CHELTENHAM
BOROUGH COUNCIL

Notice of a meeting of
Audit Committee

Wednesday, 22 March 2017
6.00 pm
Pittville Room - Municipal Offices

Membership	
Councillors:	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne, David Willingham and Jon Walklett

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** 11 January 2017	(Pages 3 - 8)
4.		**PUBLIC QUESTIONS** These must be received no later than 12 noon on the fourth working day before the date of the meeting	
5.		**CYBER SECURITY REPORT** Tony Oladejo, ICT Audit and Compliance Manager (see recommendation)	(Pages 9 - 18)
6.		**AUDIT COMMITTEE UPDATE** Grant Thornton (no decision required)	(Pages 19 - 38)
7.		**AUDIT PLAN** Grant Thornton (no decision required)	(Pages 39 - 62)
8.		**ANNUAL INTERNAL AUDIT PLAN 2017/18** Internal Audit (see recommendation)	(Pages 63 - 70)
9.		**INTERNAL AUDIT MONITORING REPORT** Internal Audit (see recommendation)	(Pages 71 - 84)
10.		**COUNTER FRAUD UNIT REPORT AND REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**	(Pages 85 - 88)

		UPDATE Counter Fraud Unit (see recommendation)	
11.		**ANNUAL RISK MANAGEMENT REPORT AND POLICY REVIEW** Corporate Governance, Risk and Compliance Officer (see recommendation)	(Pages 89 - 120)
12.		**REVISED CODE OF CORPORATE GOVERNANCE** Corporate Governance, Risk and Compliance Officer (see recommendation)	(Pages 121 - 138)
13.		**WORK PROGRAMME**	(Pages 139 - 140)
14.		**ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**	
15.		**DATE OF NEXT MEETING** 14 June 2017	

Contact Officer: Saira Malin, Democracy Officer, 01242 775153
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Audit Committee

Wednesday, 11th January, 2017
6.00 - 7.35 pm

Attendees	
Councillors:	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne and David Willingham
Also in attendance:	Peter Barber (Grant Thornton), Lucy Cater (Interim Head of Audit Cotswolds), Emma Cathcart (Counter Fraud Team Leader), Sarah Didcote (Deputy Section 151 Officer), Sophie Morgan (Grant Thornton) and Councillor Roger Whyborn (Cabinet Member Corporate Services)

Minutes

1. **APOLOGIES**
    Councillor Parsons and Bryan Parsons (Corporate Governance, Risk and Compliance Officer) had given their apologies.

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 the 21 September 2016 be agreed and signed as an accurate record.

4. **PUBLIC QUESTIONS**
    No public questions were received.

5. **ANNUAL AUDIT LETTER 2015-16**
    Peter Barber introduced the Annual Audit Letter 2015-16, as circulated with the agenda. The letter summarised key findings from the work that had been undertaken for the year ended 31 March 2016, which members would be familiar with having discussed these findings in detail at the last meeting. This summary was aimed at the wider stakeholder group and set out the role of Grant Thornton as external auditors, the main findings of the work that had been undertaken and concluded at Appendix A, which confirmed the final fees for the year, which were the same as planned.

    In response to a member question, Peter Barber advised that the actual fee for the Housing Benefit Grant Certification had been marked as 'TBC' as at the time that this report was drafted, October 2016, the figure was not yet

confirmed, but members would note that the next item on the agenda (Certification of Grants) detailed the figure, which was as planned.

The Chairman acknowledged the hard work involved and thanked Officers for their efforts. This was a positive result for the Council and congratulated everyone.

No decision was required.

6. **CERTIFICATION OF GRANTS AND RETURNS 2015-16**
Peter Barber introduced the Certification of Grants, as circulated with the agenda. Despite having identified some issues in 2015-16, Grant Thornton were satisfied that these were either isolated or relatively minor in nature. These errors were detailed in the letter, as irrespective of value, any errors needed to be reported to the relevant paying department. He commented that many of these errors were beyond the Councils control and due to the complex nature of eligibility.

The following responses were given to member questions:

- A number of issues referred to the previous year (2014-15), which as a consequence meant extended testing this year (40+).
- The initial sample size (20 for each cell type) was not affected by the size of the claim (£31.706m in the case of CBC) and if any issues were identified from the sample of 20, testing would be extended to 40. As he had already explained, extended testing was automatically undertaken on any cells in which an error had been identified in the previous year.
- The Department for Working and Pensions asked that auditors extrapolate, where appropriate, and not adjust, because, in theory, they could use this as a methodology for adjusting a claim, if required. [He was confident (within the boundaries of limitation in the letter) that there was no 'netting off' and] that there did not appear to be major variations, large movements or over/under payments.
- The standard template for the Housing Benefit Subsidy Claim was in the form of specialist software which captured the totality of Housing Benefit claims for this authority. Each cell contained a number of aggregated claims, consolidated into a cell, which all related to particular types of payment (e.g. rent rebate on a council property). There were only a small number of providers of this complex software but the software was only as good as the data that had been entered into it and this was why sample testing was undertaken and where errors were found, extended testing undertaken to ensure that the error had not been repeated multiple times.

The committee wanted to familiarise themselves with how the claim was formulated so that they might better understand the testing that was undertaken and any errors that were identified. It was suggested that a 5.30pm session be arranged, prior to the next meeting (22 March). The Benefits Team would be invited along to give examples of individual cells and the consolidated data that went into those cells. Confirmation of this session would be sent to members by email.

No decision was required.

Draft minutes to be approved at the next meeting on Wednesday, 22 March 2017.

7. AUDIT COMMITTEE UPDATE

Sophie Morgan, introduced herself to the committee as the new Manager, replacing Jackson Murray. The Audit Committee update, as circulated with the agenda, summarised progress as at December 2016. She confirmed that all 2015-16 work was now complete and outlined the planned dates for 2016-17 work. The update also detailed a technical updates which included the flexible use of capital receipts which may be of interest to members, as well as details of publications and events, which again, members may find useful.

There were no comments or questions.

No decision was required.

8. OFFICE OF SURVEILLANCE COMMISSIONERS - RIPA INSPECTION REPORT

In the absence of the report author, the Chairman introduced the report, as circulated with the agenda. On the 1 November 2016, His Honour Norman Jones QC, Assistant Surveillance Commissioner with the Office of Surveillance Commissioners (OSC) issued his report on the inspection he had undertaken on the 19 October 2016. In his report, the Assistant Commissioner made a number of conclusions, as well as 4 recommendations which he felt would strengthen and improve the Council's arrangements and guidance. The report confirmed that the recommendations would be met but because of other operational changes taking place following approval by Cabinet to formalise the Counter Fraud Partnership, that these should be addressed as part of the annual review of the RIPA procedures in March 2017.

A member congratulated everyone involved, in his view the OSC did not give praise easily and therefore everyone should be very pleased with the feedback that had been received.

The Counter Fraud Team Leader gave the following responses to member questions:

- Although marked as 'official sensitive' the report was suitable for publication, with the OSC confirming that such reports could be published if the authority wished to do so. Sensitivity had been considered in relation to the signature on the letter, which members would see had been redacted. It was an administrative error on the part of the report author that the wording 'official sensitive' had not also been redacted.

- It was likely that the Counter Fraud Unit would consider the use of RIPA more readily than the authority had in the past.

- A register of Non-RIPA investigations would be created.

- The Counter Fraud Team Leader had identified general concerns in relation to licensing of Taxi drivers and felt that more checks could be undertaken in this area and this would include the application of RIPA / non-RIPA investigations where applicable. The concerns raised by members would be taken on board when reviewing this area.

- Training had been provided for all Senior Responsible Officers and Authorising Officers across the region. Pat Pratley (Head of Paid Service), Tim Atkins (Managing Director – Place and Economic Development) and Mike Redman (Director of Environment) attended. Further training would be rolled out to all enforcement staff to help identify possible improvements to any services.

The Chairman permitted Councillor Whyborn, as Cabinet Member Corporate Services, to address the committee. He confirmed that he had sought the same assurances as this committee in relation to the perceived reluctance of Officers to use the RIPA powers available to them, which had recently grown to include telephone and email. He had been assured that RIPA along with a great many other regulatory powers were considered in the context of all identified risks.

The committee would look forward to considering the management responses to the OSC report in March 2017, when it undertook its annual review of the RIPA procedures.

Upon a vote it was unanimously

RESOLVED that having considered the findings and recommendations within the OSC report, the committee agree that the recommendations and any resulting management responses be considered as part of the Annual Review of the RIPA Policies at the March 2017 Audit Committee meeting.

9. **FUTURE PROVISION OF EXTERNAL AUDIT**
   The Chairman introduced the report as circulated with the agenda. He felt the report clearly set out the options for the committee to consider for recommendation to Council; opt in to the appointing person arrangements or establish an auditor panel and conduct a procurement exercise. The Deputy Section 151 Officer confirmed that the Officer recommendation was that the council opt in to the appointing person arrangements made by the Public Sector Audit Appointments (PSAA).

   There were no comments or questions.

   Upon a vote it was unanimously

   RESOLVED that Council be recommended to opt in to the appointing person arrangements made by the Public Sector Audit Appointments (PSAA).

10. **COUNTER FRAUD UNIT UPDATE**
    This report provided a summary of the activity undertaken by the Counter Fraud Unit during the project phase. On the 6 December 2016, Cabinet had supported a recommendation that this authority participate in the establishment of a permanent Counter Fraud Unit, Forest of Dean District Council and West Oxfordshire District Council had done the same. Tewkesbury Borough Council Audit Committee had recommended the same, Gloucestershire County Council, CBH and Ubico were already on board. Stroud District Council and Gloucester City Council were in discussions and considering recommendations. Subject to the decision of the other partner Council's, the Counter Fraud Unit would be a permanent support service from the 1 April 2017; Cotswold District Council

being the host authority. From this point onwards, these updates would be produced on a bi-annual basis and would be much more Cheltenham specific. She took the opportunity to thank the committee for the support it had shown up to this point.

The Counter Fraud Team Leader gave the following responses to member questions:

- Most successful prosecutions were subject to an immediate press release as it was widely accepted that this helped to act as a deterrent.

- Historically, as an authority, CBC did not administer Council Tax Penalties. More robust checking and verification work in this area could be of benefit and this area is to be explored further.

- The Prosecution Policy was being reviewed with One Legal, so that as with other policies, it could be aligned across all partner Councils. The decision to prosecute would still take consideration of the public interest test, monetary loss and any risks, including reputational risks.

The Chairman felt that the message to anyone claiming Council Tax Discounts should be, if you are unsure if you can claim or continue to claim a discount, then ask the question and get a clear answer, rather than risk having to pay something retrospectively or being fined.

Upon a vote it was unanimously

RESOLVED that the update be noted.

11. **INTERNAL AUDIT MONITORING REPORT**
The Internal Audit Monitoring Report was designed to provide the Audit Committee with the opportunity to comment on work undertaken and/or completed by the partnership and provide assurances on the control environment throughout the year. It was highlighted that the PSN report had been completed by the South West Audit Partnership (SWAP) and therefore any questions on this issue would need to be referred to them. The partnership had started to compile, the 2017-18 Audit Plan and she took this opportunity to thank those members that had suggested topics of interest. As referenced in the report, Audit Cotswold Officers had, had 1-2-1 meetings with SWAP and a universal plan was currently being devised. SWAP were also going to be providing a laptop that would enable Officers to familiarise themselves with the SWAP system.

In relation to the Executive Summary for Green Waste, it was explained that Cotswold District Council provided licenses to residents on an annual basis (once the fee had been paid) which were affixed to bins and therefore made it easier for operatives to identify those properties that had not renewed their subscription and paid for continued use of the garden waste collection service. Cheltenham instead provided operatives with a daily list which highlighted new properties and as part of the review Ubico had advised that the CDC approach was preferable as it was less administrative. Audit Cotswolds had recommended that CBC adopt the license approach and this committee supported this recommendation.

The Chairman raised the issue of tailgating, which he had been surprised to see no mention of within the Executive Summary for Security. Members felt this posed a risk to property and data, as well as the safety of staff. Officers gave assurances that staff, were regularly reminded of their obligation to challenge tailgaters, to carry their ID badges at all times and to report any security concerns. There was a suggestion that Group Leaders should remind members of the obligation on staff to provide challenge to anyone that they don't immediately recognise, as well as a request that they refrain from reacting badly to this challenge, as had been the case on occasion.

Upon a vote it was unanimously

RESOLVED that the report be noted.

12. **WORK PROGRAMME**
In relation to the briefing note that had been circulated with the agenda, the committee were pleased to see that at November 2016 the rate of Purchase Order Payments was at 80%. However, given that this figure had been less than 70% the previous month, they asked that a further update be produced in six months. The Deputy Section 151 Officer advised that as well as an increase in the use of Purchase Orders, the exemptions list was growing as requests from service areas were vetted and found to be legitimate.

13. **ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**
There were no urgent items for discussion.

14. **DATE OF NEXT MEETING**
The next meeting was scheduled for the 22 March 2017.

Colin Hay
Chairman

Cheltenham Borough Council
Audit Committee – 22 March 2017
Cyber Security Report

Accountable member	**Cabinet Member Corporate Services, Councillor Roger Whyborn**
Accountable officer	**Tony Oladejo, ICT Audit and Compliance Manager**
Ward(s) affected	**All**
Key/Significant Decision	**No**
Executive summary	To present an overview of the current state of risks and considerations relating to cyber attacks
Recommendations	**That the Audit Committee considers the report and makes comment on its content, as necessary**

Financial implications	As detailed in the circulated report **Contact officers: Sarah Didcote and Paul Jones**
Legal implications	None specifically arising from the report recommendation **Contact officer: Contact officer: Peter Lewis, Head of Legal Services, One Legal peter.lewis@tewkesbury.gov.uk, 01684 272012**
HR implications (including learning and organisational development)	No HR Implications **Contact officer : Julie McCarthy**
Key risks	Loss of Council assets and personal and sensitive data, non-delivery of essential Council services
Corporate and community plan Implications	None
Environmental and climate change implications	
Property/Asset Implications	None

1.   Background

1.   The threat of a cyber-attack has no longer become a case of if, but when it will happen. It is no longer safe to assume our firewalls and security systems will protect us all of the time.

2.   In preparation for a Cyber Security incident, we need to follow a Prevent, Detect & Recover multi-layer strategy, with assurances sought for each stage. Our multi-layer strategy aligns with the Cabinet Office's UK National Cyber Security Strategy.

3.   The partner Councils: West Oxfordshire District Council, Cotswold District Council, Cheltenham Borough Council and Forest of Dean District Council hold a vast amount of personal and sensitive information. This information is used to pay benefits, protect the vulnerable and assist in delivering essential services. All this information makes the partner Councils key targets for cybercriminals looking for opportunities to steal data, money and cause widespread disruption.

4.   With our global economy becoming increasingly cyber dependent, it is critical that we understand the risks to our business. Escalating statistics surrounding cyber security show that the risk to organisations can be catastrophic, and that the response to security has been too fixated on technological aspects of security, as opposed to management, behavioural and cultural aspects:-

- 2.5 million cyber security incidents were reported in 2015;
- 38% increase in the number of security incidents detected in 2015;
- 56% increase in the theft of hard intellectual property;
- the average cost of breaches to business has nearly doubled since 2013;
- £75,000 - £311,000 - average cost of a cyber-attack to an Small Medium Entities (SME);
- a 2015 UK Government survey found that 90% of large businesses across all sectors had experienced a malicious IT security breach over the past year;
- Within our IT network, there are approximately five intrusion attempts every 24 hours.

5.   Recent Cyber Breaches

Over the last few years, and in recent weeks, cyber security issues have been brought to the world's attention, here are a few headline makers:-

- in November 2012, one of our partner Councils was subject to virus attack to its ICT network which resulted in a disruption to services including on-line Council Tax payments system for several days;
- there was a massive data breach at Yahoo, which resulted in the details of 500 million user accounts being leaked. However, this breach occurred in 2014;
- The World Anti-Doping Agency (Wada) has condemned Russian hackers for leaking confidential and sensitive medical files of star US and British Olympic athletes;
- on 1st November 2015, the New Zealand Nurses Organisation (NZNO) was targeted by a spear-phishing attack that resulted in the organisation disclosing the email addresses of tens of thousands of its members.

6.   Impact on Reputation

When discussing the risks in general, one of the hardest areas to quantify is the impact on a company's reputation. The 2014 Information Security Breaches Survey estimated that reputational damage accounts for around 5%-20% of the cost of a cyber-security breach for large businesses. The value of a brand or goodwill can be seriously affected by a data breach, and this can be particularly costly for those companies who sell their products through e-commerce.

7.   Cyber-Crime/Cyber-Fraud and Cyber Extortion

Cyber-Crime/Cyber-Fraud

7.1   Cyber-crime involves *'The direct financial loss suffered by an organisation arising from the use of computers to commit fraud or theft of money, securities, or other property'*. Cyber-crime is the most common and costly type of cyber-risk suffered by organisations. These types of attacks are highly likely to impact both on enterprise businesses and SMEs and, due to their impact, are high in severity to both parties.

7.2.   One recent security breach involved Tesco Bank which froze all on-line transactions after fraudulent activity was discovered on 20,000 current accounts. The bank has 7.8 million customer accounts across the UK, of which 136,000 are current accounts.

Cyber Extortion

7.3   Cyber extortion is defined as *'The cost of expert handling for an extortion incident, combined with the amount of the ransom payment'*. It is the act of locking down a network and systems and requesting a ransom in order to release them. Commonly, *'ransomware'* is used to conduct this sort of an attack.

7.4   *Ransomware* is a form of malware that typically encrypts key data belonging to an organisation so that attackers can demand money in exchange for unlocking the data.

7.5   A recent and surprising case of cyber extortion was an attack on Lincolnshire City Council where cyber attackers used ransomware to lock staff out of key databases for the duration of a week.

8.   Cyber Security and Information Security

8.1.   'Cyber security' is a relatively recent term which has become more popular over the last five or six years and relates to security measures in place for information held digitally. This would include measures to protect the Council's network - application systems, databases, computers/devices on the network, and anything beyond the Council's network such as internet connections, mobile networks and Websites. The majority of the Council's Information Security standards relate to cyber security.

8.2   'Information Security' is an established term and relates to the security in place around 'all' the Council's information, irrespective of the manner in which it is stored. This can be held either in electronic or paper format.

8.3   The partner Councils have been working on Information Security since 2004 and have formal policies on Information Security in place. The Councils are now working towards a joint comprehensive Information Security Framework which will be based on ISO 27002, the international standard for Information Security Management.

9.   Cyber Security Partners

9.1   The Cabinet Office National Security Secretariat provides coordination on security and intelligence issues of strategic importance across Government bodies. The Secretariat has recently issued the 'UK National Cyber Security Strategy'. The Strategy explains the Government's approach to tackling and managing cyber threats.

9.2   The key objectives are:-

- Defend - the defence against cyber threats, response to incidents and protection of systems;
- Deter- the detection, understanding, investigation and disruption of hostile cyber actions, leading to prosecution;

- Develop - the innovation, research and development of cyber expertise that will meet and overcome future threats.

9.3 The Councils have formally registered with the Zephyr Regional Cyber Crime Unit (RCCU). This provides a forum to receive and share up-to-date cyber threat information and the sharing of best practice.

9.4 ICT constantly reviews cyber security updates and guidance from the Government's National Cyber Security Centre (NCSC). Its remit is to provide support to public and private sector on how to avoid cyber threats.

9.5 As members of the Public Services Network (PSN), the partner Councils are now required to develop their own threat profiles to ensure continued compliance. This is a significant change in approach from PSN with regards to risk management, which will be reflected in our internal processes going forward.

10. Security Measures

10.1 Prevention

Security measures must be taken to protect information from unauthorised modification, destruction, or disclosure whether accidental or intentional. Security measures include a combination of legacy and next generation security, combined with user awareness training provides a prevention layer. Our Prevention measures currently include:-

(i) ICT Policies Framework - the Framework consist of a number of operational Security Policies. Our policies are split into 'User' for example, Password policies, and Internal Operational polices, such as authentication and patching procedures. The objective of these policies is to ensure the highest standards and good practices in ensuring information security is maintained at all times across the partner Councils:-

- all users of the Councils' Information Systems are assured of the confidentiality, integrity and availability of the information used and produced;
- business damage and interruption caused by security incidents are minimised;
- all legislative and regulatory requirements are met;
- the partner Councils' ICT equipment and facilities are used responsibly, securely and with integrity at all times.

(ii) Next Generation Firewalls - deep inspection of network traffic as it traverses the network combined with a live database of known threats on the Internet. These systems are managed centrally allowing a co-ordinated response across all Partner Councils. A threat detected at one firewall is blocked at all firewalls. Not only do we inspect internet traffic, we also inspect name resolution traffic, enabling us to remove suspected threats before our devices even attempt contact.

(iii) Structural Modification - inspecting links and data within documents/emails for malicious code attempting to redirect unsuspecting users. These links can be manipulated before onward delivery.

(iv) Traditional Anti-Virus and Device Lockdown - devices on our network run the latest software with updates installed continuously. Using multiple Anti-Virus engines from multiple vendors provides us additional protection.

(v) Micro segmentation - the ability to logically segment parts of our Server Infrastructure ensuring a single compromised host does not impact the rest of the Infrastructure.

(vi)   User Awareness Training - a programme of training highlighting the risks. The key is to ensure management instils a culture that understands cyber risk, teaching staff and users   to always question what they receive and whether to open files. The first line of defence is   often employee education. Little can be done to prevent an employee's actions that are both   deliberate and malicious. Pre-employment/background checks can help to screen out criminal   infiltration, but sophisticated automated monitoring of the network (known as protective   monitoring) is required to detect and stop malicious actions when they occur.

10.2   Detection

10.2.1 It is not enough to prevent the intrusions. It is important to detect the intrusions as soon as possible. Discovering that we have been compromised is not as bad as being told we were compromised six months earlier.

10.2.2 We currently deploy the following detection methods:-

- Next Generation Firewall tracking - the ability to detect where a file entered our network and which devices it was transmitted to;
- Logging - logging extended into user permissions, for example, if an Administrator user account is created or modified, senior managers in ICT are informed;
- Structural Analysis -implemented, and is partially configured - we have the ability to detect content within documents as they move across our IT infrastructure, for example; a file of bank account numbers can be detected leaving our network;
- We are planning on implementing in early 2017 Scan and Isolate capabilities. This system will constantly scan our IT infrastructure looking for systems that have been compromised and, upon detection, will isolate the offending system until remediation can take place. This will ensure our systems are protected 24/7.

10.3   Recovery

Given we accept it is likely at some point we will be compromised, it is vital to ensure we can recover. Our recovery procedures include the following:-

- Snapshots, Replication and Backups - a full plethora of backup solutions are employed to ensure multiple copies of all our systems are kept and replicated to remote sites;
- Disaster Recovery Plan - we have a Disaster Recovery program in place that will allow us to survive an incident or disaster and to re-establish our normal business operations quickly and efficiently. Our ICT team undertakes rolling Disaster Recovery testing throughout the year. To date, all our Disaster Recovery objectives have been successfully tested, and an appropriate action plan is in place to resolve any issues identified;
- Business Continuity - we have business continuity procedures in place, both at Corporate and services levels. Business continuity plans are maintained and updated throughout the year. Each plan contains the critical information on how the business needs to stay running in spite of adverse events. We identify and prioritise which systems and processes that must be sustained and provide the necessary information for maintaining them.

10.4   Assurance and Compliance

We are subjected to various external compliance requirements in terms of our Cyber and Information security standards.

10.5   Public Services Network Compliance

10.5.1 PSN provides an assured "network of networks" over which the Government can safely share services. The PSN is managed within the Cabinet Office, and a PSN Programme has been designed to oversee and implement elements of the UK Government ICT Strategy.

10.5.2 We must comply with the new PSN connection controls. IT Health Checks are conducted annually for the purpose of ensuring PSN compliance and comprise both external and internal vulnerability tests. The IT Health Check tests must be undertaken by a Government-certified organisation using Government-certified testers. The outcome of the IT Health Check was positive and demonstrated that the Council's cyber security systems were safe and robust.

10.5.3 The external vulnerability test involves the tester attempting to break or hack into the Council's network and all its externally facing systems, including the Council's Website. The internal vulnerability test involves the tester assessing 10 -15% of the Council's servers and a representative sample of PCs, laptops, etc. They run automated checks of their configurations and also attempt to gain access to systems as an unauthorised user.

11.   Penetration Testing

We undertake our own independent vulnerability management program. Our penetration testing searches for security vulnerabilities on our systems, network or application. The idea is to locate the weaknesses and eliminate them before an attacker exploits them.

12.   Payment Card Industry Data Security Standard

12.1   The Partner Councils take debit and credit card payments and therefore are also required to be compliant with the Payment Card Industry Data Security Standard (PCI DSS). A failure to comply with this standard can result in considerable financial penalties in the event of a disclosure of card details.

12.2   External and internal vulnerability tests of the network are conducted every quarter for compliance with the PCI DSS. The external test must be conducted by PCI-qualified testers and the internal test is conducted by ICT staff using an approved testing tool. The Partner Councils must pass the tests to achieve compliance.

12.3   To date, no compliance issues have been identified.

13.   Data Protection Requirements

13.1   As a controller and processor of personal information, each Partner Council must comply with the requirements of the Data Protection Act 1998. The UK Information Commissioner's Office (ICO) issues regular security guidance to ensure that organisations comply with the 7th Data Protection Principle. This requires that '*appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to personal data*'.

13.2   The Information Commissioner has the power to serve a fixed monetary penalty notice of up to £500,000 on an organisation for a significant breach of the Data Protection Act. The majority of monetary penalties issued to other bodies to date have been for breaches of the 7th Principle and have each exceeded £100,000.

13.3   To date, no data protection breaches has been reported.

14.   Risk Assessments

14.1   We undertake risk assessments, this involves identifying the various information assets that could be affected by a cyber-attack (such as hardware, systems, laptops, customer data, intellectual property, etc.), followed by identifying the various risks that could affect those assets.

14.2   A risk estimation and evaluation is usually performed, followed by the selection of controls necessary to treat the identified risks. The threat profile and risk assessment will be reviewed periodically as necessary.

14.3   There are a number of processes and controls to mitigate cyber risks:-

- identify key assets at risk and address weaknesses, such as a lack of user education or reliance on third parties;
- create a cyber security aware culture and ensure that this is enforced from the top down;
- implement network access, communications and password policies;
- manage and control user privileges;
- implement monitoring across networks and systems to ensure there are set policies and procedures around these areas;
- ensure proper back-up and data recovery are in place;
- make decisions around which risks to avoid, accept, control or transfer.

2.   Reasons for recommendations

2.1   To present the Audit Committee an overview of the current state of risks and considerations relating to cyber-attacks. In preparation for a Cyber Security incident or an actual cyber-attack, The Prevention, Detection and Recovery strategies and procedures we have in place, with assurances sought for each stage.

3.   Consultation and feedback

3.1   This report has been developed following consultation with feedback from our Fraud Investigation Unit and the Audit Committee

4   Performance management –monitoring and review

4.1   The performance is monitored by the Shared Group Manager for ICT , Change and Customer Services

Report author	Contact officer: Tony Oladejo , ICT Audit and Compliance Manager , Tony.oladejo@2020partnership.uk **01242**
Appendices	1. A glossary is attached at **Appendix 'A'** 2. Risk Assessment
Background information	None

<u>Glossary</u>

Anti-virus - Anti-virus software is a program or set of programs that are designed to prevent, search for, detect, and remove software viruses, and other malicious software like worms, Trojans.

Back-Ups - the copying of physical or virtual files or databases to a secondary site for preservation in case of equipment failure or other catastrophe.

Cyber-Attack - an attempt by hackers to damage or destroy a computer network or system.

Cyber-Breach - a data breach is an incident in which sensitive, protected or confidential data has potentially been viewed, stolen or used by an unauthorised individual.

Encryption - the scrambling of sensitive information so that it becomes unreadable to everyone except the intended recipient.

Firewall - a network security system designed to prevent unauthorised access to or from a private network.

Hacker - now commonly associated with someone who uses computers to gain unauthorised access to data. Hackers can also be positive ethical process whereby someone hacks for a company or organisation to enhance defensive measures.

Malware - software which is specifically designed to disrupt or damage a computer system.

Phishing - the fraudulent practice of sending e-mails to obtain sensitive information such as usernames, passwords, and credit card details (and, indirectly, money), often for malicious reasons, by disguising as a trustworthy source.

Ransomware - malware for data kidnapping, an exploit in which the attacker encrypts the victim's data and demands payment for the decryption key.

Risk Assessment - the process of determining the likelihood that a specified negative event will occur.

(END)

Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likeli-hood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
ICT 1	Impact on the Councils reputation: The estimated cost of reputational damage could be up to 20% of the cost of a cyber-security breach including penalty fines from legislative authorities Public and customer confidence can be seriously affected by a cyber-attack	Shared Group Manager		3	3	9	Reduce	We will continually undertake our multi-layer strategy approach (prevention, detection and recovery) to reduce the risk of any cyber-attacks on our systems	On-going	Shared Group Manager	
ICT 2	Loss of various information assets could be affected by a cyber-attack (Assets such as hardware, systems, laptops, customer data, intellectual property, etc.), which can also lead to financial loss.	Shared Group Manager		3	3	9	Reduce	We will continually undertake our multi-layer strategy approach (prevention, detection and recovery) to reduce the risk of any cyber-attacks on our systems	On-going	Shared Group Manager	

Audit Committee
Cheltenham Borough Council
Progress Report and Update
Year ended 31 March 2017

March 2017

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Agenda Item 6

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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.

Introduction

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

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:
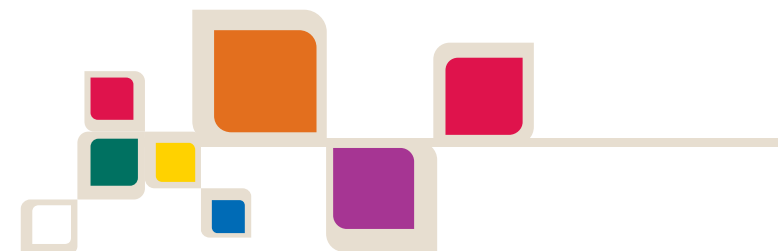
- CFO Insights – reviewing council's 2015/16 spend (December 2016); http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/

- Fraud risk, 'adequate procedures', and local authorities (December 2016); http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/

- New laws to prevent fraud may affect the public sector (November 2016); http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/

- Brexit: local government – transitioning successfully (December 2016) http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/

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 Engagement Manager.

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.
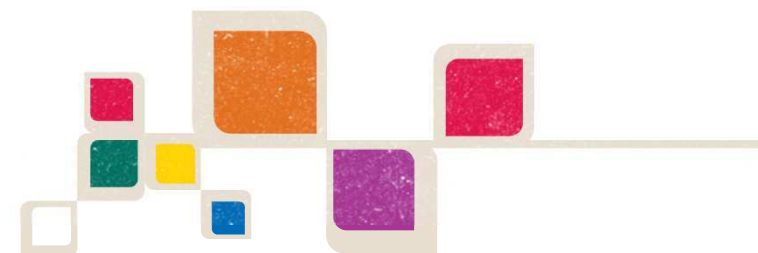
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Progress at March 2017

2016/17 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	Yes	The 2016/17 fee letter was issued in April 2016 and considered by the June committee. Our fee letter set out the scope of our 2016/17 work and included an outline timetable
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 2016/17 financial statements.	March 2017	Yes	The Audit plan will be presented to this Audit Committee.
Interim accounts audit Our interim fieldwork visit plan included: • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment.	January – February 2017	Yes	We have built on our knowledge of the Council following our audits over the last few years. Issues arising from our interim visit are set out in the Audit Plan.

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Progress at March 2017

2016/17 work	Planned Date	Complete?	Comments
Final accounts audit Including: • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16	July 2017	No	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. The final accounts audit is scheduled to start on **3 July 2017**. We will report our findings in our Audit Findings Report.
Value for Money (VfM) conclusion The scope of our work is unchanged from 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties	January – March 2017	No	We have carried out an initial risk assessment to determine our approach and we report this in our Audit Plan. We will report our detailed findings in our Audit Findings Report.

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Technical Matters

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:
* the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
* an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
* the changes will remove some of the complexities of the current segmental note
* other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:
* changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
* other amendments and clarifications to reflect changes in the accounting standards.

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Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:
- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.

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Sector issues and developments

National Audit Office reports

Below is a selection of reports issued during 2016 which may be of interest to Audit Committee members. Please see the website for all reports issued by the NAO.

Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Sector(s): Local services

Performance Improvement area(s): Departmental Overviews, Local service delivery

Published:
9 Nov 2016

https://www.nao.org.uk/report/overview-local-government/

The Troubled Families programme: update

This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

Sector(s): Community and society, Local services

Published:
18 Oct 2016

https://www.nao.org.uk/report/the-troubled-families-programme-update/

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Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. Thee are available on the website:
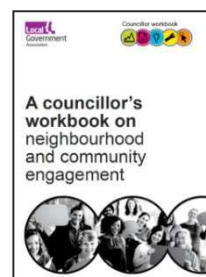
http://www.local.gov.uk/publications

Provisional LG Finance Settlement for 2017/18

12 January 2017

The LGA has published its responses to the DCLG consultation on proposals for the local government finance settlement for 2017 to 2018 and for the approach to future local government finance settlements.

http://www.local.gov.uk/documents/10180/8150261/Local+Government+Finance+Settlement+1718+LGA+response.pdf/dd8d32e1-ec9f-4314-8121-7aae2195f89f

A councillor's workbook on neighbourhood and community engagement

11 January 2017

Neighbourhood and community engagement has a rightful place as one of the key processes involved in planning and decision making. As such, it should not be viewed d as an additional task, but as a core part of the business

### Building our homes, communities and future: The LGA housing commission final report

22 December 2016

The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.

Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. These are available on the LGA website:

http://www.local.gov.uk/publications
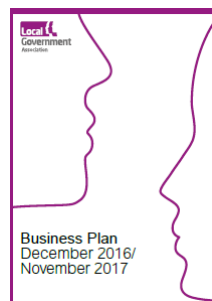
## Business Plan December 2016/November 2017

30 December 2016
Britain's exit from the EU means that we are reshaping the way our country is run. Our vision is one of a rejuvenated local democracy, where power from Westminster and from the EU is significantly devolved to local level and citizens feel they have a meaningful vote and real reason to participate in civic life and their communities.

Stronger together: shared management in local government

29 November 2016
Around 45 councils across England share a chief executive and senior management team in about 20 different partnerships. Most also share at least some services. These councils have already delivered savings of at least £60 million through greater efficiencies and the other benefits of collaboration, with more savings planned
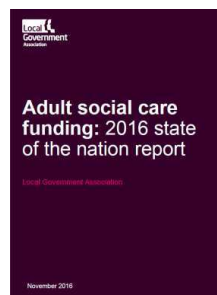
Adult social care funding: 2016 state of the nation report

2 November 2016
Adult social care is an absolutely vital public service that supports some of our most vulnerable people and promotes the wellbeing and independence of many more

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Grant Thornton

Integrated Reporting

Grant Thornton publications

Challenge question:

• Have you thought about how the principles of Integrated Reporting can help your organisation become more focussed?

Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

Integrated reporting: Looking beyond the report was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as *"enhancing the way organisations think, plan and report the story of their business."*

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.

2. **Identify stakeholders** – who are they and how can you engage with them?

3. **Identify the capitals for your organisation** – what resources do you use to create value?

4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?

5. **Set limits and create boundaries** – make sure your report is focussed.

6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.

Grant Thornton
An instinct for growth

Integrated reporting
Looking beyond the report
November 2016

Integrated Thinking and Reporting

CIPFA Publications

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders.*

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?

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INTEGRATED REPORTING <IR>
CIPFA The Chartered Institute of Public Finance & Accountancy

Integrated thinking and reporting

Focusing on value creation in the public sector

An introduction for leaders

WORLD BANK GROUP

15

Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: 250 x £20,000 = £5,000,000

Levy sum: 0.5% x = £25,000

Allowance: £25,000 - £15,000 = £10,000 annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?

- How do we ensure compliance with the new system?

- Which parts of my current spend on training are applicable to apprenticeships?

- Are there opportunities to mitigate additional cost presented by the levy?

- How is training in my organisation structured?

- How do we develop and align to our workforce development strategy

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Off-payroll working in the public sector

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of "*consistency, certainty and simplicity*"

When the proposals were originally made, the public sector was defined as those bodies that are subject to the Freedom of Information rules. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

Impact

- Increased costs
- Responsibility moved to the engager
- Increased risks for the engager
- Consider current arrangements in place

Areas / risks to consider

- Interim and / or temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll

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Salary Sacrifice Arrangements-Autumn Statement

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them

What should you be thinking about?

- Review the benefits you offer - particularly if you have a flex renewal coming up

- Consider your overall Reward and Benefit strategy

- Consider your Employee communications

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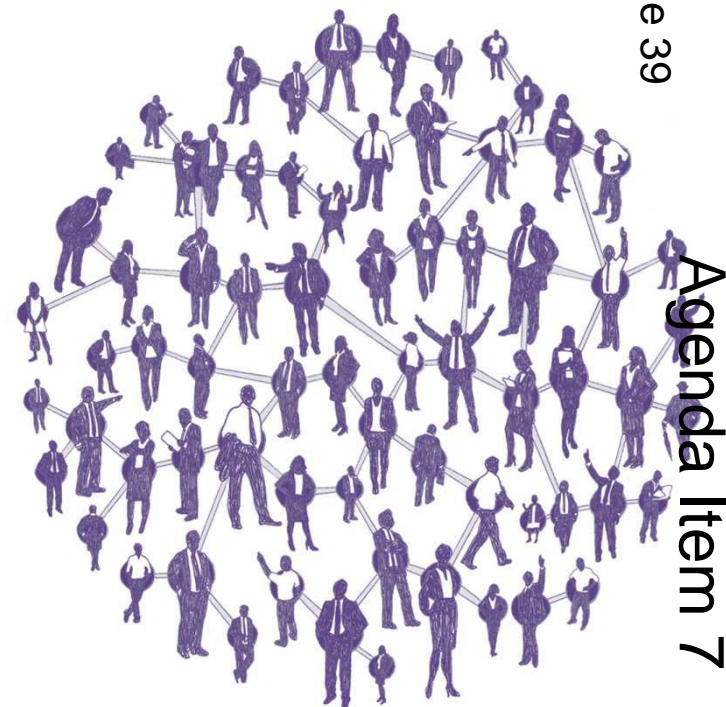
An instinct for growth™

The Audit Plan
for Cheltenham Borough Council

Year ended 31 March 2017

March 2017

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Dear Members of the Audit Committee   March 2017

Audit Plan for Cheltenham Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Cheltenham Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:
    -give an opinion on the Council's financial statements
    -satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Peter Barber

Engagement Lead

Contents

Understanding your business and key developments

Developments

Earlier closedown
The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

Joint Arrangements
Cheltenham have several joint arrangements in place including UBICO, GO Shared Services, Cheltenham Borough Homes and 2020 Vision.

Autumn Statement
The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for adult social care.

Key challenges

Medium Term Financial Strategy
The Council have been required to deliver substantial savings since 2010/11. The latest Medium Term Financial Strategy shows that The Council have identified budget savings to ensure a balanced budget is set for 2017/18, however these include some one-off measures including the use of reserves.

Financial position reported to Cabinet 11 Oct 2016

Measure	2017/18 Budget £000	2018/19 Budget £000
MTFS Funding Deficit	1,721	973
Identified Savings/Income	1,721	973
Shortfall/ (Surplus) against MTFS Funding Gap	0	0

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)
Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced .The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

CIPFA Code of Practice 2017/18
At the end of July 2016, CIPFA/LASAAC released the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom Exposure Draft and Invitation to Comment (ITC) for public consultation. There are a number of changes proposed in the ITC.

Delivering Good Governance in Local Government Framework
The Framework has been published by CIPFA/SOLACE and applies to Governance statements prepared for the year 2016/17.

Our response

- We aim to complete all our substantive audit work of your financial statements by 31 July 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will review the Council's Medium Term Financial Strategy, including the assumptions that underpin the savings plans, as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 and 2017/18 through on-going discussions and invitations to our technical update workshops.
- If you would like further information on any items in this briefing, please contact either your Engagement Lead or Engagement Manager.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,646,000 (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £82,300.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatement lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings, members' allowances and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Audit fees	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

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

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cheltenham Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Cheltenham Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Cheltenham Borough Council.
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	**Work planned:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries in months 1-12 and year end adjustments • Review of unusual significant transactions
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.	We do not consider this to be a risk for the audit as our experience shows that expenditure is well controlled and monitored.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of pension fund net liability	The Council's pension fund liability as reflected in its balance sheet represents a significant estimate in the financial statements. There is a risk that the valuation of the pension fund net liability is not correct.	**Work planned:** • We will identify the controls in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary
Valuation of property, plant and equipment and investment property	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements. There is a risk that revaluation measurements are not correct.	**Work completed to date:** • Review of management's processes and assumptions for the calculation of the estimate • Review of the competence, expertise and objectivity of any management experts used • Review of the instructions issued to valuation experts and the scope of their work **Further work planned:** • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding • Consideration of management's assertion that the current value of PPE assets not revalued as at 31 March 2017 are not materially different to their carrying value

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	**Work completed to date:** • Documented our understanding of the controls operating in the operating expenditure system • Performed a walkthrough to confirm that controls are operating as described • Obtained an understanding of the accruals process **Further work planned:** • Year end testing of creditor balance and accruals
Employee remuneration	There is a risk that employee remuneration is understated.	**Work completed to date:** • Documented our understanding of the controls operating in the employee remuneration system • Performed a walkthrough to confirm that controls are operating as described • Trend analysis months 1-10 **Further work planned:** • Global reconciliation of employee remuneration system to general ledger • Trend analysis months 11-12

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	**Work planned:** • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

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

- Heritage assets
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowings and other liabilities (long and short term)
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants

- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to 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.

Components	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Gloucestershire Airport	No	Analytical	N/A	Desktop review performed by Grant Thornton UK LLP
Cheltenham Borough Homes	Yes	Targeted	Where applicable: • Risk of fraud in relation to revenue recognition • Risk of management override • Pension liability valuation • Completeness of operating expenditure • Completeness of employee remuneration expenditure	Group instructions will be issued to the component auditor

UBICO Ltd

The structure of UBICO Ltd changed in 2015/16 with the addition of 2 more partners to the company. Membership is now made up of seven partners – Cheltenham Borough Council, West Oxfordshire District Council, Cotswold District Council, Tewkesbury District Council, Forest of Dean District Council., Gloucestershire County Council and Stroud District Council. Cheltenham Borough Council does not have significant influence over the company, therefore group accounts are not required from 2015/16.

Key changes within the group:

• No significant changes identified within the group.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor audit documentation and meeting with appropriate members of management.

Value for Money

Background

The Code requires us to consider 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.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	• Acting in the public interest, through demonstrating and applying the principles and values of sound governance • Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing and utilising assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	• Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.

- the findings of other inspectorates and review agencies

- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.

- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

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. We will agree any additional reporting to the Council on a review-by-review basis.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Medium term financial strategy The Council have been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward. The current MTFS includes a balanced position for 2017/18, but includes a number of unidentified savings over the period to 2019/20.	Informed decision making Sustainable resource deployment	• Consider 2016/17 performance against savings plans • Review of the Medium Term Financial Strategy, including the assumptions that underpin the savings plans • Understand how savings are identified and monitored to ensure that they support the delivery of budgets • Consider the use of reserves in 2017/18 to reach the balanced budget

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
    - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
    - issue of a report in the public interest; and
    - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

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	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have 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.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach. We are awaiting a small number of samples in order to complete our testing.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have identified that journal entries posted by the Deputy Section 151 Officer are not regularly reviewed. The Deputy Section 151 Officer is responsible for review of all other journal entries, therefore we recommend that all of her journal entries are reviewed by the Section 151 Officer.	We have identified that journal entries posted by the Deputy Section 151 Officer are not regularly reviewed. We recommend that all journal entries posted by the Deputy Section 151 Officer be reviewed by the Section 151 Officer.
Early substantive testing	We have completed early substantive testing on the following areas: • Operating expenditure transactions months 1-9 • Employee remuneration transactions months 1-10 • Revenue transactions months 1-9 • Property, plant and equipment existence testing • Balance sheet opening balances testing As in previous years, our testing has been undertaken as a joint effort between all applicable GO Shared Service partners to ensure the most efficient audit approach and to attempt to minimise any potential duplication of effort.	Our work has not identified any weaknesses which are likely to adversely impact on the Council's financial statements. We are awaiting a small number of samples in order to complete our testing.

The audit cycle

The audit timeline

Key dates:

| Year end: 31 March 2017 | Close out: 2 August 2017 | Audit committee: 20 September 2017 | Sign off: 20 September 2017 |

Audit phases:

| Planning December 2016 | Interim w/c 13 February 2017 | Final w/c 3 July 2017 | Completion September 2017 | Debrief September 2017 |

Key elements

- Planning meeting with management to inform audit planning and agree audit timetable
- Issue audit working paper requirements to management
- Discussions with those charged with governance and internal audit to inform audit planning

Key elements

- Document design effectiveness of key accounting systems and processes
- Review of key judgements and estimates
- Early substantive audit testing
- Review of Value for Money arrangements
- Discuss draft Audit Plan with management
- Issue the Audit Plan to management and Audit Committee
- Meeting with Audit Committee to discuss the Audit Plan
- Issue reporting instructions to component auditors

Key elements

- Audit teams onsite to complete detailed audit testing
- Weekly update meetings with management
- Audit of group reporting consolidation schedule
- 'Hot review' of the financial statements (where applicable)

Key elements

- Issue draft Audit Findings to management
- Meeting with management to discuss Audit Findings
- Issue draft Audit Findings to Audit Committee
- Audit Findings presentation to Audit Committee
- Finalise approval and signing of financial statements and audit report
- Submission of WGA assurance statement
- Annual Audit Letter

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Audit Fees

Fees

	£
Council audit	49,406
Grant Certification	9,015
Total audit fees (excluding VAT)	**58,421**

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

- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited

- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business

- Feed back on your systems and processes, and identifying potential risks, opportunities and savings

- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community

- Regular sector updates

- Constructive feedback on your people, your processes and your business plan

- Ad-hoc telephone calls and queries

- Technical briefings and updates

- Regular contact to discuss strategy and other important areas

- A review of accounting policies for appropriateness and consistency

- Annual technical updates for members of your finance team

- Regular Audit Committee Progress Reports

Independence and non-audit 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 we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Cheltenham Borough Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related		
Certification (pooled receipts)	TBC	Certification work for Pooled Receipts
Non-audit related		
Investors in People Accreditation	£4,279	IIP Accreditation
CFO Insights	£3,750*	N/a
Internal Audit review	£333*	N/a
Tax helpline	£650*	N/a

* The services listed above are provided to the Go Shared Services partners. The amount disclosed above is the element which relates to Cheltenham Borough Council.

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) 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

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

Our 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 issues 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	✓	✓
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

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Appendix 1: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We recommend that all journals posted by the Deputy Section 151 Officer are reviewed by the Section 151 Officer.	Medium	Agreed, will implement with immediate effect.	March 2017 Paul Jones (S151 Officer)

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Cheltenham Borough Council
Audit Committee – 22 March 2017
Annual Internal Audit Plan 2017/18

Accountable member	**Cabinet Member Corporate Services, Councillor Roger Whyborn**
Accountable officer	**Lucy Cater, Acting Head of Audit Cotswolds**
Ward(s) affected	**All**
Key/Significant Decision	**No**
Executive summary	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.

Following CIPFA's guidance on Audit Committee the Committee this evening should "formally approve (but not direct) the Internal Audit plan". |
| **Recommendations** | **The Audit Committee approves the Internal Audit Plan for 2017/18** |

Financial implications	The audit plan is a risk based plan which directs audits report towards the higher risk areas. This ensures that valuable audit resource is focused and directed towards ensuring that financial exposure is minimised.

Contact officers: Sarah Didcote and Paul Jones |
| **Legal implications** | No Legal implications.

Contact officer: Peter Lewis, Head of Legal Services, One Legal, peter.lewis@tewkesbury.gov.uk, 01684 272012 |
| **HR implications (including learning and organisational development)** | No HR implications.

Contact officer: Julie McCarthy |

Key risks	The audit plan has been derived from consultation with the Senior Leadership Team and Audit Committee 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.
	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.
	Furthermore, Internal Audit is a statutory function under the Accounts and Audit (England) Regulations 2015. *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."*
	The risk of failure to deliver core elements of the plan will be mitigated through the Partnership Board monitoring process. The representative from Cheltenham Borough Council is Paul Jones, Section 151 Officer.
	Furthermore, Audit Committee will continue to receive quarterly reports through 2017/18 from Internal Audit detailing the work undertaken in relation to the plan.
Corporate and community plan Implications	None
Environmental and climate change implications	
Property/Asset 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. The introduction of GO Shared Service (GOSS) - a partnership arrangement for the delivery of core financial, human resources and procurement systems; the development of other shared services and now the 2020 Vision partnering arrangement all impact on service delivery processes and on core governance arrangements. 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 carries out a programme of audits that is agreed annually with Heads of Service and the Executive Management Team and is approved by the Audit Committee.

2.2 The requirements of the 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 GOSS (now part of the 2020 Vision service delivery vehicle, due to become Publica) are covered within the GOSS Audit Plan, this will cover GOSS and client side activities providing;

- Assurance to the GOSS Management Team and the Client Officer Group over the controls operating for the clients

- Assurance to the client (Cheltenham Borough Council) over the controls operating within GOSS financials, within the services they provide, and an assurance level for each financial module

- Assurance to the Council over the controls operating within service based activities associated with the financial processes administered by GOSS

- Periodic assurance over the other aspects of GOSS provided services

- The required support to the External Auditor

2.4 A summary of the Annual Internal Audit Plan for 2017/2018 is included at Appendix 1. This lists the risk based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan.

2.5 The Internal Audit Plan outlines a preferred programme of work for the year as developed throughout January and February 2017. 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. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer.

2.6 Audit Cotswolds has two further partners, West Oxfordshire DC and Cotswold DC and four further clients; Ubico, the 2020 Vision Partnership (Publica), Cheltenham Borough Homes and the 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 plan has been developed following consultation with and feedback from the Senior Managers, the Internal Audit Team and the Audit Committee.

4.   Performance management – monitoring and review

4.1 The performance of Audit Cotswolds is monitored by both the Audit Committee and the Audit Partnership Board as detailed in the Audit Charter 2013.

Report author	Contact officer: Lucy Cater, Acting Head of Audit Cotswolds lucy.cater@cotswold.gov.uk
	01285 623340
Appendices	1. Internal Audit Annual Plan 2017/18 2. Risk Assessment
Background information	None

Cheltenham Borough Council Audit Plan 2017/18

Audit Theme / Service Area	Specific Topic or Activity	Audit Days
Section 1 - Core Governance and Core Finance Audits		**148**
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample testing elements of the supporting information	5
Audit Committee Effectiveness (Annual)	Support for the Council's annual review of the Audit Committee against appropriate guidance and standards	2
Risk Management	To review a specific element of the Council's Risk Management process - Elements are audited on a cyclical arrangement	5
Performance Management	To review a specific element of the Council's Performance Management process - Elements are audited on a cyclical arrangement	5
ICT Audit Reviews		
EU General Data Protection Regulations	Review to ensure the Council is prepared for the incoming EU General Data Protection Regulations	8
Public Services Network Submission	Annual review of the PSN submission to ensure data is accurate and submitted in accordance with Cabinet Office directives to ensure continued compliance	3
Protection from Malicious Code	Review to ensure the Council's ICT systems are robust to protect from the threat of malicious code (code in any part of a software system or script that is intended to cause undesired effects, security breaches or damage to a system)	3
Device Strategy	Review of the ICT device strategy to ensure it meets the needs of the Council. Audit to include software and hardware	6
ICT	Changes that have been made for 2020, including CBC, intranet, internet, outlook. Reporting to programme board with updates.	3
ICT Policies	Data Back Up and Ransomware Policies. Ensuring that robust policies are in place and adhered to mitigating risks to the organisation	3
Revenues and Benefits		
Council Tax Benefit	A review of an element of the Council Tax Benefit process, the programme of activity ensures full coverage of the service over a 3 year cycle	30
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	

Audit Theme / Service Area	Specific Topic or Activity	Audit Days
GOSS Audits (now part of 2020 delivery vehicle)	**Days allocated to the following are CBC's element of the GOSS Audit Plan**	
Main Accounting, Budgetary Control and Capital Accounting	A review of an element of the operating systems, the programme of activity ensure full coverage over a 3 year cycle. Assurances are sought for the GOSS controls operating in respect of its Clients and transactional testing is performed for each of the Clients	10
Treasury Management and Bank Reconciliations		2
Payroll		7
Accounts Receivable (Debtors)		7
Accounts Payable (Creditors)		7
Systems Administration	MS4 Upgrade - review of implementation and continued system management controls	4
Human Resources	Human Resources - focus on the specific service provided to CBC	5
Other GOSS Area	A review of Procurement / Health and Safety / Insurance. 2017/18 audit to be determined with GOSS Officers based on current and emerging risks	9
IR35	Review to ensure compliance with HMRCs IR35 (Intermediaries Legislation)	4
Serious and Organised Crime Checklist	High Level, Self-Assessment of the serious and organised crime risks that relate to the Council	5
Serious and Organised Crime Audit	Review to scrutinise business operations to establish where there may be vulnerabilities to serious and organised crime	10
Fighting Fraud and Corruption	Measure of the Council's Counter Fraud and Corruption Culture and Response	5
Section 2 - Risk Based Audits		**65**
Ubico (Data Monitoring)	Review of the monitoring of Ubico data, including fleet, waste data, recycling	10
Ubico (Recyclates)	Review to ensure data and funds received by the Council are accurate in respect of recyclates. That the Council is informed in a timely manner of any increases / decreases in costs for the service	5
MTFS	Review to ensure proactive actions are being taken to deliver red and amber items in the MTFS	10
Equalities and Diversity	Review to ensure Council Policies are up to date and in accordance with Legislation. Ensure officers / service areas are complying with legislation and Council Policies	10
Grant Payments to Third Parties	Review to ensure grant payments made to third parties are in accordance with Council Policies and Procedures, appropriate, accurate	10
Elections	Review of the Election Funds - expenditure / income / reconciliations	10
S106 Agreements and Funds	Review of the governance arrangements in respect of S106 agreements and funds	5
Damages Recovery	Review in respect of damage to Council Properties. Identification of policies and procedures in place and ensuring the adherence to these, ensuring liable parties are pursued in respect of costs borne by the Council	5

Audit Theme / Service Area	Specific Topic or Activity	Audit Days
Section 3 - Advice and Consultancy		**103**
2020 Vision Programme (Publica)	Review of the set up and development of the Publica company of which CBC is a shareholder. Review the arrangements to monitor and ensure CBC are receiving their service requirements as agreed with 2020. Review CBC's arrangements to effectively manage the relationship of the risks of the services provided by 2020.	15
Leisure and Culture Trust	Review of the arrangements the Council has in place to evaluate, demonstrate and ensure it receives value for money from the Leisure and Culture contract. The review will support the development of processes that enhance value for money analysis and assurance arrangements	25
Ubico	Review of the arrangements the Council has in place to evaluate, demonstrate and ensure it receives value for money from the non-waste element of the Ubico contract, to include a specific focus on the services at the Cemetery and Crematorium along with any other related services operated at the site. The review will support the development of processes that enhance value for money analysis and assurance arrangements	20
Cemetery and Crematorium Development	Support for the cemetery and crematorium programme, including attendance at meetings and gate reviews	15
Parking Strategy	To advise on any implications identified in the parking strategy. Review of the arrangements to support and ensure the delivery of outcomes following the introduction of the parking strategy	10
Revised Arrangements for S151 Officer Role	Review of the arrangements to support the effective delivery of the revised arrangements for the S151 Officer Role	3
Change Programmes	Support for other change programmes / projects to include Accommodation Strategy, Town Hall Redevelopment, Commercial Transformation, Waste and Recycling Redesign	15
Section 4 - Other		**49**
Management	Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.	20
Follow Up Audits	Follow Up of Previous Year Audits (High / Good / Satisfactory)	5
Safeguarding	Follow Up of 2015/16 Audit (and to include support for the Council's Section 11 Submission)	5
National Fraud Initiative	Ongoing Support for the Scheme	
Contingency	New Work based on emerging risks and Investigations	19
	Total Number of Audit Days	**365**

Risk Assessment   **Appendix 2**

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likeli-hood 1-6	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.	Section 151 Officer		3	3	9	Reduce	The Audit Committee approval of the annual plan	31/03/2017	Head of Audit Cotswolds	
Aud 2	Without the delivery of the approved audit plan 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.	Section 151 Officer		3	3	9	Reduce	Appropriate support from service managers to aid the internal audit team in the delivery of its work. Monitoring of the delivery of the internal audit plan by; the Section 151 Officer and the Audit Committee.	31/03/2018	Head of Audit Cotswolds	

Cheltenham Borough Council
Audit Committee – 22 March 2017
Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable officer	Lucy Cater, Acting Head of Audit Cotswolds
Ward(s) affected	**All**
Key/Significant Decision	**No**
Executive summary	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. 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.
Recommendations	**The Audit Committee considers the report and makes comment on its content as necessary**

Financial implications	**There are no financial implications arising from the report recommendations** **Contact officer: Sarah Didcote, GOSS Business Partner Manager** <u>sarah.didcote@cheltenham.gov.uk</u> **01242 264125**
Legal implications	**Contact officer: Peter Lewis, Head of Legal Services, One Legal** *peter.lewis@tewkesbury.gov.uk, 01684 272012*
HR implications (including learning and organisational development)	**Contact officer: Julie McCarthy**
Key risks	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.

Corporate and community plan Implications	*"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*). Therefore the internal audit activity impacts on corporate and community *plans.*
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within *individual reports.*
Property/Asset Implications	**Contact officer: David Roberts@cheltenham.gov.uk**

1.   Background

1.1   The Annual Audit Plan 2016/17 was aligned with the corporate and service risks facing the Council as identified in the consultation with the Senior Leadership Team and supported by such systems as the risk registers. The role and responsibilities of internal audit reflect that it is there to help the organisation to achieve its 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 benefit to supporting 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. This 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

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).

3.1 Some progress has been made with regard to the transfer of Audit Cotswolds staff to the South West Audit Partnership (SWAP). David Hill from SWAP attended Cotswold District Council Offices on 13 December 2016 and gave the audit staff a short overview on their way of working and their audit system. Further meetings are planned in order to discuss contract terms and conditions in preparation for the transfer. As yet, no date has been confirmed for the meetings or transfer.

3.2 **Background**

Below summarises some of Internal Audit's work in progress to date;

Since the last Audit Committee we have finalised:
- Fleet Management
- Council Tax Support Scheme
- NNDR Reliefs
- NNDR and Council Tax

Progress on the 2015/2016 brought forward and the 2016/2017 audit plans:
- Contract Management; 'Limited Assurance' Audit - follow-up testing is in progress
- GOSS – Health and Safety; 'Limited Assurance' Audit - follow-up testing is in progress
- Employee Turnover – Draft Report
- GOSS Insurance – Draft Report
- On-going reviews have been undertaken during the year for Car Parking and the Art Gallery and Museum follow-up. We have now completed these and the summaries will be reported to the next Audit Committee.

3.3 Progress against the 2015/2016 brought forward and 2016/17 audit plan, updated with progress and assurances given, is set out in **Appendix 1**

3.4 Executive summaries of finalised audits in can be found in **Appendix 2**

3.5 The assurance levels are set out in **Appendix 3**

Report author	Lucy Cater, Acting Head of Audit Cotswolds
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Appendices	1. Audit Plan Progress
	2. Executive Summaries
	3. Assurance levels

Cheltenham Borough Council (CBC) Internal Audit Monitoring Report

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Audits outstanding as in the 2015/2016 Internal Audit Opinion			
NNDR	Year 2 module of 3 year programme	Final Memo	Satisfactory
Housing Benefits	Year 2 module of 3 year programme	Final Memo	Satisfactory
Council Tax	Year 2 module of 3 year programme	Final Memo	Satisfactory
GOSS – Finance Systems	Payroll	Final Report	Satisfactory
GOSS – Procurement, Insurance, Health & Safety	Health and Safety audit undertaken as part of Security Audit	Final Report	Limited
Accommodation and property management	Review of strategy and property management	To be incorporated in the Change Programme work planned for 2017/18	
Security	Review of buildings and personal security	Final Report	High
Safeguarding Adults and Children	Support the Safeguarding peer review and audit	Draft Report	
Contract Management	Review of key contracts including tender processes, plus review of contractor use	Final	Limited
Performance Management	Completion of 2014/2015 audit. Review concentrated on Staff Performance	Final	Satisfactory
Art Gallery and Museum	Follow-up of the recommendations made in the Art Gallery report	Review undertaken during the year and now complete. Summary to follow	
Car Parking	Follow-up of the report submitted to Audit Committee in September 2015	Review undertaken during the year and now complete. Summary to follow	
2016/2017 Internal Audit Plan			
Section 1 - Core Governance and Core Finance Audits			
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample elements of the supporting information	Complete	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Audit Committee Effectiveness (Annual)	Annual review of the Audit Committee against appropriate guidance and standards	Commenced	
Internal Audit Self-Assessment (Annual)	Annual self-assessment of Internal Audit's performance against the Public Sector Internal Audit Standards (PSIAS)	Complete	
Risk Management	Selection of risks from registers and mitigating controls and actions to test their effectiveness	Final Report	Good
ICT Audit to be conducted by SWAP	Public services Network	Final Report	SWAP – Reasonable Audit Cotswolds - Satisfactory
	Data Handling	Request by Client for Audit to be Deferred	
	Disaster Recovery Planning	In Progress	
Council Tax Support Scheme	A review of an element of the Council Tax Support Scheme process, the programme of activity ensures full coverage of the service over a 3 year cycle	Final Report	High
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	Final Report	High
NNDR (Business Rates)	A review of an element of the NNDR process, the programme of activity ensures full coverage of the service over a 3 year cycle	Final Report	High
GO Shared Service (GOSS) Audits	**Days allocated to the following Audits are CBC's element of the GOSS Audit Plan**		
Main Accounting, Budgetary Control and Capital Accounting	A review of an element of the operating systems, the planned programme of activity ensures full coverage over a 3 year cycle. Assurances are sought for the GOSS controls operating in respect of its Clients and transactional testing is performed for each of the Clients	Final Report	High
Treasury Management and Bank Reconciliations		Final Report	High
Payroll		Draft Report	
Accounts Receivable (Debtors)		In progress	
Accounts Payable (Creditors)	Transactional Testing for each client, assurance over GOSS controls to be informed by SWAP auditors (the Forest of Dean DC's Internal Audit Team)	Draft Report	
Systems Administration of Agresso Business World (ABW)	A review of the operating system and the controls in place	In Progress	
Human Resources Review to include FoDDC	A review of a Human Resources area. Scope for 2016/17 audit to be determined with GOSS Officers Scope of the audit is the Starters and Leavers process and will include HR and ICT Processes	Final Report	Satisfactory
Other GOSS Area	A review of Procurement / Health and Safety / Insurance. 2016/17 audit to be determined with GOSS Officers	Draft Report	
Section 2 - Risk Based Audits			
Employee Turnover	Review of the controls in place to mitigate against loss of staff. How are management addressing the risk, identification of the reasons for staff turnover, are mitigating actions effective	Draft Report	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Risk and Control Implications of Meeting the Funding Gap	Achievement of proposed financials in MTFS looking at the assessment of risks and achieving these projections (income / savings)	In Progress	
Garden Waste Review to include FoDDC	Review of the processes and systems used for the charging of green waste. Looking at efficiencies, standardising processes etc.	Final Report	N/A
Business Rates Pooling Audit to be conducted by SWAP	Audit of pooled assets (what / how / how are they reported), calculation of appeals. Suggestion from CBC Audit Committee	In Progress	
NNDR (Business Rate) Reliefs	Review of NNDR Reliefs ensuring that the correct relief has been added to accounts in accordance with legislation	Final Report	High
Fleet Management	Review of the management of fleet by Ubico on behalf CBC (and CDC) to include the replacement of vehicles, purchase and recharging	Final Report	Satisfactory
Planning Application Process	Review of the planning application process to ensure compliance with statutory legislation in respect of the processing cycle	Final Report	Satisfactory
Food Safety Review to include FoDDC	Review of the policies and procedures in place in respect of Food Safety to ensure compliance with the introduction of the new act which comes into effect from 1st April 2016	Draft Report	
Section 3 - Advice and Consultancy			
New Housing and Planning Act	Review of the introduction of the New Housing and Planning Act - ensuring the Council is ready / prepared for the new act	On-going	
Community Infrastructure Levy (CIL)	Support for the CIL process ensuring that the Council is prepared for the introduction of CIL	On-going	
Charging Mechanisms	Review of the charging mechanisms to include statutory and discretionary charges and the potential generating, or increasing income, from some service areas	Brief Drafted	
Review of the outcomes of the Gloucestershire Joint Waste Committee Audit to be conducted by SWAP	A review to ascertain if the Gloucestershire Joint Waste Committee is delivering the outcomes envisaged when it was established		
2020 Vision Programme	Support for the 2020 Vision Programme and Projects	On-going	
Change Programmes	Support for other change programmes / projects	On-going	
Section 4 - Other			
Management	Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.	On-going	
Payment Channels and Income Streams Follow-Up	Follow-Up testing of a 'Limited Assurance' Audit	Complete	Not all recommendations implemented
Contract Management	Follow-Up testing of the 2015/16 'Limited Assurance' Audit	In progress	
GOSS – Health and Safety	Follow-Up testing of the 2015/16 'Limited Assurance' Audit	In progress	
Enforcement Tender Review	Ad-hoc piece of work. Review of enforcement tenders (CDC, CBC, WODC, TBC, FoDDC) due to one point difference in scoring. Days to be taken from Contingency	Complete	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Follow Up Audits	Follow Up of Previous Year Audits:	On-going	
	Ubico Client Function	Complete	Satisfactory
	Social Media	Complete	Good
	Data Protection	Complete	All recommendations actioned
	Members' Allowances	In progress	
National Fraud Initiative	On-going Support for the Scheme	On-going	
Contingency	New Work and Investigations		
Audit Management Software	Design and Build the new Internal Audit Management Software to our specifications	Complete	
Audit Cotswolds 2020 Proposal	Drafting the proposal for providing the Internal Audit service to 2020 and the four partner Councils	Complete	
SWAP Transfer	Officer Time allocated to internal audit service transfer to SWAP	On-going	

Executive Summary for Council Tax Support Scheme 2016/2017	
Assurance	**High**

Introduction and Purpose of Review

To review the effectiveness of internal controls in place for the Council Tax Support Scheme and ensure procedures are meeting internal policy, regulations and external codes of practice.

Overview and Key Audit Findings

Our review has examined the effectiveness of internal controls in place for the Council Tax Support scheme (CTS) in the below areas:

- Scheme approval
- Application process
- CTS entitlement
- Procedures
- Performance monitoring

Overall we can confirm that systems and controls are in place. Testing confirmed that CTS entitlement, the application process and internal procedures are operating well.

Meeting minutes confirmed the annual approval of the 2015/16 and 2016/17 CTS by the Council. The 2017/18 scheme was approved by Council on 12/12/2016.

Additional benefit availability of the Second Adult Rebate and who is eligible is well documented within the Council website.

Some minor details identified are being addressed by the Housing Benefits Manager relating to information on the Council's website, which are expected to be completed imminently.

There are no CTS specific key performance indicators operating within the department. Instead, following Government guidance, a more customer focussed service and support is provided to the applicants and assistance is available through a helpline, the Council's website and by visiting the Council offices.

On the basis of our findings we can confirm that and we are able to give a **High** level of assurance at CBC at this current time.

Executive Summary for Fleet Management 2016/2017	
Assurance	Satisfactory

Overview and Key Audit Findings

A review of Fleet Management was undertaken as part of the 2016/2017 Internal Audit plan, approved by the Audit Committee in March 2016. This audit covers:

- Review of policies and procedures governing the replacement of fleet vehicles and plant.
- Review of opportunities to use vehicles across authority boarders in order to maximise effectiveness and reduce costs.
- Review of cross charging for vehicles when used across authorities.
- Review of procurement arrangements and funding in order for Ubico to maximise the gains due to its significant buying power.
- Review of the arrangements for holding reserve vehicles in order to reduce that need to hire.
- Review of the policy setting process at the Council and how it offers the most advantageous returns on vehicle investment.
- Review of the long term strategy for fleet management across all Ubico partners.

We held discussions with the CBC Lead Commissioner, the Client Officer (Customer Relations Manager), the Ubico Fleet Manager and the Strategic Officer at the Gloucestershire Joint Waste Team (JWT). Testing included examining rental costs, disposal arrangements, vehicle tracking, fuel monitoring and service history.

Conclusion

Although the Opinion offered is **satisfactory**, the over-arching evidence suggest that financial gains are not being made where there is opportunity to do so.

Throughout the course of the audit, we identified that, to achieve the best returns or economies of scale, Commissioning Authorities would have to align their waste and recycling services. We accept that public opinion is a factor used to determine the Service even though it may not offer the best value for money. However, in order to ensure the most advantageous outcomes, maximise savings and to achieve the best returns on the councils investments, the Commissioning Authority should:-

- Explore the process of procuring vehicles in order to establish if alternative methods could offer a more advantageous return on the Councils investment. Example - Ubico purchase directly.
- Align the service with other Commissioning Authorities. Ensuring same vehicle usage would allow best possible discounts, better resilience through cross boarder usage as well as savings on parts and tyre contracts.
- Enter arrangements with other partners in order to utilise Ubico's significant buying power. – to enable greater savings
- Consider the rechargeable costs should a vehicle be utilised by another authority.
- Engage through the Gloucestershire Joint Waste Committee, who are best placed, to prepare and commit to a single service policy strategy across the partners
- Protect the Operations Licence held at Ubico by ensuring vehicle replacement is scheduled and completed on time.

Management Response

I have reviewed, accepted and have implemented an action plan to address the recommendations.

Martin Stacy - Lead Commissioner – Housing Services

Executive Summary for NNDR (National Non-Domestic Rates) Reliefs 2016/2017	
Assurance	**High**

Introduction and Purpose of Review

This audit was carried out as part of the core audit programme planned for 2016/2017 as approved by the Audit Committee.

The purpose of the audit review is to provide Members and senior officers with sufficient levels of assurance that the service is effective and secure.

Overview and Key Audit Findings

We initially established by discussion how the system operates and the controls in place.
We selected samples of properties from a range of categories to test compliance with rate relief criteria as set out in UK legislation and CBC's Discretionary Rate Relief Criteria. The sample was taken from the dataset of properties receiving NNDR reliefs in April 2016 from the CBC website.

•   Small Business Rate Relief
•   Rural Rate Relief – Post office or general store
•   Rural Rate Relief – Public houses and petrol filling stations
•   Discretionary Relief
•   Non-Profit Making Bodies - Community Amateur Sports Clubs (CASCs)
•   Mandatory Charitable Relief
•   Non-Profit Making Bodies – Schools
•   Unoccupied properties

In all cases in our samples we were able to verify that reliefs had been correctly applied.
On the basis of our findings we are able to give a **High** level of assurance.

Executive Summary for Council Tax and NNDR 2016/17	
Assurance	**Council Tax – High** **NNDR - High**

Introduction and Purpose of Review

The review of the Council Tax and NNDR systems was undertaken in accordance with the 2016/17 Audit Plan agreed by Audit Committee in March 2016.

The reviews on Council Tax and NNDR are undertaken on a modular basis over a 3 year cycle; this is year 2 of the cycle concentrating on the controls operating within the liability and billing processes with a particular focus on the management of Council Tax summonses.

We also examined Quality Assurance processes covering both systems and checked whether key systems controls were operating.

Our testing of Council Tax and NNDR systems was conducted on a sample basis covering the period 02/11/2015 to 02/11/2016. All audit queries were satisfactorily answered; there were no unresolved issues arising from our testing of liability and billing processes.

We can confirm that key systems controls are working effectively, for example reconciliation processes and independent review of exceptions etc. In addition we verified that:
•   Precept payments made to the precepting Authorities were in line with precepts levied.
•   The Council had submitted the 2016/2017 Form NNDR1 to the government and that this had been signed by the Council's Section 151 Officer on 29th January 2016.

Based on our testing, officer discussions along with satisfactory procedures and policies being in place we were satisfied that an effective quality assurance process was in place
On the basis of our audit work we are of the opinion that a **High** level of assurance can be given in the areas reviewed to both systems.

Management Response

I am happy with the contents of this report

Jayne Gilpin
Revenues Manager

Assurance Levels 2016/2017

Assurance levels for all audits follow a standard methodology to ensure reliability and validity of Internal Audit opinion. The table below set out the rationale for the opinion and suggested management action timescales.

Assurance Level	IA Opinion - Controls
High	Compliance with policies and procedures is good and adhered to, in the areas reviewed. Internal controls, in place, operate effectively. Risks against the achievement of the client's objectives are well managed.
Good	There is a sound system of compliance and internal control, designed to achieve the client's objectives, in the areas reviewed. The control processes tested are being consistently applied. Although risks are well managed and there is no fundamental threat, internal controls still need to be monitored.
Satisfactory	Some evidence of non-compliance identified and / or weaknesses in the system of internal control, in the areas reviewed. The level of non-compliance could present a risk to the achievement of the client's objectives. Introduction or improvement of internal controls is required.
Limited	Sufficient evidence of non-compliance and / or weaknesses in the system of internal control, in the areas reviewed. Essential action needed by management to reduce the level of risk to the achievement of the client's objectives.
No	No assurance can be given over compliance and / or internal controls. Immediate action needed by management to address the risk issues, in the areas reviewed.
Not Applicable	Assurance level is not applicable due to the nature of the work undertaken.

Priority Ratings 2016/2017

Priority Ratings are attached to each recommendation made in an audit review. The table below sets outs the rationale for the priority ratings and the suggested timescale for the implementation or action for the agreed recommendation

Priority Rating	Description
Critical	A significant and serious control weakness in the system of internal control. This will also include, for example: No evidence of policies and procedures, non-compliance with legislation or authority policies or non-compliance with authority financial and procurement rules. Immediate action is essential.
High	A weakness which could undermine the system of internal control and compromise its operation. Action is required as soon as possible.
Medium	An improvement to the system of internal control in order to comply with best practice, or which offers efficiency savings. Action date to be agreed.
Low	Recommendations requiring action by management to improve control, although the achievement of objectives is not fundamentally threatened.
Observation	Observations presented for management consideration only, as they represent a suggested improvement in management of the risks.

Cheltenham Borough Council

Audit Committee – 22 March 2017

Counter Fraud Unit Report and

Regulation of Investigatory Powers Act 2000 (RIPA) Update

Accountable Member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable Officer	Paul Jones Chief Finance Officer Paul.Jones@cheltenham.gov.uk
Report Author	Emma Cathcart Counter Fraud Team Leader 01285 623356 Emma.Cathcart@cotswold.gov.uk
Ward(s) affected	All indirectly
Key/Significant Decision	No
Executive summary	The purpose of the report is to provide the Audit Committee with assurance over the counter fraud activities of the Council. Cabinet approved the Authority's participation in the establishment of a permanent Counter Fraud Unit on 6 December 2016. Following subsequent decisions at other partner Council's, the Counter Fraud Unit will be a permanent support service from 1 April 2017 serving the partner Councils across the region including Cheltenham Borough Council. Work plans for 2017/2018 will be agreed with the Chief Finance Officer and appropriate Service Managers. The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually, for Cheltenham Borough Council this will be at the March and September meetings. The report also provides the Audit Committee with an update in relation to RIPA and the Council's existing policies and arrangements.
Recommendations	**That Audit Committee:** 1. **Notes the report and makes comment as necessary.**

Financial implications	There are no direct financial implications arising from this report but the Cabinet Report related to shared counter fraud services, presented on 6 December 2016, details the financial rationale for the Council's participation in a Counter Fraud Unit which services the region. **Contact Officer: Paul Jones, S151 Officer** **Paul.Jones@cheltenham.gov.uk**
Legal implications	The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 'RIPA' 2000 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register. In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge. **Contact officer: Peter Lewis, One Legal** **peter.lewis@tewkesbury.gov.uk**
HR implications (including learning and organisational development)	There are no direct HR implications arising from the content of this report. **Contact officer: Julie McCarthy, HR Manager (West)** **Julie.mcCarthy@cheltenham.gov.uk**
Key risks	If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.
Corporate and community plan Implications	In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.
Environmental and climate change implications	N/A
Property/Asset Implications	There are no property implications associated with this report. **Contact officer: David Roberts, Head of Property Services** **david.roberts@cheltenham.gov.uk**

1. Counter Fraud Unit

1.1.   Following the successful DCLG bid to fund the set-up of a Gloucestershire wide Counter Fraud Unit, the team has been undertaking feasibility work (both strategic and operational) on behalf of a number of Gloucestershire Authorities, West Oxfordshire District Council and Cheltenham Borough Homes.

1.2.   A business case was presented across the partner authorities to reflect the financial sustainability of creating a permanent Counter Fraud Unit. Cabinet approved the Authority's participation in the establishment of a permanent Counter Fraud Unit on 6 December 2016. Following subsequent decisions at other partner Council's, the Counter Fraud Unit will be a permanent support service from 1 April 2017 serving the Councils across the region including Cheltenham Borough Council.

1.3.   The work plan for 2017/2018 will be agreed with the Chief Finance Officer and appropriate Service Managers. The team will be concentrating on adding value in areas associated with risk.

A full work plan will be provided to Audit Committee when this is finalised and a full review and update report will be presented at future meetings.

1.4. The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually; for Cheltenham Borough Council this will be at the March and September meetings.

2. Regulation of Investigatory Powers Act 2000 (RIPA)

2.1. The Council's own RIPA Policies are based on the requirements of The Regulation of Investigatory Powers Act 2000 (RIPA) and the Codes of Practice relating to directed surveillance and the acquisition of communications data.

2.2. Members are aware that the Council must have robust processes in place with regard to the use of these powers.

2.3. There have been no substantive changes to the RIPA Procedural Guidance Policy since last year although it should be noted that there has been a change to the arrangements relating to officers involved in the authorisation of the RIPA process. The Senior Responsible Officer is the Head of Paid Service, Pat Pratley and the Authorising Officers are the Managing Director of Place and Economic Development, Tim Atkins and the Director of Environment, Mike Redman.

2.4. From 1 April 2017 the operational delivery of counter fraud work, which will include the use of RIPA by the Authority, will fall within the remit of the Counter Fraud Unit. Emma Cathcart will act as the RIPA Coordinating Officer.

2.5. The Council responded to the recent inspection report from the Office of Surveillance Commissioners to confirm the following:

    i)   That the Counter Fraud Unit would maintain a central record of authorisations for RIPA and Non-RIPA activity.

    ii)   That the RIPA Procedural Guide would be amended in relation to the requirement for a risk assessment relating to the use of a covert human intelligence source (CHIS) in every case.

    iii)   That following the introduction of the new policy relating to the acquisition of communications data (and the use of Social Media) training to all enforcement staff would be provided.

    iv)   That training would be provided to the Senior Responsible Officer and Authorising Officers; this was completed on 10 January 2017.

    v)   That the Counter Fraud Unit would develop and implement a Social Media Policy.

    vi)   That senior members of the Counter Fraud Unit would undertake training in relation to the use of CHIS.

    vii)   That the Counter Fraud Unit would introduce and maintain a schedule of technical equipment held by the Council.

2.6. The Council takes responsibility for ensuring its RIPA procedures are continuously improved and asks that any Officers with suggestions contact the RIPA Coordinator in the first instance. If any of the Home Office Codes of Practice change, the appropriate guide will be updated, and the amended version placed on the internet / published accordingly. Regular training sessions will also be provided to ensure that staff members are fully conversant with the Act.

2.7. There have been no RIPA applications made by the Council during 2016/2017.

2.8. There will be a review of current policy documentation and processes following the introduction of the Investigatory Powers Act 2016.

Appendices	1. Risk Assessment

Risk Assessment

Risk ref.	Risk description	Risk Owner	Date raised	Original risk score (impact x likelihood)			Managing risk				
				Impact 1-5	Likeli-hood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	The authority suffers material loss and reputational damage due to fraud	Chief Finance Officer	December 2014	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Ongoing	Chief Finance Officer	
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Chief Finance Officer	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Ongoing	Chief Financial Officer	
3	If the Council fails to put in place adequate policy and process covering the use of RIPA powers then it risks damage to its reputation and financial loss	Head of Paid Service	March 2016	4	2	8		Put in place effective management and guidance. Promote the guidance with mangers and enforcement officers	Ongoing	Head of Paid Service	

Explanatory notes

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)

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)

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

Cheltenham Borough Council

Audit Committee – 22 March 2017

Annual Risk Management Report and Policy review

Accountable member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable officer	Director Resources and Corporate Projects, Mark Sheldon
Executive summary	The Audit Committee approved the current Risk Management Policy March 2016 and requested an annual report to provide Members with an update on the Council's risk management activities.
Recommendations	That Audit Committee; **Consider and approve the Risk Management Policy for 2017-18 at Appendix 2**

Financial implications	No direct legal implications arise from this report *Contact officer: Paul Jones Section 151 officer Email: Tel:* *Paul.Jones@cheltenham.gov.uk* *Tel: 01242 775154*
Legal implications	No direct legal implications arise from this report Contact officer: Peter Lewis Tel: 01684 272012
HR implications (including learning and organisational development)	No direct legal implications arise from this report Contact officer: Georgie Pugh, HR Business Partner Email: Georgie Pugh@cheltenham.gov.uk Tel: 01242 775215
Property implications	*There are no direct property implications from the Risk management policy except that the Property Services Team will use the policy in their project work.* Contact officer: David Roberts *Tel: 01242 264151* *Email: david.roberts@cheltenham.gov.uk*
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 governance framework and links with 5 of the 7 core principles of the Council's new Code of Corporate Governance;

- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions the necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.3 The Councils Risk Management Policy sets out the approach to risk management including the roles and responsibilities for Officers and elected Members. The policy also details the processes in place to manage risks at corporate, divisional and project levels.

1.4 The Councils ICT services are managed through a partnership agreement; this includes the identification of risk and threats to our IT infrastructure and data, this is managed in accordance to the requirements of the Public Sector Network framework. They are therefore not covered by the CBC Risk Management Policy but there are mechanisms in place to transfer or share risks between partners.

1.5 In the past year, additional work has been completed to support the risk management process and help embed good practice across the council.

1.6 In November 2016 all Service managers and Directors were invited to attend a Risk Management Workshop to consider the operational application of the Councils Risk Management Policy. The external training organisation "Amberwing" who specialise in risk management, they considered the content of the CBC policy and the ability of staff to be able to apply it when working on projects and delivering the Councils objectives

1.7 "Amberwing" commented on the Policy, saying that they felt it was complete and more than adequate for the council's needs. The Risk Management Policy was last updated and approved by Audit Committee in March 2016 following a wide ranging review involving all elected Members and senior officers. The policy confirmed the Council's risk management process and links to the Council's Corporate Plan and provided guidance on risk management approach and scoring.

1.8 The revised policy was made available to officers at Senior Leadership Team, Corporate Governance Group and at Divisional Management Team meetings. All policy, guidance and advice documents were updated and made available to all officers and elected Members through the risk management page on the intranet.

1.9   The Council has an on-line web based risk management module which records all corporate risk which can be used by all employees and Members helping to make risk management transparent.

Strategic risk management

1.10   The challenges facing Cheltenham Borough Council continue to intensify and the way that we meet these challenges creates the potential for increased opportunities and risk. The way that we address and mitigate the risks requires effective governance arrangements. Risk can be defined as the possibility of something happening, or not happening, that would have an impact on our ability to meet strategic or operational objectives.

1.11   The Council understands the importance of effective risk management and the importance of an embedded risk management process. This;

- helps to deliver strategic objectives and corporate priorities

- enables better decision making

- facilitates effective control of budgets

- promotes better corporate governance

- Generates better value for money.

1.12   The identification and assessment of risk is part of the annual Corporate Strategy and Action Planning process. The Council's Senior Management Team considers and reviews strategic risks on a monthly basis. Both of these activities include the development of risk mitigation actions designed to reduce the likelihood and/or consequences of adverse events occurring. By understanding risks, the council can be more confident about undertaking ventures which produce larger gains, such as jointly providing services with other councils.

1.13   The council's approach to risk management is overseen by the Audit Committee. This committee annually reviews the Risk Management Policy, considers internal audits reports on risk management, and also receives reports from external audit on the budget, accounts, grants and Value for Money.

1.14   In the future each of the Councils in the Publica Partnership will need to review how risk assessment processes can be aligned and applied to corporate objectives, programme projects and work streams. At present the Risk Management Policy paragraphs 2.5 and 2.6 state that;

- *When we commission the delivery of a service or enter into a shared service/inter authority agreement, providers are expected to have a range of risk management processes in place in accordance with any agreement with the Council, 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.*

- *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.*

1.15   If the outcome of this review leads to any recommendations for amendments to the Councils Risk Management Policy to bring about a greater alignment of risk management they will be reported to Audit Committee for consideration and then to Cabinet for approval.

1.16   The 2016/17 Corporate Strategy set out our intended milestones, performance indicators and risks associated with delivering the Outcomes and the risks associated with their delivery. The

Risk Management Policy states the need for a Corporate Risk Register (CRR) to identify risks associated with the achievement of the Council's aims and objectives within the Corporate Strategy. The CRR provides information on the risk description, scores, mitigation and the owners and managers. The CRR is reviewed by the Senior Leadership Team with copies provided to Cabinet every month. Directors discuss their risks with Cabinet Portfolio holders during their 1-2-1 meetings.

1.17   The on-line risk management module records all of the Council's corporate and Task Force risks which are initially identified by Directors and Service Managers; these are managed by an SLT appointed Risk Owner and Risk Manager, the Task Force Risk and Accountability Group or project management team. 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 and recorded on the CRR. 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. Any risk with a score of less than 16 can still be reported to SLT if the Risk Owner considers that they should be made aware of it.

1.18   A copy of the Corporate Risk Register which was reviewed by SLT on the 14 March will be circulated at the meeting. An on-line copy of the most up to date CRR is available at any time to any employee or elected Member through the link on the Intranet.

Training

1.19   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.

1.20   Intranet reminders with links to the Risk Management Policy, Score Card and on-line training material have been published

1.21   A half day training workshop was provided to all officers who have responsibility for Risk ownership or management

1.22   The on-line 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 from this training module are attached. (Appendix 4)

Transparency

1.23   The Councils Intranet has a dedicated Risk Management webpage with guidance and links to the Risk management policy, the Scorecard, training material and the CRR

1.24   All Council committee reports that require a decision must have a risk assessment to support the decision making process, these reports with the risks are published

The Corporate Risk Register is reviewed monthly at SLT and made available to Cabinet Members it is then published within the Transparency section of the Councils website.

Policy review

1.25   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.

1.26   The Risk Management Policy was last reviewed and approved by the Audit Committee in March 2016.

1.27   The Risk Management Policy has been reviewed and considered by SLT Governance Board in February, there were no substantive recommendations for

1.28 It is therefore recommended that Audit Committee also consider the policy and make any recommendations that it feels necessary or re-approve it for the 2017-18 year.

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.

Report author	Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189
Appendices	1. Risk Assessment 2. Risk Management Policy 3. Corporate Risk Register (to be circulated at meeting) 4. Risk Management training slides from Learning Gateway

Risk Assessment **Appendix 1**

	The risk			Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likeli-hood 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 Corporate Resources and Corporate Projects	22/03/2017	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.	31/3/2017	Corporate Governance, Risk and Compliance Officer	
	If the Council does not agree an aligned Risk Management Policy with the 2020 Joint Management Board then there is a risk	Director Corporate Resources and Corporate Projects	22/03/2017	4	2	8	Reduce	Discuss with 2020 partners the development of a shared Corporate Risk Management Policy	31/3/2017	Corporate Governance, Risk and Compliance Officer	

that the risk assessment will become inconsistent									

Explanatory notes

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)

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)

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

April ~~2016~~ 2017 - Risk Management Policy

CHELTENHAM
BOROUGH COUNCIL

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<u>Document control</u>

Document Location; S:\Corporate\Risk\riskmanagementpolicy

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
107	25/03/2015	Audit Committee
1.08	23/03/2016	Audit Committee
1.09	22/03/2017	Audit Committee

This document has been distributed to;	
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Audit Committee All CBC staff, Public website and Cabinet members	26/03/2014
Audit Committee All CBC staff, Public website and Cabinet members	26/03/2015
Audit Committee All CBC staff, Public website and Cabinet members	01/04/2016
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 or project 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 or project 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 mangers 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.

- That by mitigating risk we will make processes safer and more effective which in turn will reduce costs and make us more efficient.

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 enhance our performance or reputation, 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/inter authority agreement, providers are ~~obliged~~ expected to have a range of risk management processes in place in accordance with any agreement with the Council, 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 must relate 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 The Section 151 officer is responsible for ensuring that the Council has an effective Risk Management Policy

3.4 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.

3.5 A copy of the updated corporate risk register will be provided informally to Cabinet Members following review by SLT so that they can discus the risks with the risk owners or managers.

3.33.6 A copy of the Corporate Risk Register will be published on the Transparency page of the Councils website immediately following SLT and Informal Cabinet reviews.

3.43.7 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 Project/Divisional Risk Register or the Corporate Risk Register

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

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

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

3.83.11 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.

3.93.12 **Divisional, service area and programme/project team risk registers**

3.103.13 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.

3.113.14 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.

3.123.15 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.

3.133.16 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.

3.143.17 **Reporting risks**

3.153.18 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:

Score	Likelihood	Probability	Action in response to risk levels
1	Minimal	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	Significant	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.

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

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

8.   Monitoring and managing risk

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

Progress of action	Further action
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 relevant legislation, to protect any personal or commercially sensitive data and the divulgence of any confidential legal advice.

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 Overview and Scrutiny

The Overview and Scrutiny Committee may request to review the risk register at any time and scrutiny task groups may want to examine the any risks relating to a particular issue as part of a specific review. Any recommendations from scrutiny would be made to Cabinet or Council as appropriate.

10.8 Cabinet and Council

10.9 The Cabinet will approve the Risk Management Policy.

10.10 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.

10.11 The Corporate Risk Register ~~will be reported to Cabinet on a quarterly basis so that they can~~is provided informally to Cabinet Members so that they can monitor the~~m and the~~ progress of mitigating action.

10.12 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.

10.13 Individual cabinet members should seek assurance that the risk management process is being met in reference to their respective portfolios through discussions with Directors.

~~10.13~~10.14 Cabinet Members can suggest new risks and discuss the management of any risk with the appropriate Director or Risk Owner

11. Officer responsibilities

11.1 The ~~Chief Executive~~ Head of Paid Serviceand **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~~ **Director of Resources and Corporate Projects** 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~~ **Director of Resources and Corporate Projects** 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 appropriate ~~Senior Leadership Team~~ Lead Commissioner 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.'

~~11.10~~

~~11.11~~**11.12** **The ~~Corporate~~ Governance ~~Group~~Board**

~~11.12~~**11.13** The ~~Corporate Governance Group (CGG)~~Governance Board is consulted on proposed amendments to the Risk Management Policy and the Corporate Risk Register.

~~11.13~~**11.14** The Senior Leadership Team can request that the ~~CGG~~ Governance Board 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. Programme and Project Managers

12.1 ~~ensuring~~ ensure there is a process for identifying, managing and communicating risks to programme and project objectives and benefits

12.2 ~~ensuring~~ ensure that programme and project teams carry out regular risk assessment

12.3 ~~ensuring~~ ensure that any ~~risks~~ risk scoring 16 or above (CBC score card) ~~are~~is escalated to ~~SLT~~ Governance Board and considered for inclusion on the Corporate Risk Register ~~where appropriate.~~. Managers have the discretion to bring to the attention of their Director or Risk Owner any risk scoring below 16 if they consider that there is a need for SLT Governance Board to be made aware of it.

13. Service managers

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13.1 **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.

13.2 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.

~~13.2~~**13.3** ensure that any risk scoring 16 or above (CBC score card)is escalated to SLT Governance Board and considered for inclusion on the Corporate Risk Register. Managers have the discretion to bring to the attention of their Director or Risk Owner any risk scoring below 16 if they consider that there is a need for SLT Governance Board to be made aware of it.

14. All council employees

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

14.2 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.

14.3 All actions identified to control a risk will be assigned to an individual officer who will be called the 'Risk Manager'.

Appendix 1 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 ***Please note*** ***When drafting a risk description always describe the cause and effect i.e If… then …***	Score
Negligible (1% - 20%)	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.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Negligible impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Negligible impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Negligible impact on our community economy - People live in strong, safe and healthy communities	
	Business transformation outcome	Negligible impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents	
	Risk Category	**Impacts**	
Low (20% - 40%)	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.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Low impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Low impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Low impact on our community economy - People live in strong, safe and healthy communities	
	Business transformation outcome	Low impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents	

Risk Category	Impacts	
Finance	Risk (£200K to £1M Capital) or (Revenue £50K to £200K p.a.) Define the value and period, in relation to revenue.	
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.	**3**
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.	
Risks specific to delivery of Corporate Strategy		
Environmental outcome	Moderate impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
Economic outcome	Moderate impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
Community outcome	Moderate impact on our community economy - People live in strong, safe and healthy communities	
Business transformation outcome	Moderate impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents	

Moderate (40% - 60%)

Risk Category	Impacts	
Finance	Risk (>£1M to £2M Capital) or (Revenue £200K to £500K p.a.) Define the value and period, in relation to revenue.	
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.	**4**
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.	
Risks specific to delivery of Corporate Strategy		
Environmental outcome	Major impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
Economic outcome	Major impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
Community outcome	Major impact on our community economy - People live in strong, safe and healthy communities	
Business transformation outcome	Major impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents	

Major (60% - 80%)

	Risk Category	Impacts	
Critical (80% - 100%)	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	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	A Critical impact on our ability to deliver our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	A Critical impact on our ability to deliver our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	A Critical impact on our ability to deliver our community economy - People live in strong, safe and healthy communities	
	Business transformation outcome	A Critical impact on our ability to deliver our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents	

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 when the risk score has been defined consideration must be given as to the best way to manage it, the following table should be used as a guide.

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.

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CHELTENHAM
BOROUGH COUNCIL

Risk Management Awareness

CBC on-line learning
Updated April 2017

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.

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In a nutshell, employees are responsible for …..

Head of Paid Service	• 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	• Assessing and managing corporate and service risks, including shared services and partnerships • Maintaining divisional risk register • Reviewing register quarterly, as a minimum
Service manager	• Documenting risks to achieving team actions in the service risk register • Reviewing risks at management meeting
Employee	• Reporting risks to the delivery of your personal actions to your service manager
Project & programme manager	• Assessing project/programme risks • Documenting risks in project's/programme's risk register
Committee report author	• Including a risk assessment where decisions are required
SLT Governance Board	• Reviewing the risk management policy • Reviewing the corporate risk register template and reporting procedure

In a nutshell, Members are responsible for…..

Cabinet and council	• considering any risks associated with the decisions they are asked to make
Cabinet	• considering risk when setting policy • monitoring the risk management process within their respective portfolios
Audit committee	• approving the risk management policy • monitoring appropriate management of risks, via internal audit • annually consider the risk register and make recommendations to Cabinet
Overview and scrutiny committee	• monitoring corporate risk register, as required
Elected Members	• 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	**External sources of risk**
• Sufficient finances • Sufficient skilled, motivated employees • Appropriate premises • Technology • Procurement • Legal/contractual • Partners • Changing priorities • Accurate information	• 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:

Likelihood

AND
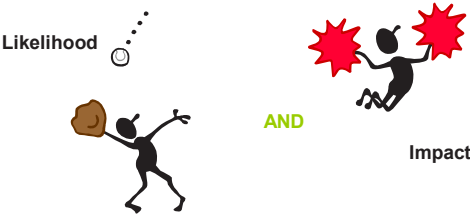
Impact

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.

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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

Agenda Item 12

Cheltenham Borough Council
Audit Committee – 22 March 2017
Revised Code of Corporate Governance

Accountable member	**Councillor Steve Jordan - Leader of the Council**
Accountable officer	**Mark Sheldon - Director of Resources**
Ward(s) affected	**None**
Significant Decision	**Yes**
Executive summary	The report seeks the committee's approval of the Council's revised Code of Corporate Governance. The Council's current Code of Corporate Governance was last reviewed in March 2016. CIPFA issued a new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government in April 2016 and the same was made available in June 2016. The Council's Code of Corporate Governance has been reviewed to reflect this new guidance.
Recommendations	That the Audit Committee: **Approves the revised Code of Corporate Governance at Appendix 2**

Financial implications	No direct financial implications arise from this report *Contact officer: Paul Jones Section 151 officer Email: Tel: Paul Jones@cheltenham.gov.uk* Tel: 01242 775154
Legal implications	No direct legal implications arise from this report Contact officer: Peter Lewis *Tel: 01684 272012*
HR implications (including learning and organisational development)	No direct HR implications arise from this report Contact officer: Georgie Pugh, HR Business Partner Email: Georgie Pugh@cheltenham.gov.uk *Tel: 01242 775215*

| Key risks | The Council is open to challenge should it not have effective corporate governance arrangements in place.

The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance, the production of which protects the Council's reputation and demonstrates the Council's commitment to the development and maintenance of the core principals of good governance.

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. |
|---|---|
| Corporate and community plan Implications | *Effective corporate governance supports the Councils Corporate Strategy, MTFS and partnership working arrangements.* |
| Environmental and climate change implications | None |

1.1 The current Code of Corporate Governance was approved by the Audit Committee at its meeting June 2016. That Code was consistent with the principles of the CIPFA / Solace Framework "Delivering Good Governance in Local Government (2007).

1.2 CIPFA / Solace published a new framework in 2016 which is applicable to local authorities from 2016/17 onwards, and therefore it has been necessary to produce a new Code of Corporate Governance, that reflects the new framework. Whilst the core principles in the framework have evolved, the concept of good governance remains broadly the same.

1.3 The concept of the new framework is to make it more transparent and to help each local authority take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way ensuring that:-

- Resources are directed in accordance with agreed policy and according to priorities

- There is sound and inclusive decision making

- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

1.4 The framework defines governance as follows: -

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

1.5 The framework also states that:

1.6 "To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their objectives while acting in the public interest at all times.

1.7 Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."

1.8 The framework identifies that it is up to each local authority to:

- Set out its commitment to the principles of good governance included in the framework

- Determine its own governance structure, or local code, underpinned by the principles

- Ensure that it operates effectively in practice

1.9 The framework defines the principles that should underpin the governance of a local authority, and provides a structure to help with the authority's approach to governance.

1.10 There are seven core principles in the framework: -

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.11 Core principles A and B provide the overarching requirements for acting in the public interest. These 2 principles extend and lead to principles C to G which focus on the implementation of governance and the achievement of outcomes.

1.12 For each core principle the framework identifies a series of sub-principles, and for each sub-principle a schedule of behaviours and actions that demonstrate good governance in action.

1.13 Good governance is dynamic, and the Council is committed to improving governance on a continuing basis through processes of evaluation and review. The Council tests its governance structures and partnerships against the principles contained in the framework by: -

- Reviewing existing governance arrangements

- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness

- Reporting publically on compliance with its own code annually, and on how the effectiveness of governance arrangements has been monitored throughout the year and on planned changes

1.14 The existing Local Code of Corporate Governance provides an extensive listing of the arrangements in place that demonstrate how the Council complies with that framework. Cipfa/Solace no longer require such a detailed approach and the opportunity has been taken to streamline the Code, It is worth highlighting that the underlying activities have not changed and the Council has previously been able to demonstrate that it has an effective governance framework in place, so to a large extent this is primarily a presentational change to meet the requirements of the new code.

1.15 The Section 151 officer is responsible for ensuring the management of risks and for providing an

effective Risk Management Policy which is approved by Audit Committee on an annual basis.

1.16   The framework includes the requirement for annual review and reporting on the Council's governance arrangements. The Annual Governance Statement for 2016/17, scheduled to be reported to the June 2017 meeting of the Committee will reflect any changes from the previous format necessary to comply with the new requirements.

1.17   The Code of Corporate Governance was reviewed by the Corporate Governance Group on the 14 February 2017. 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

1.18   CIPFA and Solace urge local authorities to ensure their Code of Corporate Governance remain up to date. Since the last refresh of the Code the local government landscape has shifted considerably leading to many new governance issues. The Audit Committee will continue to review and approve the Code of Corporate Governance on an annual basis.

2.   Reasons for recommendations

2.1   To ensure that the Council's Code of Corporate Governance is compliant with the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government.

3.   Alternative options considered

3.1   No other options were considered.

4.   Consultation and feedback

4.1   The Code of Corporate Governance review has been undertaken in consultation with Cabinet Member, The Governance Board, One Legal, GOSS HR, Finance and Internal Audit. Performance management –monitoring and review

4.2   The Corporate Governance will review and update the Code as required and report back to Audit Committee on an annual basis.

Report author	**Corporate Governance, Risk and compliance officer** **Contact officer; bryan.parsons@cheltenham.gov.uk,** **01242 264189**
Appendices	1. Risk Assessment 2. Draft Code of Corporate Governance 2016-17
Background information	Code of Corporate Governance 2015/16 available via the internet

Risk Assessment   **Appendix 1**

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likeli-hood 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 of Corporate Resources and Projects	23/03/2016	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.	01/04/2016	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 of Corporate Resources and Projects	23/03/2016	3	1	3	Reduce	Review and revise Code of Corporate Governance	01/04/2016	Corporate Governance, Risk and Compliance officer	No
	If the council	Director of	23/03/2016	3	1	3	Reduce	Revise	01/04/2016	Corporate	No

| does not have an effective Governance framework then there is an increased risk of error, fraud and corruption. | Corporate Resources and Projects | | | | | | assurance check lists to measure changes introduced through amendments to the constitution and report within the 2012/13 annual governance statement | | Governance, Risk and Compliance officer | |

Explanatory notes

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)

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)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close
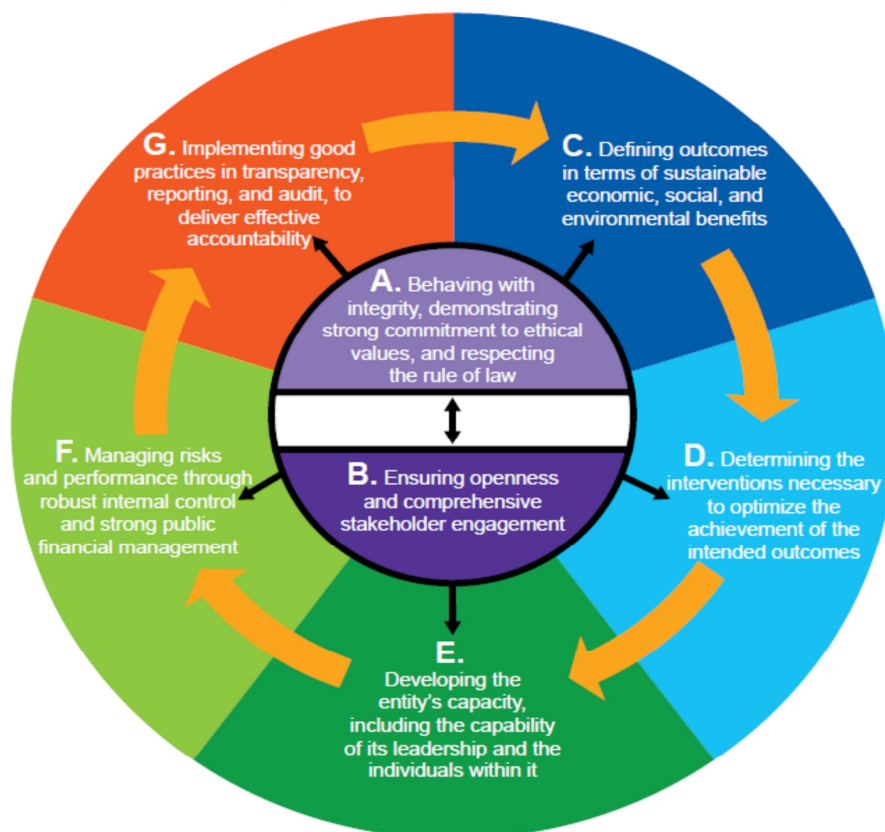
Cheltenham Borough Council

Revised
Local Code of Corporate Governance
2016 / 2017

1.   Delivering Good Governance

1.1   Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

1.2   Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

1.3   Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

1.4   The Delivering Good Governance in Local Government; Framework, sets out seven core principles of governance as detailed in the diagram below. Cheltenham Borough Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the document – The Council's Local Code of Corporate Governance.

1.5   Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that is complying with these are set out in more detail within its Governance Assurance Framework.

1.6   The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

F. Managing risks and performance through robust internal control and strong public financial management

B. Ensuring openness and comprehensive stakeholder engagement

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G.

Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

2. Status

2.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. This is known as an Annual Governance Statement.

2.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government; Framework (2016) and this section of the Code.

## 3.	Monitoring and Review

3.1	The Council will monitor its governance arrangements for their effectiveness in practice and will report them on a continuing basis to ensure that they are up to date. The Council's Governance Assurance Framework sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance.

3.2	On an annual basis, the Head of Paid Service and Leader of the Council will publish an Annual Governance Statement which will:

- Assess how the Council has complied with this Code of Corporate Governance
- Provide an opinion on the effectiveness of the Council's arrangements
- Provide details of how continual improvement in the systems of governance will be achieved.

## 4.	Certification

4.1	We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

Leader of the Council	**Head of Paid Service**

Date:	Date:

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of the law.	**Behaving with integrity**	• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) • Leading by example and using the above standard operating principles or values as a framework for decision making and other actions • Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
	Demonstrating strong commitment to ethical values	• Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation
	Respecting the rule of the law	• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders • Dealing with breaches of legal and regulatory provisions effectively • Ensuring corruption and misuse of power are dealt with effectively

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
B. Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens, and service users, as well as institutional stakeholders. NB: Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.	**Openness**	• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action

	Engaging comprehensively with institutional stakeholders	• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcome for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
		
		• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
		   ∗ Ensuring that partnerships are based on: trust
		   ∗ A shared commitment to change
		   ∗ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit

	Engaging with individual citizens and service users effectively	• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs • Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the impact of decisions on future generations of tax payers and service users

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
C. Defining outcomes in terms of sustainable, economic, social and environmental benefits The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	**Defining outcomes**	• Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes and which reflects the intentions of its elected members, and containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning or other decisions • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Delivering defined outcomes on a sustainable basis within the resources that will be available • Identifying and managing risks to the achievement of outcomes • Managing service users' expectations effectively with regard to determining priorities and make the best use of resources available
	Sustainable, economic, social and environmental benefits	• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensuring fair access to services

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
D. Determining the interventions the necessary to optimise the achievement of the intended outcomes Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	**Determining interventions**	• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided • Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
	Planning Interventions	• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Considering and monitoring risks facing each partner when working collaboratively, including shared risks • Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensuring capacity exists to generate the information required to review service quality regularly • Preparing budgets in accordance with objectives, strategies and the medium term financial plan • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
	Optimising achievement of intended outcomes	• Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensuring the budgeting process in all-inclusive, taking into account the full cost of operations over the medium and long term • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensuring the achievement of 'social value' through service planning and commissioning

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	**Developing the entity's capacity**	• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognising the benefits of partnerships and collaborative working where added value can be achieved • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

	Developing the capability of the entity's leadership and other individuals	• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
		
		• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
		
		• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority
		
		• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
		   ∗ Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
		   ∗ Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
		   ∗ Ensuring that there are structures in place to encourage public participation
		   ∗ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
		   ∗ Holding staff to account through regular performance reviews which take account of training and development needs
		   ∗ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical mental wellbeing

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
F. Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the achievement of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public	**Managing risk**	• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively • Ensuring that responsibilities for managing individual risks are clearly allocated
	Managing performance	• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)

	Robust internal control	• Aligning the risk management strategy and policies on internal control with achieving objectives
		• Evaluating and monitoring risk management and internal control on a regular basis
		• Ensuring effective counter fraud and anti-corruption arrangements are in place
		• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
		  ∗ Ensuring an audit committee or equivalent group / function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
		  ∗ That its recommendation are listened to and acted upon

| commitment from those in authority. | **Managing data** | • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring |
| | **Strong public financial management** | • Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control |

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	**Implementing good practice in transparency**	• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring they are easy to access and interrogate • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
	Implementing good practices in reporting	• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way • Ensuring members and senior management own the results reports • Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
	Assurance and effective accountability	• Ensuring that all recommendations for corrective actions made by external audit are acted upon • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensuring when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Audit Committee 2016-17 work plan

Item	Author

22 March 2017	
Briefing (agree agenda): 7 February 2017	**Report deadline: 10 March 2017**
Audit committee update	Grant Thornton
Audit plan 2016-17	Grant Thornton
Annual Internal Audit Plan 2017/18	Internal Audit
Internal audit monitoring report	Internal Audit
Counter Fraud Unit Report and Regulation of Investigatory Powers Act 2000 (RIPA) Update	Counter Fraud Unit
Annual Risk Management Report and policy review	Bryan Parsons
Revised Code of Corporate Governance	Bryan Parsons
Cyber security report	Tony Oladejo

14 June 2017	
Briefing (agree agenda): 24 April 2017	**Report deadline: 2 June 2017**
Audit committee update	Grant Thornton
Internal audit opinion (for the previous year)	Internal Audit
Internal audit monitoring report	Internal Audit
Annual governance statement	Bryan Parsons
Annual Audit Fee letter for the coming year	Grant Thornton
Auditing Standards – communicating with the Audit Committee (moved from March)	Grant Thornton

ANNUAL ITEMS (standing items to be added to the work plan each year)		
January	Audit committee update	Grant Thornton
	Annual audit letter (for the previous year)	Grant Thornton
	Certification of grants and returns (for the previous year)	Grant Thornton
	Internal audit monitoring report	Internal Audit
	Annual governance statement – significant issues action plan	Internal Audit (from 2017)

Audit Committee 2016-17 work plan

	Item	Author
March	Audit committee update	Grant Thornton
	Audit plan (for the current year)	Grant Thornton
	Auditing Standards – communicating with the Audit Committee	Grant Thornton
	Annual plan (for the upcoming year)	Internal Audit
	Internal audit monitoring report	Internal Audit
	Counter Fraud update and future work provision	Counter Fraud Unit
	Annual review of risk management policy	Bryan Parsons
	Annual review and approval of RIPA guidance policies	Counter Fraud Unit
	Approval of the Code of Corporate Governance	Bryan Parsons
June	Audit committee update	Grant Thornton
	Internal audit opinion (for the previous year)	Internal Audit
	Internal audit monitoring report	Internal Audit
	Annual governance statement	Internal Audit
	Annual Audit Fee letter for the coming year	Grant Thornton
September	Audit committee update	Grant Thornton
	Audit highlights memorandum - ISA 260 (for the previous year) inc. Financial Resilience	Grant Thornton
	Internal audit monitoring report	Internal Audit
	Counter Fraud update and future work provision	Counter Fraud Unit
	Review of annual statement of accounts	Finance Team

*Future dates to be agreed in June 2017