable in our community. Any sustained disruption to these services could have serious consequences to individuals or groups of people, so robust plans need to be in place to cope with unexpected events that cause disruption to normal service delivery.
- 1.2** The Council's Annual Governance Statement (AGS) for 2012/13 identified Business Continuity Testing as an area for focus during 2013/14 in its Significant Issues Action Plan.
- 1.3** Audit Committee received a progress update from the Corporate Governance, Risk and Compliance Officer in January 2014 and as a result asked for further assurance on ICT business continuity and testing of business critical applications.

2. ICT business continuity assurance

2.1 Infrastructure

- 2.1.1** The ICT infrastructure is summarised as building availability, the data centre, ICT staff, networks, telephony and power supply. Appendix 1 details current mitigations and planned actions in these areas. In addition a fully revised, written disaster recovery plan is being produced and will be completed by the end of June 2014.

2.2 Applications

- 2.2.1** In May 2012, Senior Leadership team agreed four tiers of recovery and the business applications that would be prioritised within each tier. In the event of a major disaster recovery situation a number of infrastructure systems/applications would first have to be recovered before starting the recovery of business applications. This could take some time to complete therefore **'immediate'** in reality has to mean **'as soon as possible'** and may take days in some scenarios.

Tier	Target Recovery Period
0	Immediate recovery
1	Within 5 days
2	Within 6 – 15 days
3	Greater than 15 days

- 2.2.2** As part of the Infrastructure Upgrade Strategy and server virtualisation strand of work, a migration programme has been implemented for all business applications that can operate in this environment. All Tier 0 and Tier 1 business applications that can be virtualised have been.
- 2.2.3** Virtualised applications can be recovered much quicker than conventional tape back-up. In addition, data replication takes place every hour or so as opposed to running an overnight process.
- 2.2.4** The status of Tier 0 and Tier 1 is summarised at Appendix 2. To undertake full business continuity

assurance testing will require full cooperation from each relevant service area and two working days per service would be required and the impact on public access appreciated.

3. ICT disaster recovery

- 3.1 For the purposes of this report, ICT disaster recovery is defined as the ability to recover back to business as usual after a major incident that disrupts or stops the data centre and access to systems for more than 24 hours.
- 3.2 Service business continuity plans should allow for continuation of each business area while the ICT disaster recovery plan is put in to operation and applications brought back up in a priority order which has been informed by business impact assessments. These assessments need to focus on the impact of a service not operating at that point in time.
- 3.3 South West Audit Partnership (SWAP) are carrying out a comprehensive review of the current disaster recovery arrangements in place and the findings that need to be addressed to provide the critical systems and services required to meet the business continuity requirements of the ICT shared service partners and clients. The findings of this report will be discussed at JMLG and an action plan will be reported to Audit Committee in June.

4. Consultation and feedback

- 4.1 ICT JMLG and the senior leadership team at each partner organisation will be consulted.

5. Performance management – monitoring and review

- 5.1 ICT JMLG.

Report author	Contact officer: Andy Barge, Group Manager – Customer Services andy.barge@fdean.gov.uk , 01594 812383
Appendices	1. ICT infrastructure assurance 2. ICT Application assurance

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Appendix 1 - ICT infrastructure assurance

Location	Area for assurance	Status	Mitigation in place	Planned actions
Municipal Offices	Power failure (meaning loss of PCs)	G	<ul style="list-style-type: none"> Service business continuity plans UPS would ensure that other sites (e.g. CBH, Leisure @) remain connected for 2 - 3 hours 	<ul style="list-style-type: none"> Accommodation strategy
	Loss of building	A	<ul style="list-style-type: none"> Data centre is offsite Service business continuity plans Up to 40 desks at FOD on a reciprocal agreement Access to a shared pool of laptops 	<ul style="list-style-type: none"> Accommodation strategy Impacts on remote locations to be considered
	Data links	A	<ul style="list-style-type: none"> Third party reliance via support contracts with 4 - 24 hour response 	<ul style="list-style-type: none"> Dual links to be investigated to remove single points of failure
	Loss of telephony	A	<ul style="list-style-type: none"> Requires line diversion which may take up to 8 hours 	<ul style="list-style-type: none"> Options review being completed by Customer Services Microsoft Lync implementation 2014/15
Data Centre, Coleford	Data back-up	G	<ul style="list-style-type: none"> Increased bandwidth Virtualised servers backing up every hour to DR site Remaining applications back up overnight to tape drive 	<ul style="list-style-type: none"> Location and capacity of DR site to be reviewed
	Power failure	A	<ul style="list-style-type: none"> UPS in place for up to 4 hours UPS serviced and tested Jan 2014 	<ul style="list-style-type: none"> Generator to be installed by Sept 2014
	Loss of building	A	<ul style="list-style-type: none"> DR servers at CBC 	<ul style="list-style-type: none"> Location and capacity of DR site to be reviewed DR plan to be revised
	Overheating	G	<ul style="list-style-type: none"> Air conditioning 	<ul style="list-style-type: none"> New evaporative cooling system being installed June 2014
	Staff shortages	G	<ul style="list-style-type: none"> ICT shared service provides increased capacity and resilience Generic posts remove single point of failure 	<ul style="list-style-type: none"> Use of third party support as required
	Power failure	A	<ul style="list-style-type: none"> UPS in place for 2 - 3 hours 	<ul style="list-style-type: none"> Location and capacity of DR site to be reviewed
	Overheating	G	<ul style="list-style-type: none"> Air conditioning sufficient for current DR use Servers only fully activated in event of DR situation 	<ul style="list-style-type: none"> Location and capacity of DR site to be reviewed
Capacity		<ul style="list-style-type: none"> Bandwidth increased Tiered priorities for application use 	<ul style="list-style-type: none"> Re-prioritisation by SLT and JMLG 	

Appendix 2 - ICT Application assurance

Tier	Application	Virtualised	Servers needed	Notes
0	Agresso ABW	Y	24	Back up replication takes place every four hours
	Eros – elections management system	Y	2	Full DR test late 2013 involving CBC FOD fail over, including staff and physical resources. SWAP validated.
	Idox	N	3	Not all virtualised yet so a nightly backup is required. Aim is by June 2014 to be included in the up to date processes. Would require Idox support to restore system – approx 3 – 6 days to complete.
	Uniform, Land Charges and Public Access	N	-	
	Openrevenues – Council Tax, NNDR and Housing Benefits	Y	3	On a regular basis we take a copy of the nightly backups and restore into the Test System. This was completed several times over the recent year end Feb 2014. Full DR test scheduled for June 2014.
	Shared Drives – S, T and U	Y	3	Approx 4 days to recover in current format. Upgrade required to virtualise and the aim is by June 2014 for it to be included in the up to date processes.
	Intranet	Y	1	
	Infrastructure servers - e.g. email, remote access, security, anti-virus, BACS	Y	Up to 50	Key systems have a server within the DR site live at all times e.g. Bacs, Domain Authentication, email. We switch on a monthly basis between these during patch implementation without any users noticing.
	Tape drive	-	1	Would need a new physical server and physical tape library – usually 3 days to site and 1 day to build.
	Leisure system Advantage – sports centre management	Y	3	Hosting of application should be explored, with appropriate assurances obtained.
	CHRIS 21 – payroll for CBH/CBC	Y	1	No longer a live system
	GRAVE – abandoned vehicles tracking	-		System hosted by SDC - internet access required
	1	Idox Redact – redaction software	Y	1
Committee Minutes – Modern.gov		Y	2	
Lloyds link		-		Web application – internet access required
Parking system – cash collectors		-		Application installed on PC. Require supplier Hoge100 input.

**Cheltenham Borough Council
Audit Committee – 26 March 2014
Annual Internal Audit Plan 2014/15**

Accountable member	n/a
Accountable officer	Robert Milford, Head of Audit Cotswolds
Ward(s) affected	All
Key Decision	No
Executive summary	<p>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 as assurance source supporting the Annual Governance Statement, which forms part of the statutory accounting standards.</p> <p>Following CIPFA's guidance on Audit Committee the Committee this evening should "formally approve (but not direct) the Internal Audit plan".</p>
Recommendations	The Audit Committee approves the Internal Audit Plan for 2014/15

Financial implications	<p>The audit plan is a risk based plan which directs audit report towards the higher risk areas. This ensures that valuable audit resource is focused and directed towards ensuring that financial exposure is minimised.</p> <p>Contact officer: Mark Sheldon, Director of Resources mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>No Legal implications</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>No HR implications</p> <p>Contact officer: Amanda Attfield, Head of HR, GOSS amanda.attfield@cheltenham.gov.uk, 01242 264186</p>

Key risks	<p>The audit plan has been derived from consultation with the Senior Leadership Team and through 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 focussed 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 may rely on this in their own work on final accounts. 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 (England) Regulations 2011.</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).</p> <p>Furthermore, Audit Committee will continue to receive quarterly reports through 2014/15 from Internal Audit detailing the work undertaken in relation to the plan.</p>
Corporate and community plan Implications	None
Environmental and climate change implications	None

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 e.g. the development of the GO Shared Service partnership arrangement for the delivery of core financial systems, Shared Services impacting service delivery arrangements and on core governance arrangements, etc. Therefore, Internal Audit 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.

2. Reasons for recommendations

- 2.1 The primary role of Internal Audit is to provide assurance that the Council's systems constitute a proper administration of its affairs. To this end, Internal Audit carried out a programme of audits that is agreed annually with Heads of Service and the Management Team.
- 2.2 Due to the new Public Sector Internal Audit Standards (PSIAS) and changes of core

systems Audit Cotswolds, as the Internal Audit provider, needs to respond 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.

- 2.3** The core financial systems delivered to the Council by the GO Shared Service are covered within the GO Shared Services Audit Plan, this will cover GO and client side activities providing;
- Assurance to the GO Shared Service Management Team and the Client Officer Group over the controls operating for the clients
 - Assurance to the client over the controls operating within GO financials, within the services they provide, and an assurance level for each financial module
 - Assurance to the clients over the controls operating within client side activities for GO
 - Periodic assurance over the other aspects of GO provided services
 - The required support to the External Auditor
- 2.4** A summary of the Annual Internal Audit Plan for 2014/15 is included at Appendix 1. This lists the risk based assurance work.
- 2.5** The Internal Audit Plan outlines a preferred programme of work for 2014/15 as developed throughout February 2014. The Audit Plan presented is not “set in stone” and is intended to evolve in response to issues highlighted through risk and change management and monitoring.
- 2.6** Audit Cotswolds has two further partners, West Oxfordshire DC and Cotswold DC and three further clients, Ubico, and GO Shared Services and Cheltenham Borough Homes, so co-ordinating and allocating fixed resources across multiple organisations is critical to the success of the Audit Cotswolds Partnership and the delivery of all audit plans.

3. Consultation and Feedback

- 3.1** The Executive Board and other managers were consulted for this plan.

4. Performance management – monitoring and review

- 4.1** Performance is monitored by both the Audit Committee and the Audit Partnership Board as detailed in the Audit Charter 2013.

Report author	Contact officer: Robert Milford, Head of Audit Cotswolds Robert.milford@cheltenham.gov.uk, 01242 775058
Appendices	1. Internal Audit Annual Plan 2014/15 2. Risk Assessment
Background information	None

Cheltenham Borough Council	
Audit Assurance Plan 2014/15	
Subject	Detail
Core Audit Areas	
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample elements of the supporting information
Performance Management	Review of an element of the Performance Management systems - the focus being the performance arrangements at employee level
Risk Management	Review of the controls specified in the risk registers (service and corporate)
Governance Compliance	Review of Members allowances and controls in place
ICT	The review will cover an element of the service focusing on the arrangements to integrate services as a result of the shared service arrangement
Housing and Council Tax Benefits	A review of an element of the Housing Benefit process, the programme of activity ensures full coverage of the service over a 3 year cycle
Council Tax	A review of an element of the Council Tax process, the programme of activity ensures full coverage of the service over a 3 year cycle
NNDR	A review of an element of the NNDR process, the programme of activity ensures full coverage of the service over a 3 year cycle
GO Shared Services	<p>Client Assurance on Core Financials</p> <ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Budgetary Control and Capital Accounting • Main Accounting (Including Bank Reconciliation) and Treasury Management • Payroll • Systems Admin

Subject	Detail
Areas for Audit Review (based on change and risk)	
Change Management	Consultancy - Public Protection Shared Service
Payment Channels and Income Streams	Review of payment channels coming out of the authority (other than creditors) and a review of the income streams into the authority
Environmental Audit	Review of the long term strategy and actions required in the short term
Data Protection and Control of Data	Review of data sharing protocols and legislation including privacy impact assessments for data associated with GO Shared Services
Third Party Schemes and Grants	Review of the management of third party funds and grants
Transparency Agenda	Follow up of the previous audit and a review of the arrangements for reporting of the new data requirements
Social Networking	Review of policies, procedures, ownership, control of accounts and the monitoring of social networking sites used by the authority
Change Management	Support for the Leisure and Culture Trust
Housing	Review of the policies and procedures in respect of Disabled Facilities Grants
Car Parking	Follow Up of Limited Assurance Audit
Other Audit Provision	
National Fraud Initiative	Ongoing support for the scheme
Fraud Reporting and Counter Fraud Advice	Proactive counter fraud work
Follow Up Audits	Follow Up of High and Satisfactory Audits
Contingency	New work and investigations

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
Aud1	Without the audit plan in place there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	Director of Resources		3	3	9	Reduce	The Audit Committee approval of the annual plan	31/03/2014	Head of Audit Cotswolds	

Cheltenham Borough Council Audit Committee – 26 March 2014 Annual Risk Management Report

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Director of Resources, Mark Sheldon
Executive summary	The Audit Committee approved the current Risk Management Policy March 2013 and requested an annual report to provide Members with an update on the Council's risk management activities.
Recommendations	To endorse the risk management work undertaken during 2013/14.

Financial implications	<p>The identification and assessment of financial risk is a key element in the process of managing the council's financial exposure. The scorecard ensures a consistent approach and transparent methodology for assessing financial risk.</p> <p>The policy and risk management process is well embedded which helps to ensure robust management of financial risk.</p> <p>Contact officer: Mark Sheldon , Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</p>
Legal implications	<p>None specifically arising from the recommendations. In general terms, the existence and application of an effective risk management policy assists prudent decision making which is less susceptible to legal challenge.</p> <p>Contact officer: Peter Lewis Email: peter.lewis@tewkesbury.com.uk Tel: 01684 272012</p>
HR implications (including learning and organisational development)	<p>There are no direct HR implications in this report.</p> <p>Contact officer: Donna Sheffield Email: donna.sheffield@cheltenham.gov.uk Tel: 01242 774972</p>
Property Implications	<p>None specifically arising from the recommendations.</p> <p>Contact officer: David Roberts Email: david.roberts@cheltenham.gov.uk Tel: 01242 264151</p>
Key risks	<p>The lack of a robust approach to the management of risks and opportunities could result in ill-informed decision making and non-achievement of the Council's aims and objectives at both a strategic and service level.</p>
Corporate and community plan Implications	None

Environmental and climate change implications	None
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1. Background

- 1.1 Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives.
- 1.2 Risk management is a key element of the Council's corporate governance framework. It is one of the six core principles of the Council's Code of Governance - 'taking informed transparent decisions which are subject to effective scrutiny and risk management'.
- 1.3 In the past year, additional work has been completed to support the risk management process and help embed good practice across the Council.
- 1.4 The Risk Management Policy was updated and approved by Audit Committee in March 2013. The policy confirmed the Council's risk management appetite and objectives; links to the Council's Corporate Plan; and provides guidance on risk management approach and scoring.
- 1.5 The approach was rolled out to officers at Senior Leadership Team, Corporate Governance Group and at Divisional Management Team meetings. All policy, guidance and advice documents are available through the risk management page on the intranet.
- 1.6 The Council has an on-line web based risk management module which records all Corporate and Divisional risk which can be viewed by all employees and Members helping to make risk management more transparent.

Strategic risk management

- 1.7 The Risk Management Policy states the need for a formal review of the Corporate Risk Register to identify risks associated with the achievement of the Council's aims and objectives within the Corporate Strategy. The 2013/14 Corporate Strategy sets out our intended milestones, performance indicators and risks associated with the 10 outcomes.
- 1.8 The Corporate Risk Register (CRR) Appendix 2 has a high-level dashboard that provides information on the risk scores, trends and profile. The CRR is reviewed by the Senior Leadership Team with a formal report to Cabinet every 6 months. A copy is also provided to Cabinet members following every SLT review to aide their discussions with Directors. An updated copy of the corporate risk register will be provided at this meeting which will include any revisions made by SLT on the 25th March 2014.
- 1.9 The on-line risk management module records all of the council's corporate risks which are initially identified by Directors and Service Managers, these are managed by an SLT appointed Risk Owner and Risk Manager. Any divisional or project risk with a score of 16 or above must be referred to the Senior Leadership Team, they then consider if it should be escalated to the Corporate Risk Register. These corporate risks can also be referred back to the divisional or project risk registers if SLT consider the risks to be under control and less of a risk to the wider organisation.
- 1.10 As at 25/2/2013 there were 21 risks on the Corporate Risk Register compared to 22 in February 2014. During the period from April 2013 to February 2014, ten corporate risks were deemed to have been managed to the point where they had become acceptable and closed and a further 2 risks were transferred by the Senior Management Team back to the division for ongoing management.

Training

- 1.11 As part of awareness training for officers, risk management presentations have been completed at Senior Leadership Team and Divisional Management Team meetings to promote the Risk Management Policy and approach.
- 1.12 The risk awareness training was updated to reflect the new policy and scorecard and this is available to all employees and Members through the Learning Gateway. A copy of the screen prints are attached at appendix 3 for Members awareness
- 1.13 All Directors and Service Managers are requested to undertake the on-line training every three years, regular communiqués are also issued to managers to promote risk management good practice.

Planned Improvements

- 1.14 The on-line risk management module can be developed further to include risks associated with key projects. These risks are currently managed by the project manager and reported to the programme board. It is hoped that sufficient resources can be found to include these within the same reporting process for Corporate and Divisional risk.

Policy review

- 1.15 The Risk Management Policy was reviewed and approved by the Audit Committee in March 2013.
- 1.16 At the full Council meeting on the 7 October 2013 during the debate on the ICT PSN issue, there was a request that the Risk Management Policy and Risk scorecard should be reviewed. This review was carried out during February 2014 and the outcome will be covered in the separate report on the Risk Management Policy.

2. Alternative options considered

- 2.1 None

3. Consultation and feedback

- 3.1 The Senior Leadership Team and The Corporate Governance Group routinely consulted on the content of the risk registers.

4. Performance management – monitoring and review

- 4.1 The Senior Leadership Team and The Corporate Governance Group routinely monitor risks in line with the Risk Management Policy.

<p>Report author</p>	<p>Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189</p>
<p>Appendices</p>	<ul style="list-style-type: none"> 1. Risk Assessment 2. Corporate Risk Register 3. Risk Management training slides from Learning Gateway

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the council does not have a robust and effective risk management approach to the management of risks and opportunities then it could result in ill-informed decision making and non-achievement of the Council's aims and objectives at both a strategic and service level.	Director Resources	26/03/2014	4	2	8	Reduce	Ensure that the Councils Risk Management Policy is kept up to date and that the processes supporting it are robust and delivered by the decision-makers.	31/3/2014	Corporate Governance, Risk and Compliance Officer	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											



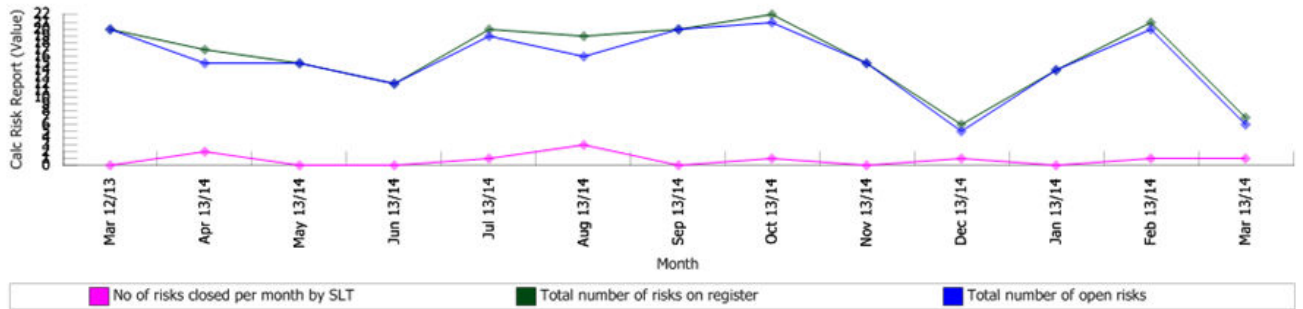
Cheltenham Borough Council Risk Management System

12 Months Activity

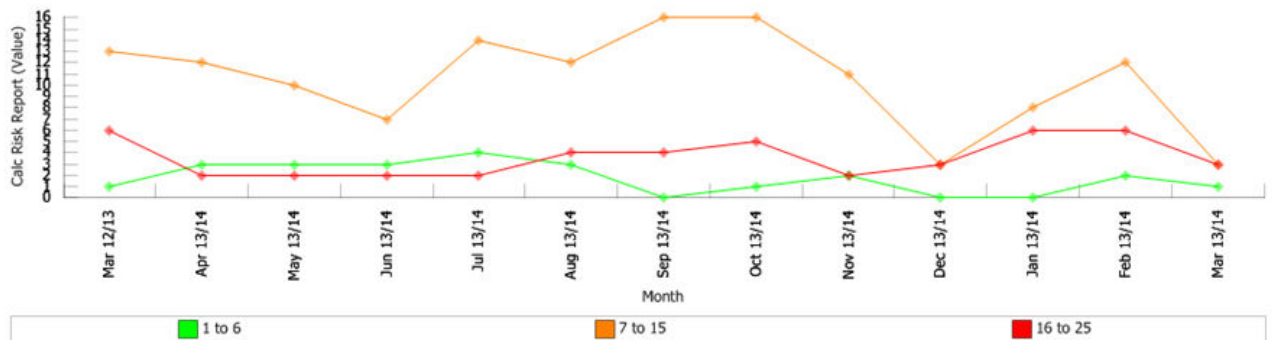
Back

Risk Score	Apr 13/14	May 13/14	Jun 13/14	Jul 13/14	Aug 13/14	Sep 13/14	Oct 13/14	Nov 13/14	Dec 13/14	Jan 13/14	Feb 13/14	Mar 13/14
1 to 6	3	3	3	4	3	0	1	2	0	0	2	1
7 to 15	12	10	7	14	12	16	16	11	3	8	12	3
16 to 25	2	2	2	2	4	4	5	2	3	6	6	3
Total number of open risks	15	15	12	19	16	20	21	15	5	14	20	6
No of risks closed per month	2	0	0	1	3	0	1	0	1	0	1	1
Total number of risks on register	17	15	12	20	19	20	22	15	6	14	21	7
Total number of Transfer risks	0	0	0	1	1	0	0	0	0	0	0	0
Total number of reduce risks	15	15	12	18	15	20	21	14	5	14	20	6
Total number of accept risks	0	0	0	0	0	0	0	1	0	0	0	0

Total Risk Trends by Month - Total and Active



Total Risk Trends by Month - RAG Counts



Corporate Risk register as at 17 March 2014

Row	Corporate Risk	Corporate Risk Owner	Proposed Action	Impact	Likelihood	Score	Control	Risk Control Progress	Corporate Risk Manager	Corporate Risk Last Updated
1	Feb 13/14 CR3 - If the council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision	Mark Sheldon	Development of the budget strategy to address the MTFS funding gap. Establishment of a cross party budget working group which reviewed the budget scrutiny process and considered specific aspects of the budget proposals for 2013/14. Regular meetings of Bridging the Gap (BtG) programme with Cabinet lead and on going dialogue with SLT on new ideas for savings.	4 - Major	4 - Moderate	16	Reduce	February 2014: Final settlement in February 2014 confirmed government funding allocations which firmed up a budget gap of £1.4m for 2014/15. The final budget proposals for 2014/15, including £1.4m of potential savings / income to bridge the budget gap, was approved by council on 14/02/14. There is significant volatility around business rates and the budget for 2014/15 provides for a reserve to cushion future fluctuations. The MTFS gap (2016/17 - 2017/18) which assumes future 2% council tax increases, is now estimated at £2.9m, with an unresolved gap assuming BtG workstreams deliver, of £1.2m.	Mark Sheldon	18/02/14
2	Feb 13/14 CR33 - If the council does not keep the momentum going with regards to the JCS The policy vacuum left by the abolition of the RSS and the resultant	Andrew North	Agreement across Gloucestershire districts to work collaboratively on determining housing and employment projections by the end of 2013. Econometric	4 - Major	4 - Moderate	16	Reduce	February 2014: JCS consultation database made live, enabling all representations to be accessed by members of the public and stakeholders. Joint work room set up at	Tracey Crews	04/03/14

		delay in projections and framework could result in inappropriate development.		Housing Model received and analysis undertaken. Seminars for councillors to explain the projections. Decision to consult from all three councils and initial phase of consultation undertaken on development scenarios. Establishment of a member working group.					Cheltenham to enable all JCS officers to be co-located. Officers working on resolving objections of statutory stakeholders and considering wider stakeholder and representations from members of the public. Schedule of meetings with Cross Boundary Programme Board and Member Steering Group in place to drive forward programme to achieve timetable of consideration of pre submission JCS April 2014.		
3	Feb 13/14	CR80 - If the Council does not have a robust and effective CCTV Code of Practice for all of the systems that operate in our properties or car parks, then there is a risk that we could breach the requirements of the; The Data Protection Act 1998 (DPA), The Human Rights Act 1998 (HRA), The Freedom of Information Act 2000 (FOIA) and The Regulation of Investigatory Powers Act 2000 (RIPA)	Mark Sheldon	Draft a CCTV Code of Practice that meets the requirements of the Information Commissioner for CCTV and Automatic Number Plate Recognition (ANPR) systems operated in public places. This should be supported by an additional Surveillance Code of Practice (following Home Office consultation and guidance)	4 - Major	4 - Moderate	16	Reduce	Corporate Policy approved by SLT 18/7/2013. Responsibility for delivering a CoP and complying with legislation with Strategic Directors, Directors and Service Managers for the following systems by the 01/01/2014 Each CCTV and ANPR system operated by CBC in ** its car parks ** Leisure@ ** Town Hall ** Pittville Pump room ** Cemetery and Crematorium ** Municipal Building ** Art gallery and Museum CCTV policy still out for consultation on Cabinet forward plan for November CCTV	Bryan Parsons	24/02/14

									policy report to Cabinet 18/11/13 Parking Services will not be complete the CoP until end of financial year Awaiting CCTV CoP from all services, Directors reminded of commitment at Jan 14 SLT SLT agreed to extend deadline to 31/3/2014		
4	Feb 13/14	CR84 - If we fail to work with the liquidator to finalise the existing contractual arrangements then there is a risk that the Council's cremation service could be compromised.	Grahame Lewis	Work constructively with liquidator to conclude current arrangements. Commission independent assessment of installation which will inform ongoing decision making processes to ensure we have short term support from cremator / abatement / management systems specialists. Obtain independent testing of fully commissioned system and procure along term maintenance contract.	4 - Major	4 - Moderate	16	Reduce	<p>Risk descriptions are being reconsidered by project group for April SLT</p> <p>The issue regarding product liability insurance has been considered and found to be not appropriate for the current</p> <p>The 2nd technical report was received and confirmed many of the issues identified in the initial report. The project team's action plan has been updated to reflect this appraisal and a range of mitigating actions have been put in place. A number of the issues have been addressed to improve the operation of the equipment and it reliability.</p> <p>The project team have met with funeral directors to discuss business</p>	Rob Hainsworth	26/02/14

									continuity arrangements and a further meeting has been arranged.		
5	Feb 13/14	CR85 - If we fail to evaluate and make good the current installation issues and mercury abatement process within the cremator's and put in place an all inclusive maintenance contract for the future then the Councils permit may be compromised.	Grahame Lewis	Work constructively with liquidator & existing contractor to conclude current arrangements, commission independent assessment of installation which will inform ongoing decision making process, ensure we have short term support from cremator / abatement / management systems specialists.	4 - Major	4 - Moderate	16	Reduce	Additional equipment has been ordered to provide a greater analysis of the cremators functionality. Risk descriptions are being reconsidered by project group for April SLT	Rob Hainsworth	26/02/14
6	Feb 13/14	CR88 - St Pauls Phase 2 - If site assembly and construction does not move forward within the agreed timescales, there is a risk that the HCA grant available from the affordable housing programme may be lost	Grahame Lewis	1. Robust programme and project management 2. Stopping up order to be completed by March 2014 3. Site available by January 2015 4. Affordable units to be completed by March 2015 5. Contract to include conditions with regards to liabilities and grant loss. 6. Discussions to be held with HCA if drop dead date is not met.	3 - Marginal	5 - High	15	Reduce	Project and management work underway. The drop dead date for site assembly has not been met and the Council had 21 days to finalise negotiations with the developer which incur additional legal costs and site works costs resulting from any delay which can be met from the contingency. The council has however incurred a significant liability arising from works being undertaken which may be aborted should the scheme fall through, and council were advised of this.	Jane Griffiths	20/02/2014

7	Feb 13/14	CR12 - If members, senior managers, managers, supervisors, and employees are not aware of their obligations and responsibilities for health and safety (in relation to the public, customers, employees) and ensure that the necessary H&S arrangements are in place and adhered to, then the council could face prosecution (and/or personal injury claims) which would carry associated capacity, financial, and reputation risks.	Andrew North	Introduction of H&S audit process to review the effectiveness of the current management system Oct 13 - Feb 14 / Introduction of H&S managers training Jan 2014 / Introduction of H&S core training courses for relevant employees Jan 2014 / Review of current policies and procedures and implement improvements March 2014	4 - Major	3 - Low	12	Reduce	<p>Audits started across authority with Built Environment and Commissioning divisions completed. Issues highlighted</p> <ul style="list-style-type: none"> - Lack of understanding /discharging of Responsibilities for H&S - Lack/no risk assessment documentation in place (legal req) - Gap in H&S training for staff (competency) <p>Action plans have been created for each service that has been audited and agreed with manager for completion and the directors should be monitoring this. SLT to be updated at next meeting</p>	Iain Wilkie	20/02/14
8	Feb 13/14	CR45 - Closed - If sites identified within former Civic pride programme do not generate sufficient net receipts then the wider aspirations e.g. public realm will not be deliverable	Jeremy Williamson	It may be possible to utilise receipts from other non Civic Pride sites e.g. Midwinter's if necessary. Effective soft market testing suggests optimism over net receipts.	4 - Major	3 - Low	12	Reduce	<p>North Place/Portland Street planning permission issued August 2013, following signing of Unilateral Undertakings. Morrison's have exchanged with Augur Buchler and confirmed publicly their site intentions. Given need to discharge planning conditions and CBC to retain car parks over Christmas period target completion by 31/01/14. Disposal concluded 31/01/14 with a reverse lease that allows CBC to utilise</p>	Jeremy Williamson	05/03/14

										North Place as a car park until construction work begins. Skanska have site available for resale but plan to use as a temporary car park in the interim. Given that capital receipt received this risk can now be closed.		
9	Feb 13/14	CR66 - If members, senior managers, managers, supervisors, and employees are not fully aware of their obligations and responsibilities for Data Protection particularly in relation to the permitted and lawful disclose of private and confidential information, then the council could face financial penalties and reputation risks.	Mark Sheldon	Complete Privacy Impact Assessment in relation to Go. Raise awareness of Data Protection and Information Security	4 - Major	3 - Low	12	Reduce	IA audit Plan being revised because of the work undertaken on the PSN application project. As much of this work related to data security it is planned to postpone this audit until next financial year. Risk score increased following comments from SLT on the above delay End date revised in line with Internal Audits audit plan	Bryan Parsons	20/02/14	
10	Feb 13/14	CR75 - If capacity to deliver key projects is achieved by diverting necessary resources away from either core services or other provider commitments, then there is a risk of not being able to deliver all of the business as usual expectations including a failure to comply with internal controls that could in turn impact on our	Andrew North	Gathering of projected resource data on the council's key programmes and projects takes place quarterly. This enables the council's Senior Leadership Team to review demands alongside the resource needs of their core services and modify plans if necessary.'	3 - Marginal	4 - Moderate	12	Reduce	SLT considered major issues and impacts at its meeting on 25th February.	Ken Dale	18/02/2014	

		reputation and finances.									
11	Feb 13/14	CR77 - If the new reciprocal ICT Business Continuity arrangements with FoDDC are not put in place then there is a risk that key councils services in the event of an emergency or unplanned event will not be effective.	Grahame Lewis	Agree an action plan with the ICT Infrastructure Manager that will deliver robust and effective ICT BCP arrangements between CBC and FoDDC by 1/6/2013	4 - Major	3 - Low	12	Reduce	Feb South West Audit Partnership undertaking assurance review for FoDDC. ICTSS to report to CBC audit committee End of March on progress and action planning re additional tests.	Bryan Parsons	24/02/2014
12	Feb 13/14	CR78 - If the Corporate and Service Business Continuity Plans do not reflect the governance structures associated with the commissioning and shared service arrangements then there is a risk that key services will be not be available in the event of and emergency or unplanned event.	Mark Sheldon	Corporate and Service Business Continuity plans should be reviewed and tested to reflect the new commissioning and shared service governance arrangements	4 - Major	3 - Low	12	Reduce	Jan SLT confirmed that Exec Board were considering the implications on service delivery from April 2014 this would include responsibilities for Emergency Planing and Business Continuity	Bryan Parsons	25/02/14
13	Feb 13/14	CR81 - If the Council does not progress as quickly as possible to preparing the Cheltenham Plan, then the Borough will be exposed to the risk of inappropriate development.	Mike Redman	Scrutiny Task Group set up to advise and challenge on the development of a Cheltenham Plan	3 - Marginal	4 - Moderate	12	Reduce	February 2014: No further update, Cheltenham Plan on hold, policy team resources transferred wholly to JCS	Tracey Crews	04/03/2014
14	Feb 13/14	CR86 - If the ICT shared service fail to submit a successful	Mark Sheldon	Assess what is required to meet the 2014 self assessment	4 - Major	3 - Low	12	Reduce	Feb GOSS HR engaged a contractor to deliver BPSS checks.	Mat Thomas	24/02/14

		PSN compliance application for 2014 then the Councils preferred method of transmitting and receiving data and its service provision could be put at risk impacting upon the Councils reputation.		by January 2014. Prepare a report for SLT on resource and operational implications November 2013					Feb FoDDC PSN application granted. Discussions with Cabinet office and LGA have led to confirming that elected Members do not have to be BPSS checked. SWG decided to hold joint meetings with FoDDC and to engage Class consultant for 2014 pre submission work.		
15	Feb 13/14	CR89 - If the St Pauls Phase 2 project risks are not effectively mitigated then there is a corporate risk that the Councils reputation in terms of working with Contractors, managing projects and supporting residents will be damaged	Pat Pratley	The Head of Property Services should ensure that the Cabinet Member is kept informed of progress on the project risk mitigating actions and prepare a communications strategy in case of a project failure.	3 - Marginal	4 - Moderate	12	Reduce	HPS has briefed Portfolio holder on the project plan and discussions with Contractor, CBH and other freeholder. HPS will consider the need for a contingency communications plan to meet the requirements of project failure..	David Roberts	21/02/2014
16	Feb 13/14	CR9 - If the Council fail to provide a safe and secure IT System / infrastructure then there is a risk that their will be a failure due to virus or Malware attack etc which could lead to the loss of data, financial penalties, additional operating costs and	Mark Sheldon	Deliver ICT investment strategy objectives. Review all ICT policies. Ensure CoCo compliance standards are met. Support new shared service arrangements and the relocation of servers to FoDDC to improve resilience.	3 - Marginal	3 - Low	9	Reduce	January 14 Audit Committee mtg requested an ICT BC assurance report for march meeting. Client officer to request report from ICT SS Jan SLT briefing provided by Andy Barge from FoDDC on current progress, undertook to deliver ICT BC assurance report for Audit Committee SWG continuing to meet and	Mark Sheldon	21/02/14

		detrimental to its reputation							monitor progress on risks. ICTSS to put forward timetable for PSN submission for 2014. Management of risk transferred to Client officer pending ICT Manager replacement		
17	Feb 13/14	CR68 - If there is a failure to align and manage the Cheltenham Task Force developments with the (emerging) Car Parking Strategy then there is a risk of customer dissatisfaction and the loss of reputation and revenue. There are several strands to mitigating this Corporate Risk each will be managed through Divisional Risks registers.	Andrew North	There are several strands to mitigating this Corporate Risk each will be managed through the following Divisional Risks	3 - Marginal	3 - Low	9	Reduce	The following 4 risks have been identified and are being managed within the Task Forces CBC divisional risk register TF01 North Place/Portland Street displacement during construction phase TF02 Grosvenor Terrace upgrade project TF03 Changes to the traffic network linked to LSTF TF04 Car Park directional signage strategy The 2013/13 Corporate strategy includes the TFMD developing a car parking strategy to inform the Asset Management Plan North Place and Portland street sale completed ongoing work to manage disbursement of traffic Score for Impact reduced	Jeremy Williamson	26/02/14
18	Feb 13/14	CR66 - If members, senior managers, managers, supervisors, and employees are not fully aware of their obligations and responsibilities for Data Protection	Mark Sheldon	Complete Privacy Impact Assessment in relation to Go. Raise awareness of Data Protection and Information Security	4 - Major	2 - Very Low	8	Reduce	IA audit Plan being revised because of the work undertaken on the PSN application project. As much of this work related to data security it is planned to postpone this audit until next financial year. Risk score	Bryan Parsons	20/02/14

		particularly in relation to the permitted and lawful disclose of private and confidential information, then the council could face financial penalties and reputation risks.							increased following comments from SLT on the above delay End date revised in line with Internal Audits audit plan		
19	Feb 13/14	CR69 - If Cheltenham is not able to grow its business rate base each year then it will impact on the income the Council receives through the business rates retention scheme.	Mark Sheldon	Join Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the council. Work with Members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.	4 - Major	2 - Very Low	8 Reduce	February 2014: The Gloucestershire Districts and Gloucestershire County council have agreed management arrangements for the Gloucestershire pool for 2013/14. Monitoring to date would suggest that the pool is viable and beneficial for Gloucestershire since more business rates are retained locally. Despite significant and ongoing guidance in respect of the localisation of business rates which has resulted in uncertainty and complexity in respect of financial projections, a decision has now been made to continue the pooling arrangements into 2014/15. However, the final position for the 2013/14 pool will be not be fully evaluated until the outturn position is finalised in June 2014.	Jayne Gilpin	24/02/14	
20	Feb 13/14	CR90 - If the St Pauls Phase 2 project risks are not	Pat Pratley	Ensure close liaison with all interested parties and that the	3 - Marginal	2 - Very Low	6 Reduce	Discussions have been finalised to provide the contractor access to the	David Roberts	24/02/14	

		effectively mitigated then there is a corporate risk that expenditure beyond that allocated to the project will be put at risk.		project is managed effectively and that the Cabinet Member is kept informed of progress.					site and for a variation agreement to be agreed by the 28/2/2014 so as to facilitate the subsequent relocation from 29 Crabtree place to 54/54a Folly Lane.		
21	Feb 13/14	CR64 - Closed - If the proposed transaction between CBC and preferred bidder for North Place fails to occur as a result of market instability then we would be unable to deliver price & quality of outputs agreed or failure to secure planning consent then CBC will be forced to abandon existing process and begin again.	Jeremy Williamson Andrew North	CBC needs to maintain close liaison with preferred bidder to work through challenges as appropriate. However it is recognised that for some items, such as global economic instability, there is no mitigation possible.	1 - Low	1 - Almost Impossible	1	Close	CBC and Auger Buchler completed on the sale of Portland Street and North Place at end of Jan 2014. Recommendation to SLT to close and for any new risks to be identified by Head of Property Services in relation to re-gear of North Place to ensure development proceeds as planned	Jeremy Williamson	25/02/14

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Risk Management Awareness

CBC on-line learning

I wonder...

- What is a risk?
- Do we record risks?
- Do we have a policy and process?
- Why do we bother about risk management?
- Who identifies risks?
- Who decides how to manage them?
- Who monitors them?
- What do I have to know and do?

The objective of this module is to give you the answers to these questions.

The outcome is that you will know what *you* need to do about risks and their management.

What is a risk?

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.

What is risk management?

The activities required to identify and control exposure to uncertainty which may impact on the achievement of objectives.

What's CBC's approach to risks?

The council is not risk averse, we believe that risks should be identified and then managed. This means weighing up each risk and taking appropriate action to minimise the impact on our objectives.

Risk management policy

As you might have guessed we do have a policy that governs how we identify and deal with risks at the council.

This module will outline the main points of the policy, but you can read the whole thing [here](#).

Why bother managing risks?

Risk management is sound business practise.

Risk management helps us:

- * deliver our objectives and outcomes
- * deliver improvements to services
- * maintain a safe and healthy environment for the public and our employees
- * avoid costly mistakes and insurance claims

Managing risks impacts all of us!

It applies to CBC's stated objectives at all levels: corporate; divisional; service team; project; programme; and individual

So, what has all this got to do with me?

Managing risks supports us in achieving our aims and ambitions.

At your appraisal, each one of the actions you agree with your manager is linked to one of our corporate aims and ambitions.

What should I do?

If you spot a risk that may prevent you achieving one of your actions, bring it to the attention of your line manager, or project manager.

The risk can be assessed and recorded appropriately as it may impact the delivery of your service plan and ultimately the corporate and community strategies.

In a nutshell, employees are responsible for

Executive Director	<ul style="list-style-type: none"> Promoting the desired culture essential for effective risk management within the council and strategic partners Assessing and managing corporate risks, including shared services and partnerships
Director	<ul style="list-style-type: none"> Assessing and managing corporate and service risks, including shared services and partnerships Maintaining divisional risk register Reviewing register quarterly, as a minimum
Service manager	<ul style="list-style-type: none"> Documenting risks to achieving team actions in the service risk register Reviewing risks at management meeting
Employee	<ul style="list-style-type: none"> Reporting risks to the delivery of your personal actions to your service manager
Project & programme manager	<ul style="list-style-type: none"> Assessing project/programme risks Documenting risks in project's/programme's risk register
Committee report author	<ul style="list-style-type: none"> Including a risk assessment where decisions are required
Corporate governance group	<ul style="list-style-type: none"> Reviewing the risk management policy Reviewing the corporate risk register template and reporting procedure

In a nutshell, Members are responsible for.....

Cabinet and council	<ul style="list-style-type: none"> considering any risks associated with the decisions they are asked to make
Cabinet	<ul style="list-style-type: none"> approving the risk management policy considering risk when setting policy monitoring the risk management process within their respective portfolios
Audit committee	<ul style="list-style-type: none"> endorsing the corporate risk management policy monitoring appropriate management of risks, via internal audit
Economy and business improvement overview and scrutiny committee	<ul style="list-style-type: none"> monitoring corporate risk register, quarterly
Elected Members	<ul style="list-style-type: none"> promoting the desired culture essential for effective risk management

How we identify risks?

We operate in a world of change where both internal and external events can pose threats to the achievement of our objectives.

Here are some examples:

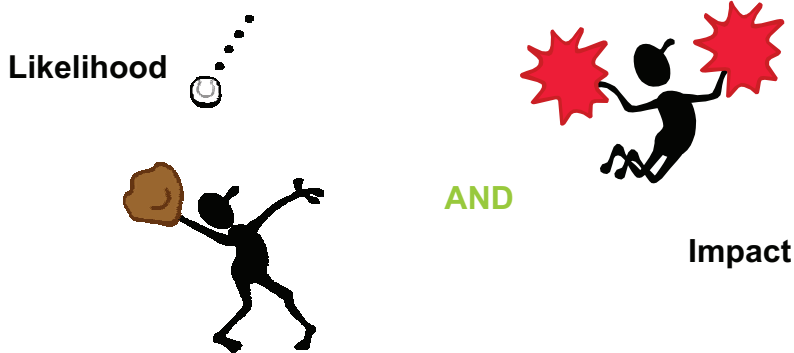
- Internal sources of risk**
- Sufficient finances
 - Sufficient skilled, motivated employees
 - Appropriate premises
 - Technology
 - Procurement
 - Legal/contractual
 - Partners
 - Changing priorities
 - Accurate information

- External sources of risk**
- Political change
 - Economic change
 - Social change
 - Environmental change
 - Government restructuring
 - Customer needs
 - Reviews and assessments
 - Partnerships, shared services, outsourced services

- To identify risks we must:
- consider these sources, forward think and anticipate changes
 - assess the likelihood of the change occurring
 - assess the potential impact on our objectives

How do we assess risks?

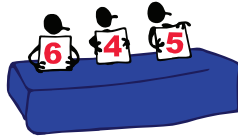
Well, we have two criteria for assessing risks, these are:



The two criteria are scored, using CBC's risk scorecard.

Risk scorecard

Take a look at the scorecard



The table gives the guidelines scoring both **Likelihood** and **Impact**.

It provides a framework to allow risks to be defined in a consistent way.

Likelihood and **Impact** scores are multiplied together to obtain the total risk score.

Likelihood is scored on a scale from 1 to 6 - where 1 is almost impossible and 6 is very high.



Impact is scored on a scale from 1 to 5 - where 1 is negligible and 5 is critical.

Risk register

A risk register captures the original risk, it's score and the actions proposed to control the risk.

Once the actions have been implemented the risk is rescored and the risk owner records how any residual risk will be controlled.

CBC risk registers

We have:

- corporate risk register
- service or divisional risk registers
- project and programme risk registers

Take a look at our risk register template.

Tolerance

The risk score indicates it's tolerance level, which in turn shows how the risk should be managed.

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
Red	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
Amber	7 - 15	Seek to improve the risk score in the short/medium term or develop a contingency plan
Green	1 - 6	Tolerate and monitor within the division

Responsibility

Each risk has an 'owner'.

It is the risk owner's job to record, action and monitor the risk.

What to do about risks - control

CBC has four options for risk control

- Reduce the risk
 - action that aims to decrease the impact, likelihood, or both
- Accept the risk
 - limited or no action, nothing worth while can be done
- Transfer the risk to a third party
 - action and evaluate the residual risk
- Close the risk
 - there is no longer a potential impact
 - the risk has happened and any residual risk should be treated as a new risk

The risk owner and/or senior officer must identify what action to take in relation to the risk.

The risk, it's score, tolerance and control action is entered into a risk register.

So when do we talk about risks

- 1-2-1s
- Team meetings
- Management team meetings
- Project progress meetings
- Programme board meetings
- Senior leadership team meetings
- Executive board meetings

So do I need to talk about risks?

Now, what do you know about risk management?

This last section is a question and answer session designed to evaluate your understanding of this topic.

The pass mark is 90%.

If you achieve this you can complete this module and print a certificate, if not you will be directed to review the module again.

When answering the questions that follow, please select all answers that apply

Questions

Please read the following questions and select one or more answers to review your understanding of risk management.

1. **What is a risk?**
 1. Any issue
 2. Something which may effect the achievement of an action and/or objective
 3. Anything that fits with 'resources, time, quality or outcome'
2. **What is risk management?**
 1. Activity we don't need to do at CBC
 2. Activities to identify and control exposure to uncertainty which may impact on the achievement of objectives
 3. Activities to avoid the achievement of objectives
3. **Why is risk management important?**
 1. It helps deliver our objectives and outcomes
 2. it helps improve our services
 3. It helps maintain a safe and healthy environment for the public and our employees
 4. It helps avoid difficult decisions
 5. It helps avoid costly mistakes and insurance claims
4. **Poor risk management can lead to**
 1. Bad press, complaints and poor reputation
 2. Poor value for money, high costs, wasted time and resources
 3. Reduced quality of service delivery
5. **Who identifies risks?**
 1. Any employee
 2. Only Executive board
 3. Only Service managers
6. **We record risks at CBC in...**
 1. Our heads
 2. Risk registers
 3. The risk management policy

Questions

Please read the following questions and select one or more answers to review your understanding of risk management.

5. **Where can you find the Risk Management Policy?**
 - a) S Drive
 - b) T Drive
 - c) Corporate Risk page of the Intranet
6. **A risk is scored using a single criteria**
 1. True
 2. False
7. **What criteria are used for scoring risks**
 1. Financial cost
 2. Impact
 3. Number of people effected
 4. Likelihood
8. **Who is responsible for reviewing risks?**
 - a) Managers
 - b) Risk owner and manager
 - c) Members
9. **CBC has a number of risk registers, please tick them**
 1. corporate risk register
 2. SLT risk register
 3. service risk registers
 4. project and programme risk registers
 5. CBC risk register
10. **How many options do we have for controlling risks?**
 1. One
 2. Six
 3. Four
 4. As many as we want

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**Cheltenham Borough Council
Audit Committee – 26th March 2014
Risk Management Policy - review**

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Director of Resources, Mark Sheldon
Ward(s) affected	None
Key Decision	Yes/No
Executive summary	<p>The Audit Committee approved the current Risk Management Policy in March 2013 this is due for a further review in April 2014.</p> <p>Audit Committee considered the methodology for carrying out the review for the Risk Management Policy for 2014/15 at their meeting on the 15 January 2014. This review has now been completed and a draft revised policy is attached at appendix 3 for consideration.</p>
Recommendations	<ol style="list-style-type: none"> 1. To make any additional recommendations 2. To approve the Risk Management Policy for 2014.

Financial implications	<p>The identification and assessment of financial risk is a key element in the process of managing the Council's financial exposure. The scorecard ensures a consistent approach and transparent methodology for assessing financial risk.</p> <p>Contact officer: Mark Sheldon Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</p>
Legal implications	<p>None specifically arising from the recommendations. In general terms, the existence and application of an effective risk management policy assists prudent decision making which is less susceptible to legal challenge.</p> <p>Contact officer: Peter Lewis Email: peter.lewis@teWKesbury.com.uk Tel: 01684 272012</p>
HR implications (including learning and organisational development)	<p>There are no direct HR implications in this report.</p> <p>Contact officer: Donna Sheffield Email: donna.sheffield@cheltenham.gov.uk Tel: 01242 774972</p>

Key risks	The lack of a robust approach to the management of risks and opportunities could result in ill-informed decision-making and non-achievement of the Council's aims and objectives, at both a strategic and service level.
Corporate and community plan Implications	None
Environmental and climate change implications	None

1. Background

- 1.1** Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives.
- 1.2** Risk management is a key element of the Council's corporate governance framework. It is one of the six core principles of the Council's Code of Governance - 'taking informed transparent decisions which are subject to effective scrutiny and risk management'.
- 1.3** Audit Committee agreed that all elected Members should be contacted for their views on the Risk Management Policy for 2014 and that a questionnaire would be sent out to gather their comments.
- 1.4** A questionnaire was agreed with the Audit Committee Chairman and a copy was sent to every elected Member with a copy of the current Risk Management Policy.
- 1.5** The questionnaire considered the following key areas
- **Leadership** – Do you consider that there is a wide cultural awareness of the risk management process at Cheltenham amongst members and officers?
 - **Risk governance structures** – Do you understand the roles and responsibilities of officers and members regarding the management of risk?
 - **Establishing risk management at the strategic level** – Do you consider that the Risk Management Policy has helped in this respect?
 - **Accountability and transparency** – The Audit Committee provides a broad based audit role across all areas of the council that includes the management of risk. Do you consider that there is anything that the council could do to improve accountability and make more information on risk management available?
 - **Risk Score Card** – The risk score card is used as a guide to assess impact and likelihood of any identified risk. Do you consider the scenarios and the scoring ranges to be helpful?

Risk Management Policy review 2014 – Survey results

- 1.6** Four elected Members completed questionnaires and the comments were collated (Appendix 2) and considered by officers.
- 1.7** A number of the comments related to Member awareness of the risk management process, these have been discussed with the Democratic Services Manager who will include additional

risk awareness training within the Member induction programme following the elections in May 2014 . An invite to this training session will also be extended to existing Members.

- 1.8 The on-line Risk Awareness training product will be updated to reflect the new Risk Management Policy and will be available to elected members and employees from Mid-April
- 1.9 All of the other comments were used to amend the Risk Management Policy (Appendix 3) these are highlighted by track changes.
- 1.10 Elected Members were also asked to consider the Scorecard to make any suggestions they feel necessary in relation to each criteria (or for any new criteria) for:-
 - Financial
 - Capacity
 - VFM
 - H&S and wellbeing
 - Business continuity
 - Contractual Governance
 - Reputation
 - Customer satisfaction
 - Governance
 - Performance forecasting
 - Corporate Strategy
- 1.11 Amendments to some of the wording was made to make each Impact criterion more consistent and additional Criterion have been added to the Critical categories including reputation.
- 1.12 Another suggestion was to amend the Likelihood description for a risk being scored between 0 and 5% to something other than Almost Impossible. The word Minimal has been suggested.

2. Alternative options considered

- 2.1 None

3. Consultation and feedback

- 3.1 The Senior Leadership Team and The Corporate Governance Group routinely were consulted and support the suggested approach to the review.

4. Performance management – monitoring and review

- 4.1 The Senior Leadership Team and The Corporate Governance Group will be briefed on the outcome of the review.

Report author	Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189
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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Risk Management Policy - Challenge questionnaire3. Draft 2014 Risk Management Policy
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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Council does not have a robust and effective risk management approach to the management of risks and opportunities then it could result in ill-informed decision-making and non-achievement of the Council's aims and objectives at both a strategic and service level.	Director of Resources	15/01/2014	4	2	8	Reduce	Ensure that the Councils Risk Management Policy is kept up to date and that the processes supporting it are robust and delivered by the decision-makers.	31/3/2014	Corporate Governance, Risk and Compliance Officer	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

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Risk management policy



CHEL TENHAM
BOROUGH COUNCIL

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Document control

Document Location **S:\Corporate\Risk\riskmanagementpolicy**

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
1.4	01/04/2012	Confidential risks and new score card
1.5	01/04/2013	Additional requirement re commissioning
1.6	26/03/2014	Audit Committee

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	12 Aril 2011
Audit Committee (agreed) All CBC staff, Public website and Cabinet members	21 March 2012
Audit Committee All CBC staff, Public website and Cabinet members	21 March 2013
Audit Committee All CBC staff, Public website and Cabinet members	

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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.

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 harmful, 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 or perform better, or by taking a different option we could improve exceed corporate objectives, 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 because we have adopted a commissioning approach whereby the council may deliver services through different organisational models, and 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** When we commission the delivery of a service or enter into a shared service agreement, providers are obliged to have a range of risk management processes in place, should they identify a significant risk that may have an impact on the Council they must advise the Client officer. The Client officer will then decide on the best course of action. e.g. include on either the Corporate or Divisional Risk Registers.
- 2.6** 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.
- 2.7** All committee reports that require a decision should contain a description of the options available and a risk assessment for each of them. These risks are to the objectives of the report topic.
- 2.8** Risk management should not be seen as a separate management function; it is a core part of good management.
- 2.9** 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](#)
- 2.10 Defining and scoring risk**
- 2.11** 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.)
- 2.12** 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.
- 2.13 Tolerance and controls**
- 2.14** 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.
- 2.15** 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
- 2.16** 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.
- 2.17 Monitoring and managing risk**

- 2.18 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
- 2.19 The Corporate Risk Register is available to all elected Members and employees through the intranet and is collectively monitored and managed by the Senior Leadership Team.
- 2.20 **Recording risk**
- 2.21 The risk registers should be used to inform decision making and resource allocation and should be updated as required to meet agreed monitoring arrangements.
- 2.22 Divisional Risk Registers are the responsibility of Directors with the individual risks being assigned to officers within the division (or across divisions where appropriate.)
- 2.23 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 considered and updated by them on a monthly basis.. A copy of the updated corporate risk register will be provided informally to Cabinet Members following review by SLT so that they can discuss the risks with the risk owners or managers.

3.4 At every SLT meeting there is a standard agenda item that is called *Is it Safe* this provides all of the Directors with an opportunity to raise any new issue that they feel could have an impact on the Council. These issues are discussed and if necessary new risks are added either to the Divisional Risk Register or the Corporate Risk Register

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

3.6 An annual report (March) followed up by a six monthly risk monitoring report (September) to Cabinet

3.7 Risk management reporting should be co-ordinated with continuous routine performance monitoring.

3.8 All corporate confidential risks will be recorded in the normal way but they will be redacted either in full or in part from the corporate risk register so as to protect any personal data, prevent the disclosure of legally privileged information or exempt from publication any other information which should be so exempted. Further guidance on confidential risk can be found at paragraph 9.3.

3.9 Divisional, service area and team risk registers

3.10 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.

- 3.11** 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.
- 3.12** 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. If the overall score for a divisional or project risk is 16 or over then it must be brought to the attention of SLT for consideration for inclusion on the Corporate risk Register.
- 3.13** 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.

3.14 Reporting risks

3.15 Monthly risk monitoring reports will be presented to the Senior Leadership Team, and informally to Cabinet Members for discussion with Risk Owners. There will be an annual report to Cabinet and to Audit Committee 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.

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 The risk management culture within the council must support open and frank discussion on issues that could put the Council at risk. Risk Owners and Risk Managers must provide opportunities to employees and members not normally involved with risk management with the opportunity for comment and challenge.

- 4.10 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.
- 4.11 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.
- 4.12 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.
- 4.13 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.
- 4.14 Employees will be kept up to date on risk management progress and good practice through management meetings, team briefings and the intranet.

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) Negligible
 - 2) Low

- 3) Moderate
- 4) Major
- 5) Critical

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

Likelihood

6.4 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:

<i>Score</i>	<i>Likelihood</i>	<i>Probability</i>	<i>Action</i>
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	Moderate	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.

Risk score

6.5 The risk score is a multiplication of impact and likelihood.

6.6 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.

<i>Score</i>	<i>Colour</i>	<i>Action/need to apply control</i>	<i>Responsibility</i>
1-6	Green	Acceptable, subject to monitoring.	Risk owner
7-15	Amber	Needs active management	Risk owner
16-24	Red	Requires urgent attention	Risk owner
25 - 30	Red	Requires urgent attention and routine discussion with Cabinet Leads	Risk Owner

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;

<i>Control</i>	<i>Description</i>	<i>Tolerance area</i>
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 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.

8.4 Actions to mitigate the risk need to be identified early and the monitoring must consider if they are being effective. If they are not then the project team, programme board or SLT need to identify new mitigating actions.

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

9.3 Confidential Risk

- 9.4** The Corporate Risk Register is a public document and is reported to Cabinet 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 either in full or in part from the corporate risk register to ensure compliance with the Data Compliance Act, to protect any personal or sensitive data and the divulgence of any legal strategy.
- 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.

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 Cabinet and council

- 10.8** The Cabinet will approve the Risk management policy.

- 10.9 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.
- 10.10 The Corporate Risk Register will be reported to Cabinet on a quarterly basis so that they can monitor the progress of mitigating action.
- 10.11 The corporate services cabinet member 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.
- 10.12 Individual cabinet members should seek assurance that the risk management process is being met in reference to their respective portfolios through discussions with Directors.

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 Directors, Senior Managers, Programme and Project 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 the management of 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.
- 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.
- 11.9 The **Client officer** for Shared or Commissioned Service(s) will be responsible for ensuring that any external organisation that provides a service(s) for the Council will have a documented Risks Management Process that is appropriate for the size and complexity of that organisation.
- 11.10 The Client Officer will ensure that any external organisations risk management process covered in 11.9 will include the process for that organisation to inform the Council of any risk that either impacts or could impact on the Council.
- 11.11 The Client Officer will make the Senior Leadership Team aware of any risk that could score 16 or above on the CBC score card or in their mind would have a significant risks to CBCs finances or reputation.
- 11.12 **The Corporate Governance Group**
- 11.13 The Corporate Governance Group (CGG) is consulted on proposed amendments to the Risk management policy and the Corporate Risk Register.

11.14 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.

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'.

Risk Scorecard Risk Owners and Managers must use the following score card as a guide to accessing the impact and Likelihood of any identified risk;

Effect	Risk Category	Impacts	Score
		<p>Please note When drafting a risk description always describe the cause and effect i.e If... then ...</p>	
Negligible	Financial	Risk (<£50K Capital) or (Revenue <£25K p.a.) Define the value and period, in relation to revenue.	1
	Employee	Low morale is contained within team and managed.	
	Capacity	Short term capacity issue not affecting service delivery.	
	VFM	Negligible impact on value for money. (Revenue <£25K p.a.)	
	H&S wellbeing	Risk to personal health & safety and general wellbeing.	
	Business continuity	Brief interruption of service provision.	
	Contractual Governance	Minor breakdown of shared services or contracts.	
	Reputation	Negligible media coverage/minor complaints.	
	Customer satisfaction	Minimal impact on delivery customer needs.	
	Governance	Poor governance/Internal/ control but zero impact on outcomes.	
	Performance	Targets are missed with no impact on objectives/outcomes.	
Low	Finance	Risk (£50K to £200K Capital) or (Revenue £25K to £50K p.a.) Define the value and period, in relation to revenue.	2
	Employee	Some hostility from staff and minor non-cooperation.	
	Capacity	Short term capacity issue affecting service provision (define term with risk description).	
	VFM	Low impact on value for money. (Revenue £25K to £50K p.a.)	
	H&S and wellbeing	Risk to personal health & safety may result in broken bones and short term illnesses.	
	Business Continuity	Slightly reduced service provision with marginal disruption.	
	Contractual Governance	Some breakdown or shared services or contracts with disruption.	
	Reputation	Adverse local media/negative local opinion/formal complaints.	
	Customer satisfaction	Some customer needs or expectations may not be met either in time or quality.	
	Governance	Governance/Internal/ control has been missed/misunderstood/not up to date resulting in poor decision making.	
	Performance	Targets are missed with low impact on objectives/outcomes.	
Moderate	Finance	Risk (£200K to £1M Capital) or (Revenue £50K to £200K p.a.) Define the value and period, in relation to revenue.	3
	Employee	Industrial action in the short term/staff leaving.	
	Capacity	Medium term capacity issues affecting service (define term within risk description).	
	VFM	Moderate impact on value for money. (Revenue £50K to £200K p.a.)	
	H&S and wellbeing	Risk to personal health & safety includes sustained or major illness of 1 or more people.	
	Business Continuity	Services suspended in short term with noticeable disruption.	
	Contractual Governance	Collapse of at least one aspect of shared service or contract with moderate disruption or temporary suspended service.	
	Reputation	Adverse local & media/members questioned.	
	Customer satisfaction	Key customer needs or expectations may not be met either in time or quality.	
	Governance	Governance/Internal/ control arrangements failed leading to non-compliance with legislation and policy.	
	Performance	Targets are missed with impact on objectives/outcomes.	

Major	Finance	Risk (>£1M to £2M Capital) or (Revenue £200K to £500K p.a.) Define the value and period, in relation to revenue.	4
	Employee	Prolonged industrial action/significant number of staff leaving.	
	Capacity	Long term capacity issue affecting service delivery/reputation.	
	VFM	Major failure to provide value for money with major risk and external investigation. (Revenue £200K to £500K p.a.)	
	H&S and wellbeing	Risk to personal health & safety include loss of life/large scale illness.	
	Business Continuity	Service delivery suspended/Priority 1 and Priority 2 ICT systems suspended for long term with major disruption.	
	Contractual Governance	Shared service or contract delivery fails with major disruption.	
	Reputation	Major media coverage. High level of concern from elected members/officers/public with senior staff position threatened.	
	Customer satisfaction	Customer needs or expectations are not met with significant failing in service delivery.	
	Governance	Governance arrangements have failed with major reputation/legal implication and cost to recover.	
Performance	Targets missed continuously major impact on objectives/outcomes.		
Critical	Finance	Risk (>£2M Capital) or (>Revenue £500K p.a.) The value and period, in relation to revenue.	5
	Employee	Prolonged industrial action/permanent loss of jobs resulting in inability to deliver services.	
	Capacity	Long term capacity putting at risk personnel, assets, reputation and service delivery.	
	VFM	Critical failure to provide value for money with risk of external investigation and intervention. (>Revenue £500K p.a.)	
	H&S and wellbeing	Risk to personal health & safety includes possibility of multiple fatalities or serious injuries and illness.	
	Business Continuity	Total loss of services, ICT systems and other key assets.	
	Contractual Governance	Shared service and contract delivery fails, resulting in total loss of service or the decommissioning of delivery model.	
	Reputation	Significant local/national media coverage with failure to meet regulatory standard resulting in loss/fine.	
	Customer satisfaction	Customer needs or expectations are not met because of complete failure in service delivery.	
	Governance	Governance/Internal/ control arrangements failed with reputation/legal/cost implication.	
Performance	If there was a critical failure to deliver on delivery of objectives/outcomes or external investigation and intervention		

Likelihood scorecard

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

The total risk score is the multiplication of impact and 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
Red	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
Amber	7 – 15	Seek to improve the risk score in the short/medium term or develop a contingency plan
Green	1 – 6	Tolerate and monitor within the division

Further information

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

**Reviewing Cheltenham Borough Council's
Risk Management Arrangements 2014/15
Replies and management response**

1. Leadership – Do you consider that there is a wide cultural awareness of the risk management process at Cheltenham amongst members and officers?			
Name	Yes	No	Comment
Cllr 1	Yes	No	Awareness – yes Understanding – No
Cllr 2		No	My impression is that there is not a wide awareness beyond those who have been closely involved i.e. members of the Audit Committee and Cabinet.
Cllr 3			I am not convinced there is a 'wide cultural awareness' amongst members of the risk management process. However, in general, I think that members have a sufficient understanding of their own role (e.g. in considering risk when making decisions in full Council) and the various routes they could use to raise specific risk-based issues (e.g. through scrutiny or audit committee).
Cllr 4		No	Members, unless they use risk management in their 'day job' are poorly educated, some clueless. Officer awareness appears to vary from 'excellent' to 'barely comprehending the subject', resulting in a certain amount of box ticking and also risk aversion in places where it is inappropriate.
Staff responses	Yes		Service considered that there was a wide cultural awareness/understanding of risk at a senior level but there was a need to make more staff aware of the process.
			Management response Look to provide additional training for all Members following May elections. Look to provide additional training for all Members following May elections. Look to provide additional training for all Members following May elections. More training/refresher training to be delivered in May More training/refresher training to be delivered with elected members in May

2. Risk governance structures – Do you understand the roles and responsibilities of officers and members regarding the management risk?		
Cllr 1	Yes	
Cllr 2	Yes	But possibly not fully.
Cllr 3		<p>Part 3 of the risk management policy defines the responsibilities of the various bodies (CGG, SLT, Audit Committee etc) concisely. One minor point: the responsibilities of the CGG are currently shown under the heading 'member responsibilities' and it should be moved to the 'officer responsibilities' heading.</p> <p>The two-level structure of a corporate risk register and divisional risk register is sensible.</p> <p>As more services are shared, commissioned or outsourced, it may be worth reviewing how we handle and manage risks that arise in those services. For example, the risk of Ubico not meeting its service level agreement is technically Ubico's risk not CBC's risk. However, CBC may still suffer reputational damage because the public holds us responsible, which we need to manage.</p> <p>Part 3 of the risk management policy (roles and responsibilities) needs updating to better fit the commissioned service model. For example, paragraph 12 talks about the responsibilities of service managers, but it is not clear to me whether, for example, a service manager in Ubico is responsible for identifying risks to CBC or whether this rests with the CBC commissioning officer.</p> <p>When a risk has been escalated from a divisional risk register to the corporate risk register it tends to stay</p>
		<p>Look to provide additional training for all Members following May elections.</p> <p>Policy amended;</p> <p>No Action</p> <p>Shared Services are currently covered within paras 2.5 the word <i>should</i> amended to <i>must</i> advise Client officer</p> <p>Risk Score card amended for Impact categories from joint to Shared service to improve clarity</p> <p>Additional paragraphs added 11.9, 11.10 11.11 regarding the role and responsibilities of the Client Officer</p> <p>Risks are occasionally moved from the CRR to Divisional risk registers an example of this is PCI</p>

			there until it is closed. This seems an overly rigid approach. I would like to see more instances of a risk being 'demoted' from the corporate register back to a divisional register for ongoing lower-level attention once its score has reduced sufficiently.	applications. SLT will be asked to consider this action more often.
4			Probably not as well as I should in terms of 'who does what'. It is apparent that risk owners and risk managers are less proactive than they should be, whilst risk administration staff are taking too much upon themselves. Hard to say which is cause and which is effect.	Look to provide additional training for all Members following May elections.
Staff responses	Yes		The issue of Risk Ownership and more regular reporting to Cabinet and the role of Audit committee was identified as being unclear.	Discussion at Audit Committee and Corporate Governance Group to consider process and Terms of Reference.
3. Establishing risk management at the strategic level – Do you consider that the Risk Management Policy has helped in this respect?				
Cllr 1	Yes			
Cllr 2	Yes			
Cllr 3			Of the various committees of council, only Cabinet now takes the corporate risk register as a standing item. Although backbench members can in theory seek out the corporate risk register to view it, I suspect that very few do so in practice. At one point, the risk register was brought as a standing item to scrutiny (specifically the EBI committee), which allowed at least some backbench members the ability to view and challenge risks on a regular basis. Audit Committee now looks at specific risks (e.g. when raised in internal audit reports) as well as broader governance and policy issues, but the risk register is no longer considered in the round. One consequence of this is that members can't ask 'what's missing'? As a	Policy amended to provide for a 6 monthly report with a copy of the CRR to Audit Committee Annual report to Audit Committee September half year copy of Risk Register to Cabinet Paras 3.3, 3.5 and 3.6

			consequence, I'm less sure than I used to be that the audit committee 'has an up to date understanding of the strategic risks facing the organisation' and it may be worth revisiting whether we should take a standing 6 monthly paper on risk register.	
Cllr 4	Yes		Cautious 'yes' on balance, though clearly in the light of my other answers we could realise more potential and achieve better outcomes.	Suggest more encouragement to Cabinet Members to consider already identified risks with their Owners and to propose new risks where they feel necessary.
Staff responses	Yes		Suggestion that the use of risk registers are considered as part of the appraisal process for Service and Project managers.	Regular 1-2-1 are already in place for risk discussions.
4. Accountability and transparency – The Audit Committee provides a broad based audit role across all areas of the council that includes the management of risk. Do you consider that there is anything that the council could do to improve accountability and make more information on risk management available?				
Cllr 1			Accountability – ok Management info – a table detailing how current score compares with most recent (previous) score would indicate how risk is moving	This may be achievable and consideration will be given to amending templates
Cllr 2			Possibly more training.	Look to provide additional training for all Members following May elections.
Cllr 3			Sometimes risk assessments given to members can focus too much on the risks of not passing a recommendation, at the expense of risks that arise despite, or are caused by, passing the recommendation. Sometimes, there is a suspicion amongst members that this is deliberate, as a way of increasing the probability of unpopular or controversial recommendations being passed by Council. For example, Council debates on the JCS always include a risk assessment that describe the risks that arise from passing the recommendation. In general, this is not good risk management practice, and may be an indication of 'group think'.	SLT to consider response

Cllr 4			<p>The primary need in my view is for risk owners and risk managers to be better 'educated' and more proactive in defining and scoring or risk. Too many 'unknown knowns' and some 'unknown unknowns' – is my perception.</p>	To be covered in training needs assessment
Staff responses	Yes		<p>Suggestion that use of risk registers are considered as part of the appraisal process for Service and Project managers.</p> <p>Encourage more critical challenge to risks (description/actions and scores) from employees not involved in its management.</p>	<p>Risk score card has been updated.</p> <p>This will be promoted at Service Managers Group.</p> <p>Service managers will be encouraged to become their Directors critical friend in terms of challenging Corporate and divisional risks.</p>
<p>5. Risk Score Card – The risk score card is used as a guide to access impact and likelihood of any identified risk. Do you consider the scenarios and the scoring ranges to be helpful?</p>				
Cllr J1	✓		<p>However not sure how positive risks are scored.</p>	<p>Look to provide additional training for all Members following May elections.</p> <p>Will highlight what a positive risk is</p>
Cllr 2	✓			No Action
Cllr 3			<p>The basic approach of defining Risk = Impact x Likelihood is correct.</p> <p>The current six-point scale for Likelihood is reasonable. However, some of the definitions probably need to change. Calling a risk with a likelihood of up to 5% 'almost impossible' is a significant overstatement.</p> <p>The current five-point scale for Impact is reasonable. However some of the thresholds need to be reviewed. For example, the current definition of 'negligible' includes risks with a financial risk of up to £100K capital and £50K revenue, which sounds like a non-negligible impact to me.</p>	<p>Look for suggested description change - Minimal?</p> <p>Amendments made to Scorecard</p>

			<p>Defining risk treatment strategies based only on likelihood is wrong. For example, the definition of the 'almost impossible' (0-5%) risk currently has the default treatment of 'awareness of risk; no action'. However there may well be very low probability risks which have a sufficient impact that some risk mitigation is needed. For example, the risk of a building burning down is almost certainly less than 5% in any reasonable time period, but we may still want to take action against the risk by taking out fire insurance. More broadly, risk treatment strategies can only be reasonably selected based on impact and likelihood, not just one or the other.</p>	<p>Amendments made to Scorecard</p>
Cllr 4			<p>The scoring system is good, although some of the scores actually applied appeared bizarre. Some risks poorly defined.</p>	<p>Score reviewed and revised</p>
Staff Responses	Yes		<p>More guidance on the risk assessments</p>	<p>Policy, guidance and scorecard has been revised and updated.</p>

**Cheltenham Borough Council
Audit Committee – 26 March 2014**

Revised Code of Corporate Governance

Accountable member	Councillor Steve Jordan - Leader of the Council
Accountable officer	Mark Sheldon - Director of Resources
Accountable scrutiny committee	Overview and Scrutiny
Ward(s) affected	None
Key Decision	No
Executive summary	The Council has a Code of Corporate Governance (the Code) that is based upon a SOLACE and CIPFA model, there is a requirement to review it on a regular basis to ensure that it remains up to date and relevant then approved by Members. This year the review was undertaken by the Corporate Governance Group.
Recommendations	I recommend that: The committee consider the Code, suggest any further changes that they feel are appropriate and approve for use during 2014-15.

Financial implications	<p>Good corporate governance arrangements assist in protecting both the Councils and taxpayers assets from financial loss. The policy continues to demonstrate that the Council ensures that this is an important principle embedded in the organisation. There are no specific financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</p>
Legal implications	<p>The are no direct legal implications in this report.</p> <p>Contact officer: Sara Freckleton</p> <p>Email: sara.freckleton@teWKesbury.gov.uk</p> <p>Tel. 01684 292012</p>
HR implications (including learning and organisational development)	<p>The are no direct HR implications in this report.</p> <p>Contact officer: Donna Sheffield</p> <p>Email: donna.sheffield@cheltenham.gov.uk Tel: 01242 774972</p>

Property implications	<p>The are no direct Property implications in this report.</p> <p>Contact officer: David Roberts</p> <p>Email: david.roberts@cheltenham.gov.uk Tel:01242 264151</p>
Key risks	<p>If the code of Corporate Governance is not kept up to date then there is a risk that we will not meet policy and legislative requirements.</p> <p>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.</p> <p>If the Council does not have an effective governance framework then there is an increased risk of error, fraud and corruption. A risk template is attached at appendix 1.</p>
Corporate and community plan implications	<p><i>Effective corporate governance supports the Councils Corporate Strategy, MTFS and partnership working arrangements.</i></p>
Environmental and climate change implications	<p>None</p>

1. Background

- 1.1 The current Code of Corporate Governance was approved by the Audit Committee in 2013, this report informs the Audit Committee of the proposed revisions and asks members to make further consideration so that any additional suggestions can be included. The draft Code is included at appendix 2.

Role of the Code of Corporate Governance

- 1.2 The Code of Corporate Governance is a public statement setting out the governance standards the Council will meet to ensure it is doing the right things, in the right way and operating in an inclusive, open, honest and accountable manner. It provides the organisation and internal and external auditors with assurance that the Council's governance standards are fit for purpose and up to date.
- 1.3 The Code sets out the Council's standards relating to internal audit, financial control, responding to external audit recommendations, recommendations from formal inspections, and maintaining the internal control environment. The Code also sets out the role of Audit Committee and other committees in providing democratic oversight of the Council's governance arrangements.
- 1.4 Local authorities are required under the Accounts and Audit (England) Regulations 2011 to prepare an Annual Governance Statement. CIPFA, the Chartered Institute of Public Finance and Accountancy, have produced a local framework entitled 'Delivering Good Governance in Local Government' which recommends both that local authorities produce and maintain a local code of governance and that their annual governance statement reports on the extent to which the code has been complied with. The Council's Code of Corporate Governance is based on the six core principles of the framework, these being:
- Principle 1 - Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
 - Principle 2 - Members and officers working together to achieve a common purpose

with clearly defined functions and roles.

- Principle 3 - Promoting the values of the Council and demonstrating the values of good governance through behaviour.
- Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Principle 5 - Developing the capacity and capability of Members and officers to be effective.
- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.

- 1.5** The Code of Corporate Governance was considered by the Corporate Governance Group on the 4th February 2014. The Code has been revised to reflect the comments from the Corporate Governance Group and it is attached as appendix 2 to this report.

Reviewing the Code of Corporate Governance

- 1.6** CIPFA urges local authorities to ensure their Code of Corporate Governance remains up to date. Since the last refresh of the Code the local government landscape has shifted considerably leading to many new governance issues, for which it is important that the organisation sets out its standards. These include the provisions of the Localism Act 2011, the government's data transparency agenda and the growing awareness of the importance of protecting information.
- 1.7** In December 2012 CIPFA published a new guidance note for Local Authorities on delivering good governance. The note draws attention to new governance issues, describes how their governance framework should be adhered to following the changes to local government, and includes examples of good governance practices amongst local authorities in responding to these issues. The Code of Corporate Governance takes these issues into account.
- 1.8** The document refers to the Council's controls in a number of governance areas which have arisen since the publication of the last Code.

2. Reasons for recommendations

- 2.1** The Code of Corporate Governance should be up to date and as relevant as possible with the approval of Members.

3. Alternative options considered

- 3.1** None.

4. Consultation and feedback

- 4.1** Senior officers involved in the development of commissioning and the delivery of the requirements of the Localism Act 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 2013.

Report author	Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189
Appendices	1. Report Risk Template 2. The draft Code of Corporate Governance.
Background information	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	16/06/2014	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 .	31/03/2014	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	16/06/2014	3	1	3	Reduce	Review and revise Code of Corporate Governance	19/06/2014	Corporate Governance, Risk and Compliance officer	No
	If the council does not have an effective	Director Resources	16/06/2014	3	1	3	Reduce	Revise assurance check lists to	01/03/2014	Corporate Governance, Risk and	No

	Governance framework then there is an increased risk of error, fraud and corruption.							measure changes introduced through amendments to the constitution and report within the 2012/13 annual governance statement		Compliance officer	
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CHELTENHAM

BOROUGH COUNCIL

Code of Corporate Governance

Audit Committee Approved Version April 2014

1. Introduction

What do we mean by Governance?

Governance is about how we ensure that we are doing the right things, in an open, honest and accountable manner.

Good governance comprises the systems, processes, cultures and values we follow so that we can pursue our vision and objectives effectively, while minimising the risks involved. At Cheltenham, we aim to meet the standards of the best and ensure that our governance arrangements are sound.

Good Governance runs through every level of the organisation, it must be owned by all stakeholders, including senior management and members. It forms the essential core values of the Council and should remain embedded in the culture of the Council.

Delivering Good Governance

Good governance is important to all officers and members of this Council. It is a key responsibility of our Leader, our Chief Executive, the Cabinet, the Senior Leadership Team and the full Council, in particular the Audit Committee who are responsible for monitoring and providing assurance on our governance arrangements.

The Council has in place a process of continual review of its internal control arrangements. Rules are embedded into the Constitution of the Council, under the term Corporate Governance. Good Corporate Governance underpins credibility and confidence in the Council and this Code of Corporate Governance promotes accountability, effectiveness, openness, integrity and inclusivity in all of our business.

This Code, the systems that support it and the overall Corporate Governance arrangements are all subjected to an annual audit inspection by the Councils external auditors.

This Local Code also provides a mechanism for the continued development of Corporate Governance arrangements, summarising the principles and how this Council will comply with the Corporate Governance Framework, with Risk Management and with Performance Management.

Testing Our Arrangements

We test our arrangements by:

- Annually reviewing the local code of governance.
- Regular review of our existing governance arrangements against this code.
- Preparing an annual governance statement in order to report publicly on compliance with this code, over the past year.
- Reporting any planned governance changes in the coming period.

In order to review our current arrangements, we:

- Collect assurance statements from Directors on compliance with policies, systems, processes.
- Ensure management and reporting arrangements are in place to monitor governance effectiveness.
- Identify the issues that have not been addressed adequately and consider how they should be addressed.
- Prepare a Significant Issues Action Plan to address issues.
- Ensure appropriate risk and performance management arrangements are in place and are operating effectively.
- Ensure systems of control are working effectively through challenge by Internal Audit.

Background

The Principles of Conduct

There are seven Principles of Public Life which form an important part of the Governance Framework for Members, Officers and partners.

The principles of conduct are:-

- **Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

Cheltenham Borough Council's Member Code of Conduct

This Council's Code of Conduct incorporates the principles outlined above and also covers:

- General principles in relation to behaviour and equal treatment of people.
- Confidentiality and openness - the treatment of confidential information and access to information
- Criminal offences and bringing the authority into serious disrepute.
- The prohibition of members from using their office/position to obtain advantage or from using local authority resources for the benefit of political parties.
- Compliance with key policies.
- Decision making - the requirement for members to act reasonably.
- Disclosable Pecuniary Interest - restrictions on participation in meetings by members with an interest in matters under consideration.
- The registration of members' interest - and gifts and/or hospitality received.
- Other significant interest.

Code of Conduct for all employees

Every employee has to acknowledge that they have read and understood this Code of Conduct which incorporates the principles outlined above and also covers:

- Corruption
- Criminal Charges, Convictions and Misconduct
- Reporting Breaches of the Code and Whistleblowing
- Line manager responsibilities

How do we use the Core Governance Principles to maintain our Code of Corporate Governance?

Development of the Principles of Governance

In 2007 the CIPFA/SOLACE joint working group issued a framework based upon six Core Governance principles this was called Delivering good Governance in Local Government. This was aimed at helping Local Authorities develop and maintain their own codes of governance.

Those six core governance principles are to:-

- focus on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- ensure that Members and Officers work together to achieve a common purpose with clearly defined functions and roles;
- promote the values of good governance through upholding high standards of conduct and behaviour;
- take informed and transparent decisions which are subject to effective scrutiny and managing risk;
- develop the capacity and capability of members and officers to be effective; and

- engage with local people and other stakeholders to ensure robust public accountability.

Core Governance Principles

The Council can demonstrate how it complies with these six core principles through a range of specific policies, guidance and internal controls.

2. Compliance with the Six Principles

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and 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"> • Develop and promote the authority's ambition, key priorities and values. • Review on a regular basis the authority's ambition for the local area and its impact on the authority's governance arrangements. • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties. • Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance. 	<ul style="list-style-type: none"> ➤ Corporate Strategy and annual action plan ➤ People and Organisation Development Strategy ➤ Annual Performance Report ➤ Partnership annual action plan
In order to ensure users receive quality services whether directly, in partnership or by commissioning the Council will:-	This will be achieved through:-
<ul style="list-style-type: none"> • 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. • Put in place effective arrangements to identify and deal with failure in service delivery. 	<ul style="list-style-type: none"> ➤ Corporate Strategy and annual action plan ➤ Commissioning Protocol ➤ Annual Performance Report and quarterly updates to SLT ➤ Appropriate governance frameworks i.e. Limited company, trust or mutual ➤ Effective client management arrangements
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:-	This will be achieved through:-

<ul style="list-style-type: none"> • 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. • Measure the environmental impact of policies, plans and decisions. 	<ul style="list-style-type: none"> ➤ Procurement Strategy ➤ Medium Term Financial Plan ➤ Corporate strategy objectives ➤ Analysing complaints against its decisions

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:-

In order to ensure effective leadership throughout the organisation the Council will: -	This will be achieved through:-
<ul style="list-style-type: none"> • 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. • Set out a clear statement of the respective roles and responsibilities of senior officers. • Establish clear roles and responsibilities for the Scrutiny Committee. 	<ul style="list-style-type: none"> ➤ 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 ➤ Commissioning Protocol ➤ Job specifications and descriptions ➤ Effective and relevant training
In order to ensure a constructive working relationship exists between members and officers the Council will: -	This will be achieved through:-

<ul style="list-style-type: none"> • 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. • Make the Chief Executive responsible and accountable to the authority for operational management in the role as Head of Paid Service. • 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. • 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. • Make the Monitoring Officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable UK and EU statutes and regulations are complied with. 	<ul style="list-style-type: none"> ➤ Member/Officer Protocol ➤ Scheme of Delegation to Officers ➤ Constitution ➤ Terms of reference for the Head of Paid Service ➤ Defined functions for the Section 151 Officer ➤ Constitution and Financial regulations ➤ Defined Functions for Monitoring Officer
<p>In order to ensure its relationships with its partners and the public are clear, the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Develop protocols to ensure effective communication between members and officers in their respective roles. • 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. • Ensure that effective mechanisms exist to monitor service delivery. • 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. • 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. 	<ul style="list-style-type: none"> ➤ Member/Officer Protocol ➤ Members Allowances Scheme ➤ Terms and Conditions of Employment for employees ➤ Pay and grading framework ➤ Performance Appraisal process for employees ➤ Disciplinary and Grievance Procedures ➤ Performance Management Framework ➤ Consultation Strategy ➤ Local Development Framework ➤ Debt Management Policy (under review) ➤ HB/CTB Overpayments policy

<ul style="list-style-type: none"> • When working in partnership: <ul style="list-style-type: none"> - ensure that there is clarity about the legal status of the partnership - 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. 	<ul style="list-style-type: none"> ➤ Commissioning Protocol ➤ Commissioning toolkit ➤ Legal agreements between each party
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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:-

<p>In order to ensure members and officers exemplify good standards of conduct the Council will:-</p>	
<ul style="list-style-type: none"> • Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect • 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 • 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 	<ul style="list-style-type: none"> ➤ Counter-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 ➤ Registers of Officers Interests and Gifts and Hospitality ➤ Equality Policy ➤ Safeguarding children and vulnerable people policy
<p>In order to ensure organisational values are put into practice the Council will:-</p>	

<ul style="list-style-type: none"> • Develop and maintain, articulate and communicate corporate and leadership values both for the organisation and staff, reflecting public expectations and communicate these with members, staff, the community and partners. • 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. • Develop and maintain an effective standards committee. 	<ul style="list-style-type: none"> ➤ Corporate values ➤ 5 year Corporate Plan ➤ Annual Action Plan ➤ Constitution ➤ Terms of Reference of the Standards Committee ➤ People and Organisation Development Strategy ➤ Organisational competencies
<ul style="list-style-type: none"> • Use its corporate values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority. • 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. 	<ul style="list-style-type: none"> ➤ Corporate values ➤ Commissioning Protocol

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"> • 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 • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • 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. • Put in place effective transparent and accessible arrangements for dealing with complaints 	<ul style="list-style-type: none"> ➤ Overview and Scrutiny Procedure Rules ➤ Agendas and Minutes ➤ Access to Information Procedure Rules ➤ Guidance on decision making and recording of decisions ➤ Registers of Member Interests and Gifts and Hospitality ➤ Register of Officer decisions ➤ Registers of Officers Interests ➤ Register of Gifts, Hospitality and sponsorship ➤ Complaints Procedures ➤ Freedom of Information ➤ Terms of Committee Reference ➤ Promotion of Openness and Honesty Culture
<p>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:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • 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. • 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 	<ul style="list-style-type: none"> ➤ Committee reporting guidelines ➤ Consultation with finance, HR and legal built into report template
<p>In order to ensure there is an effective system of risk management the Council will:-</p>	<p>This will be achieved through:-</p>

<ul style="list-style-type: none"> • 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 • Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access. 	<ul style="list-style-type: none"> ➤ Risk Management Policy ➤ Business Continuity Strategy ➤ Counter-Fraud and Corruption Strategy ➤ Whistle-Blowing Policy ➤ Promotion of Openness and Honesty Culture
<p>In order to use its legal powers for the full benefit of the community the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • 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. • 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. • 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. 	<ul style="list-style-type: none"> ➤ Constitution ➤ Corporate Strategy and annual action plan ➤ Medium Term Financial Strategy ➤ Defined functions for the Monitoring Officer

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>In order to make sure members and officers have the necessary skills and resources the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. • Ensure that the statutory officers have the skills, resources and support 	<ul style="list-style-type: none"> ➤ Members induction and training programme ➤ Corporate Appraisal scheme

<p>necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.</p>	<ul style="list-style-type: none"> ➤ Personal Development Plans ➤ Annual Budget
<p>In order to develop the capability of people with governance responsibilities the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively • 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 • 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 	<ul style="list-style-type: none"> ➤ Commissioning Protocol ➤ Members induction and training programme ➤ Self assessments of committees effectiveness ➤ Annual Performance Report and quarterly updates to SLT ➤ Prince project methodology includes performance review ➤ Lessons learnt exercises carried out following significant projects
<p>In order to encourage new members of the authority the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> ➤ The Cheltenham Partnership ➤ 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>In order to exercise leadership through a robust scrutiny function the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Make clear to all stakeholders and the community to whom it is accountable and for what. • Consider those institutional stakeholders to whom it is accountable and assess the effectiveness of the relationships and any changes required. • Produce an annual report on scrutiny function activity. 	<ul style="list-style-type: none"> ➤ Constitution ➤ Complaints Procedures ➤ Freedom of Information requests ➤ Counter –Corruption and anti fraud Policy ➤ Whistle-Blowing Policy ➤ External and Internal Audit reports ➤ Commissioning Protocol
<p>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:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • 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. • Holding meetings in public unless there are good reasons for confidentiality. • 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. • 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. • 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. 	<ul style="list-style-type: none"> ➤ Customer Services Strategy ➤ Access to Information Procedure Rules (FOI) ➤ Equality and Diversity ➤ Commissioning Protocol ➤ Annual Performance Report and quarterly updates to SLT ➤ ICT Strategy

<ul style="list-style-type: none"> • 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. 	
<p>In order to make best use of human resources the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making. 	<ul style="list-style-type: none"> ➤ A People and Organisational Development Strategy ➤ Policy for consultation on Health and Safety and welfare ➤ Joint consultative committee arrangements ➤ Workforce Change Protocol

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 the 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 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.

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 Head of Internal Audit.



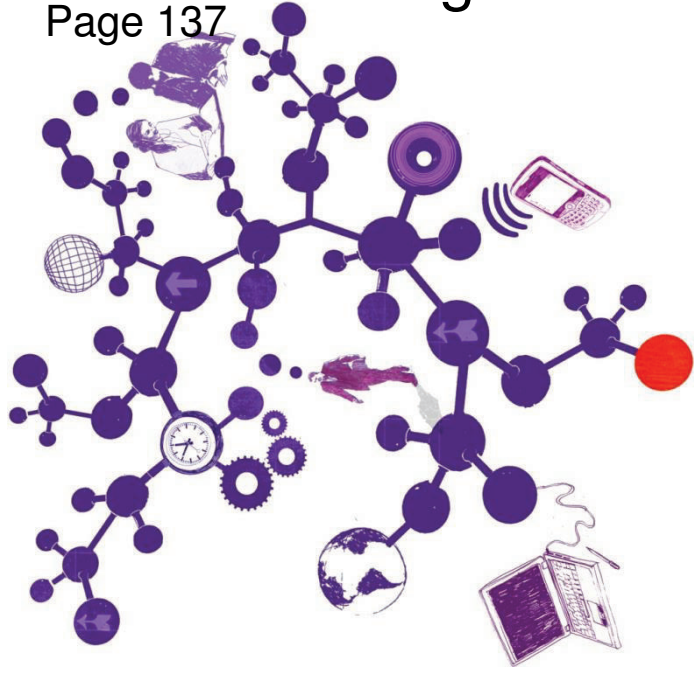
Audit Committee Update for Cheltenham Borough Council

Year ended 31 March 2014
10 March 2014

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

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – "Reaping the benefits: first impressions of the impact of welfare reform", "2016 Tipping Point – Challenging the current?", 2014 – "Responding to the Challenge – Alternative Delivery methods in Local Government", "Local Government Governance Review 2013", 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 10 March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	Yes	Our audit plan was agreed with officers at our liaison meeting on 10 March 2014 and will be taken to the Audit Committee on 26 March.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February – March 2014	No	Our interim visit is now substantially and there are no issues arising to date which require reporting to the Audit Committee
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – August 2014	No	We have not yet started our detailed audit work for 2013-14.

Progress at 10 March 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • a initial risk assessment; • a detailed review of arrangements against the criteria; • bringing forward knowledge from previous auditors; • reviewing key documents; and • discussion with officers. 	<p>August 2014</p>	<p>No</p>	<p>Our work will be focussed on the two criteria specified by the Audit Commission i.e.</p> <ul style="list-style-type: none"> - The organisation has proper arrangements in place for securing financial resilience; and - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>We will provide a report setting out the findings from our work on the Financial Resilience criteria.</p>
<p>Other areas of work – Certification of claims and returns</p> <ul style="list-style-type: none"> • Housing and Council Tax Benefits claim 	<p>November 2013</p>	<p>No</p>	<p>We have not yet started our detailed audit work for 2013-14. We do not expect an NDR claim this year and our work on Council Tax benefit as part of the Housing and Council Tax Benefits claim will be reduced following changes in the Council tax system.</p>
<p>Other activity undertaken</p>			<p>The Council has requested that Grant Thornton carry out a review of the reasons for the overspend on the Museum and Art Gallery refurbishment project. Grant Thornton has submitted a specification and we are awaiting formal approval of the appointment. Should work proceed the work will be undertaken independently of the audit team by Grant Thornton's Forensic and Investigation Service.</p>

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has the Council assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Have your officers consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, Reaping the Benefits focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Council kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Council carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Council have a plan in place or in development for the introduction of universal credit?

Welfare reforms – what you think of it so far?

Grant Thornton

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- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Council kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
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Appendix

Challenge questions - management response

Challenge questions	Management response
<p>Councils choosing their auditors one step closer</p> <p>Issues to consider/challenge questions:</p> <ul style="list-style-type: none"> •Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements? 	<p>The Audit committee have received regular briefings on the new arrangements and informed of responses to recent consultations. Members will be further consulted on proposals for changes to the governance arrangements for audit committee.</p>

Councils keep New Homes Bonus

Challenge questions	Management response
<p>Issues to consider/challenge questions:</p> <ul style="list-style-type: none"> •Has the Council assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement? 	<p>Members have been kept informed, via the budget setting process and Budget Scrutiny Working Group, of the proposals in respect of new Homes bonus. Briefings have included financial projections of scenarios and a comparison of approaches taken by neighbouring councils. An approach to use of the funding streams was formally recommended to Cabinet and Council, supported by members of the Budget Scrutiny Working Group and Overview and Scrutiny committee to Cabinet and Council, where it was agreed in setting the verall budget for 2014/15.</p>

<p>Revaluing your assets – clarification of accounting guidance</p>	<p>Management Response</p>
<p>Challenge question Have your officers consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?</p>	<p>Discussions have been held with both colleagues in Finance and external auditors and upon completion of the 2014 valuation exercise when the whole of the portfolio is valued we shall value 20% of the portfolio annually.</p>

<p>Welfare reforms – what you think of it so far?</p>	<p>Management Response</p>
<p>Challenge questions</p> <ul style="list-style-type: none"> •Has the Council kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms? •What impact assessment is the Council carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund? •Does the Council have a plan in place or in development for the introduction of universal credit? 	<p>Members have received regular briefings on the welfare reforms. An internal working group consisting of both members and officers also meets to consider the reforms including officers from CBH.</p> <p>The council continues to monitor and evaluate the impact of the various changes to specific elements of the welfare system impacting on local claimants.</p> <p>The Gloucestershire wide Chief Finance Officer Group has considered the implications of council tax localisation and the impact of passing on a cut in funding. In 2013/14, they agreed a county wide scheme which left recipients of the previous benefit scheme unaffected and, with the exception of one council, have also agreed to continue the approach in 2014/15.</p> <p>The council continues to work with DWP and claimants to consider the implications of the introduction of universal credit and, despite the slippage in the programme, continues to monitor and respond to government plans for migration to the new system.</p>



The Audit Plan for Cheltenham Borough Council

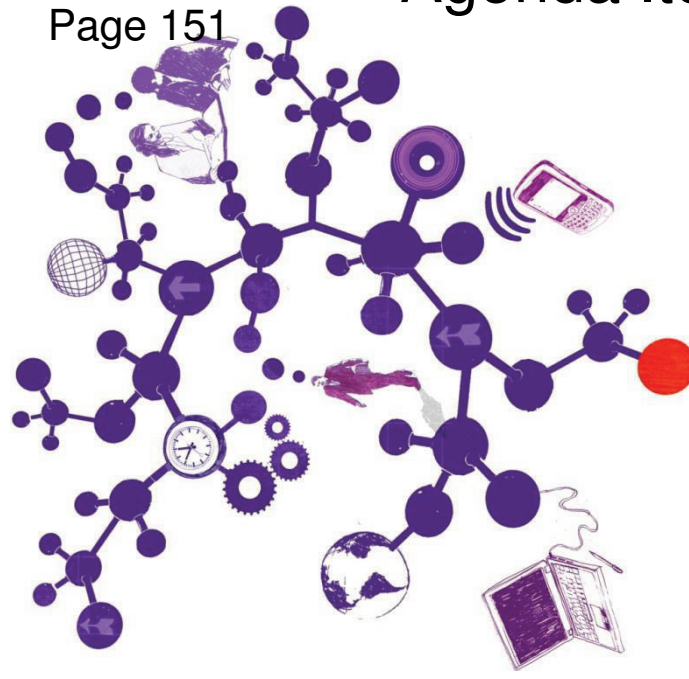
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014
10 March 2014

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Agenda Item 12

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

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2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Financial pressures

- The Council's financial position is challenging for delivering services within reduced budgets
- The impact of the localisation of Council Tax, NNDR pooling and other changes introduced in the Welfare reform act 2012 have resulted in further uncertainty over funding.
- The Council will become increasingly reliant on new sources of income such as the new homes bonus to finance expenditure going forward.



2. Delivery of service redesign

- The Council has a number of initiatives aimed at improving service delivery whilst minimising costs. The "Bridging the Gap" programme seeks to reduce costs into the medium term. Current initiatives include the establishment of the leisure and culture trust, ICT service redesign, management restructuring and a review of accommodation.



3. Town centre development

- The Council is seeking to encourage economic development for the benefit of the Borough. The town centre development schemes including those at Boots corner, North Place and the Lower High Street seek to promote business growth into the medium term.



Our response

- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our Value for Money work

- We undertake a high level review the Councils arrangements in place for delivering improvements in service provision whilst minimising costs.

- We will undertake a high level review of the Councils ability to work with other stakeholders to deliver economic development to the Borough as part of our Value for Money work.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice (the code¹) and associated guidance.

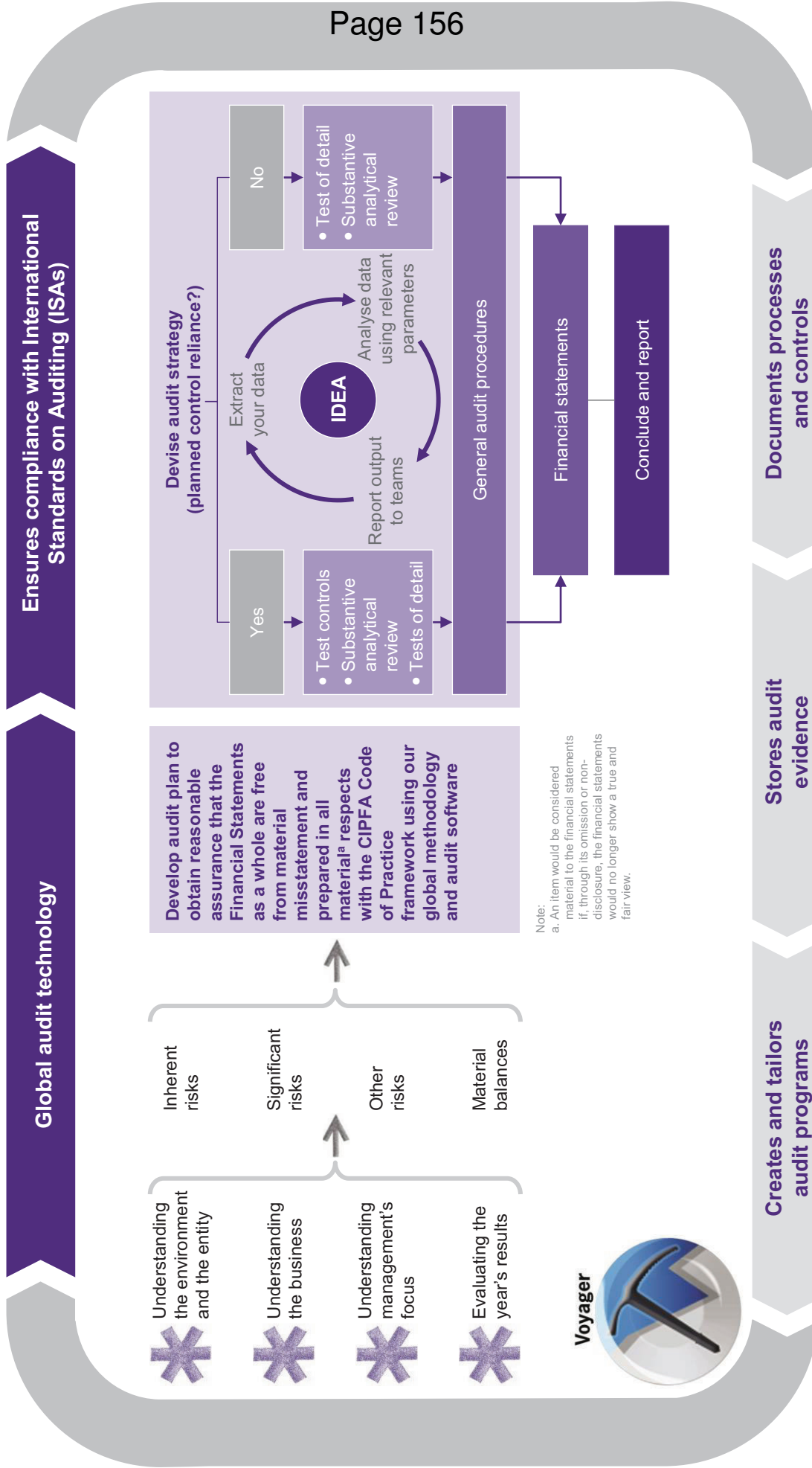
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> • The Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management and a review of the entries in your draft 2013/14 financial statements. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



Note:
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Further work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Initial testing of journal entries in months 1 to 9 of the current financial year <p>Further work planned:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Completion of testing of entries from months 1 to 9 and testing of remaining journal entries relating to the current financial year. Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period (relating to both I&E and Balance sheet)	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Documentation of understanding of controls and walkthrough to be completed in March by auditor at the Forest of Dean Substantive testing of operating expenditure
Employee remuneration	Employee remuneration accrual understated (relating to I&E)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the operating expenses system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Substantive testing of employee remuneration
Welfare Expenditure	Welfare benefit expenditure improperly computed (relating to I&E)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the welfare expenditure system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Completion of housing benefits subsidy certification modules. Substantive testing of sample of welfare expenditure

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Housing Rent Revenue Account	Revenue transactions not recorded (relating to I&E)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the HRA income system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Reconciliation of HRA Orchard system to the accounts Analytical review of HRA income for the year.
Property, Plant & Equipment	PPE activity not valid (Balance sheet)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the PPE system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Substantive testing of additions and disposals relating to PPE
Property, Plant & Equipment	Revaluation measurement not correct (Balance sheet)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the PPE system 	<ul style="list-style-type: none"> Walkthrough of the valuation process Review of the instructions to and report from valuers to confirm process is compliant with the code. Agreement of valuations to information provided by the valuers

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Cheltenham Borough Homes	Yes	Comprehensive	None	Full scope UK statutory audit performed by Grant Thornton
UBICO Ltd	Yes	Targeted	None	Specific (targeted) scope procedures to be performed by Grant Thornton
Gloucestershire airport	No	Analytical	N/A	Desktop review performed by Grant Thornton

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We have not identified any significant risks which we are planning to undertake additional work on.

As part of our work we will follow up progress on any issues discussed with the Council following last years VfM work.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

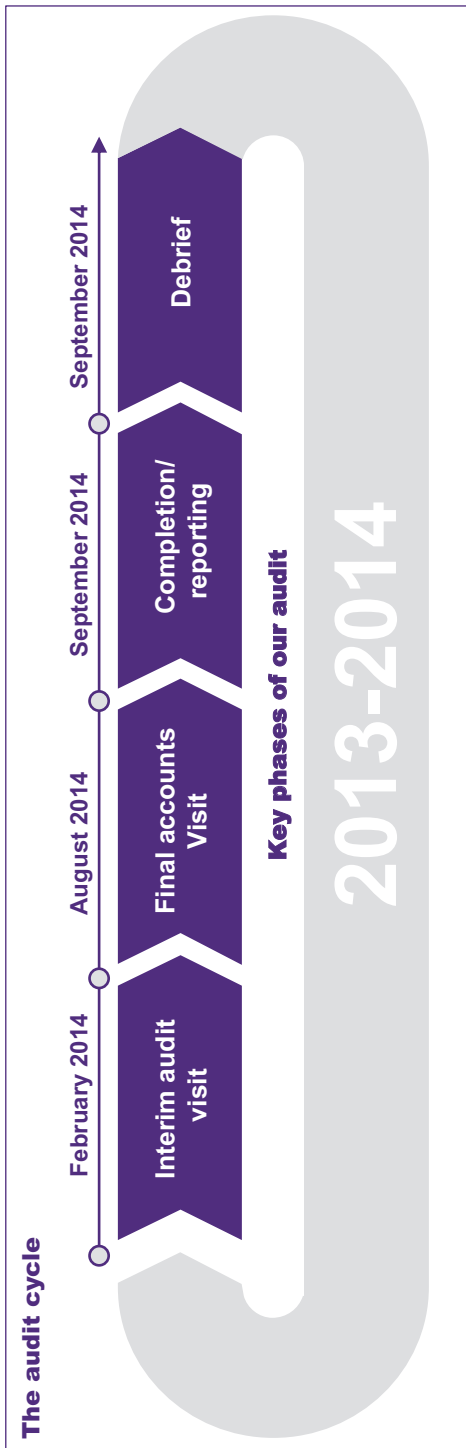
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating on Welfare Expenditure, Housing Revenue Account and Employee Remuneration which are areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We are still to conclude our work on PPE and Operating expenditure</p>
Review of information technology controls	<p>Our information systems specialist perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. They also performed a follow up of the issues that were raised last year.</p>	<p>IT (information technology) controls work is expected to be undertaken in March 2014, on agreement with officers.</p>

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have started detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Further testing will be undertaken in late March as part of our early substantive testing visit.</p> <p>We will undertake testing on the remaining 3 months of the year and post year end as part of our final accounts visit.</p>
Early substantive testing	<p>No early substantive testing has been undertaken to date. It has been agreed with officers that operating expenditure and employee remuneration testing will be undertaken in late March</p>	<p>A strategy to undertake early testing has been agreed with officers.</p>
Value for money	<p>An initial assessment based on prior year findings, review of current available information and our own knowledge to inform whether we undertake work on specific areas</p>	<p>No issues have been identified from the initial risk assessment</p> <p>Review findings from initial findings based on activity in April to September to identify whether there are any developments which could effect our conclusion</p>

Key dates



Date	Activity
January 2014	Planning
February 2014	Interim site visit
26 th March 2014	Presentation of audit plan to Audit Committee
August 2014	Year end fieldwork
September 2014 (date TBC)	Audit findings clearance meeting with Director of Finance
24 September 2014 (proposed)	Report audit findings to those charged with governance
30 th September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	64,974
Grant certification	13,300
Total audit fees (excluding VAT)	78,274

Fees for other services

Service	Fees £
Review of budget overspend on Cheltenham's Museum and Art Gallery.	9,480 (excluding Vat)

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

The Council has requested that Grant Thornton carry out a review of the reasons for the overspend on the Museum/Art Gallery refurbishment project. Grant Thornton has submitted a specification and we are awaiting formal approval of the appointment. Should work proceed the work will be undertaken independently of the audit team by Grant Thornton's Forensic and Investigation Services.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Item	Officer	Decision / Discussion / Information
25 September 2013		
Send work plan to GT: 12 August	Chairs briefing: 21 August 5 pm	Complete reports to be with Democratic Services by: 9 am on 12 September 2013
Audit update report	Grant Thornton	Discussion
Audit highlights memorandum - ISA 260 (2012-13)	Grant Thornton	Discussion
Financial Resilience report (2012-13)	Grant Thornton	Discussion
Internal audit monitoring report (including ICT)	Rob Milford	Discussion
Review of annual statement of accounts	Finance Team	Decision
Leisure & Culture trust governance	Ken Dale	Discussion
Office of surveillance commissioners – RIPA inspection report	Bryan Parsons	Decision
15 January 2014		
Send work plan to GT: 2 December	Chairs briefing: 18 December 12 noon	Complete reports by: 6 January 2014
Audit update report	Grant Thornton	Discussion
Annual audit letter 2012 -13	Grant Thornton	Discussion
Certification of grants and returns (for the previous year)	Grant Thornton	Discussion
Internal audit monitoring report (inc PSN update)	Rob Milford	Tbc
Annual governance statement – significant issues action plan	Bryan Parsons	Decision
Review of risk management	Bryan Parsons	Discussion
Report on shared service governance (briefing note)	Rob Milford	
LGA Briefing paper on role of Auditors	Mark Sheldon	To email
26 March 2014		
Send work plan to GT: 10 February	Chairs briefing: 20 February 2014 5 pm	Complete reports by: 17 March 2014
Audit update report	Grant Thornton	Discussion
Audit plan (for the current year)	Grant Thornton	Discussion

Audit Committee 2013-2014 work plan

Item	Officer	Decision / Discussion / Information
Annual plan (for the upcoming year)	Rob Milford	Tbc
Internal audit monitoring report	Rob Milford	Tbc
Annual review of risk management policy	Bryan Parsons	Decision
Approval of the Code of Corporate Governance	Bryan Parsons	Decision
ICT Business Continuity Assurance Report	Andy Barge FoDDC via Mark Sheldon	Discussion
18 June 2014		
Send work plan to GT: 5 May	Chairs briefing: Officers will agree agenda owing to elections	Complete reports by: 9 June 2014
Audit update report	Grant Thornton	Discussion
Auditing Standards – communicating with the Audit Committee	Grant Thornton	Decision
Internal audit opinion (for the previous year)	Rob Milford	Discussion
Internal audit monitoring report (inc update on car parking)	Rob Milford	Tbc
Annual governance statement	Bryan Parsons	Decision
Independent representation on the Audit Committee – include results of the national consultation	Bryan Parsons	Discussion
Revenue and benefits commissioning review (governance arrangements)	Mark Sheldon	Tbc
Annual counter fraud report	Rob Milford	Tbc
Corporate Governance arrangements for Leisure and Culture Trust	Rob Milford/PP/Ken Dale	Decision to approve

Items to be added at a future date (future dates will not be agreed until March 2014)

Audit Committee 2013-2014 work plan

Item	Officer	Decision / Discussion / Information
Corporate Strategy – consideration of governance issue	Rob Milford	Tbc
Joint training session with Cotswold, West Oxford and F.O.D councillors – governance of shared services (tbc)	Rob Milford / Mark Sheldon	n/a
Policy review timetable (briefing note)	Bryan Parsons	Information
Requirements of the Localism Act (re: local audit)	Rob Milford	Tbc
Corporate Governance arrangements for Glos Airport following further work by the JASWG and recs arising	Mark Sheldon	Date tbc

ANNUAL ITEMS (standing items to be added to the work plan each year)		
January	Audit update report	Grant Thornton Discussion
	Annual audit letter (for the previous year)	Grant Thornton Discussion
	Certification of grants and returns (for the previous year)	Grant Thornton Discussion
	Internal audit monitoring report	Rob Milford Tbc
	Annual governance statement – significant issues action plan	Bryan Parsons Decision
March	Audit update report	Grant Thornton Discussion
	Audit plan (for the current year)	Grant Thornton Discussion
	Auditing Standards – communicating with the Audit Committee	Grant Thornton Decision
	Annual plan (for the upcoming year)	Rob Milford Tbc
	Internal audit monitoring report	Rob Milford Tbc
	Annual review of risk management policy	Bryan Parsons Decision
	Approval of the Code of Corporate Governance	Bryan Parsons Decision
June	Audit update report	Grant Thornton Discussion
	Internal audit opinion (for the previous year)	Rob Milford Discussion
	Internal audit monitoring report	Rob Milford Tbc
	Annual governance statement	Bryan Parsons Decision

Audit Committee 2013-2014 work plan

	Item	Officer	Decision / Discussion / Information
	Annual counter fraud report	Rob Milford	Tbc
September	Audit update report	Grant Thornton	Discussion
	Audit highlights memorandum - ISA 260 (for the previous year)	Grant Thornton	Discussion
	Financial Resilience report (for current year)	Grant Thornton	Discussion
	Internal audit monitoring report	Rob Milford	Tbc
	Review of annual statement of accounts	Finance Team	Tbc

* MS and RM have not confirmed whether they are available for the briefing dates that have been proposed.

The work plan should be sent to Grant Thornton at least a week before it is circulated in advance of the briefing (proposed dates above) so that they can confirm which items they wish to table at the upcoming meeting.