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10 March 2010

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 18 March 2010
TIME: 6.00 p.m.
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Chris Wrein

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE COMMITTEE

Mr R V Perry
(Independent Member)
(Chairman)

Mr G A Lidgley
(Independent Member)
(Vice-Chairman)

Councillor Burgess
Councillor Cully
Councillor Forder

Councillor Gill
Councillor Kimber
Councillor Wright

FIRE PRECAUTIONS

(To be read from the Chair if members of the public are present)

In the event of the fire alarm (single continuous sound) being activated, please leave the room immediately.

Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

- i. Councillors are requested to note that, if any Councillor who is not a Member of the Committee wishes to speak at the meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

AGENDA

RECOMMENDED
MINUTE
FORMAT

PART A ITEMS

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.

3. MINUTES

To approve as a correct record the Minutes of the Committee meeting held on 21 January 2010 (copy attached)

4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Committee is required to receive a deputation(s) on a matter which is before the meeting of the Committee provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday, 16 March 2010. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Committee is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Committee provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday, 16 March 2010).

6. ANNUAL AUDIT LETTER 2008/09

Part II

This report summarises the findings from the 2008/09 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess the arrangements to secure value for money in the use of resources.

Contact Officer:
Peter Wilson
Ext 5301

7. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT

Part II

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from the assessment of the Council's arrangements for preparing claims and returns and information on claims that we amended or qualified.

Contact Officer:
Peter Wilson
Ext 5301

8. LOCAL ASSESSMENT MONITORING REPORT

Part II

To advise the Committee on the operation of the arrangements for Local

Contact Officer:

Standards and Governance Committee
18 March 2010

Assessment.

Linda Edwards
Ext 5400

9. INTERNAL AUDIT PLAN 2010/11

Part II

This report provides the Standards and Governance Committee with the planned annual coverage of Internal Audit resources for 2010/2011.

Contact Officer:
Chris Davis
Ext 5306

10. RISK MANAGEMENT UPDATE

Part II

This report provides the Standards and Governance Committee with an update on risk management within the Council.

Contact Officers:
Julian Bowcher
Ext 5551
Chris Davis
Ext 5306

11. STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN

Part II

Workplan attached.

Contact Officer:
Linda Edwards
Ext 5400

12. ANY OTHER ITEMS

-which by reason of special circumstances the Chairman considers should be considered as a matter of urgency

Gosport Borough Council

Annual Audit Letter 2008/09

December 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

Reports prepared by appointed auditors are addressed to Members or Officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to any Member or Officer in their individual capacity, or any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work we have undertaken to assess the arrangements to secure value for money in the use of resources.

Audit opinion and statement of accounts

1. We gave an unqualified opinion on the Council's accounts on 24 September 2009.
2. The financial statements provided for audit were of a good standard and supported by comprehensive working papers. A number of matters arose during the audit of the financial statements. However, none of these were significant enough to affect a reader's understanding of the accounts. The errors that were not adjusted were immaterial to the financial statements.

Use of resources and value for money conclusion

3. In our Use of Resources Assessment, we concluded that the Council scored 2 out of a maximum of 4. This means that the Council is performing adequately and that we have no significant concerns over the arrangements put in place by the Council and that these arrangements meet established professional practice and guidance, and are operating effectively. There were, however, certain areas that are of concern as detailed in the Report to those charged with governance which was discussed at the Standards and Governance Committee on 10 September 2009.
4. We issued an unqualified value for money conclusion on 24 September 2009, stating that in all significant respects, Gosport Borough Council made proper arrangements to secure efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Actions

5. Key actions for the Council include:
 - Improving governance arrangements including relationships between members and officers and the induction and training of members; and
 - Updating the risk management policy and providing training to staff and members.

Financial statements and Annual Governance Statement

The financial statements and Annual Governance Statement are an important means by which the Council accounts for its stewardship of public funds.

Significant issues arising from the audit

6. We gave an unqualified opinion on the Council's financial statements on 24 September 2009.
7. In planning our work, we focused on a number of risk areas that we would need to review during our audit, including changes to CIPFA's 2008/09 Statement of Recommended Practice (SoRP), and the impairment of land and buildings. We were pleased to find that the Council had accounted correctly for these changes. There were several misstatements identified including one material error which was adjusted and one immaterial error which was not corrected. This was explained fully in the Report to those charged with governance presented to members at the Standards & Governance Committee meeting on 10 September 2009.

Material weaknesses in internal control

8. Our audit did not identify any material weaknesses in the Council's internal control arrangements. However, we identified a small number of areas where there was scope for improvement in procedures and controls which have been reported to the Council's officers.

Accounting practice and financial reporting

9. We considered the qualitative aspects of the Council's financial reporting and were satisfied that there were no specific issues that required to be reported in this letter.

Use of resources and value for money conclusion

We considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave scored use of resources judgements.

We also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

10. Use of resources is a qualitative assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. We assess the Council's performance against a range of key lines of enquiry (KLOEs) under three main themes; 'Managing finances', 'Governing the business'; and 'Managing resources'.
11. In forming our scored use of resources judgements, we have used the methodology set out in the Audit Commission's Use of Resources framework. Judgements have been made for each KLOE using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest level of performance.
12. The Use of Resources framework which was introduced from 2008/09 is more demanding than the previous assessment. It is broader in scope and embraces wider resource issues, such as people and workforce planning, and the use of natural resources. It also places a greater emphasis on considering outcomes for local people.
13. The Council's use of resources theme scores are shown in the table below.

| Use of resources theme | Scored judgement |
|--|------------------|
| Managing Finances | 2 |
| KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? | 2 |
| KLOE 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? | 2 |
| KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people? | 2 |

| Use of resources theme | Scored judgement |
|--|---------------------------|
| Governing the Business | 2 |
| KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? | 2 |
| KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision-making and manage performance? | 2 |
| KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance? | 2 |
| KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control? | 2 |
| Managing Resources | 2 |
| KLOE 3.1 - Is the organisation making effective use of natural resources? | Not applicable in 2008/09 |
| KLOE 3.2 - Does the organisation manage assets effectively to help deliver its strategic priorities and service needs? | Not applicable in 2008/09 |
| KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities? | 2 |

Overall Conclusion

14. We have assessed the Council as level 2 in all areas. There are comparative strengths and weaknesses within each area, but an assessment at level 2 should be taken as indicating no significant concerns from our perspective against the overarching question set by the KLOE. The level 2 assessment also enabled us to give an unqualified value for money conclusion in respect of 2008/09, demonstrating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
15. To improve its scores further the Council now needs to demonstrate outcomes for local people in key priority areas. In order to gain the best advantage from the Use of Resources assessment, the Council should take relevant action where it believes that actions and resources would be commensurate to the improvements gained.

VFM Conclusion

16. Each year, we are required to assess the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources against criteria specified by the Audit Commission. For 2008/09, the Audit Commission specified the use of resources KLOEs for the Council, as set out in the above table, as the relevant criteria for the VFM conclusion.
17. Where the scored judgement is 2 or above, we can conclude that the VFM criteria have been met. Therefore, as the Council scored 2 in all categories, we were able to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other matters

Independence

18. We can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Fee information

19. The fee for the 2008/09 audit is in accordance with the budget we presented to the Council on our Audit & Inspection Plan.

| Audit area | Actual 2008/09 (£) |
|--|--------------------|
| Financial statements and annual governance statement | 65,600 |
| Value for money | 41,900 |
| Total audit fees | 107,500 |
| Non-audit work | 0 |
| Total fees | 107,500 |

Acknowledgements

20. During the course of the year, we have received considerable support and assistance from the Council's officers. We would like to take this opportunity to record our appreciation for the time they have made available to help us complete our work, and for their positive and constructive approach.

Gosport Borough Council

Certification of claims and returns – Annual Report

Audit 2008/09

February 2010

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Status of our reports

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Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1. Gosport Borough Council receives substantial funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the Council must show that it has met these, otherwise the funding can be at risk. It is important, therefore, that the Council manages the grant claim process properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
2. In 2008/09, our audit team certified six claims with a total value of £41.9 million. We carried out a full review of four of the claims (National Non-Domestic Rates (NNDR), Housing Benefit & Council Tax Benefits, HRA Subsidy Base Data Return 2010/11 and HRA Subsidy) and limited testing of the other two (Pooling of Housing Capital Receipts and Disabled Facilities Grant). Paragraph 9 below explains how the certification arrangements vary according to the size of individual claims.

Significant findings

3. We identified errors in relation to two of the claims where a full review was undertaken, which required amendment, and one of the claims where a limited review was carried out.
4. It was not necessary to qualify any of the claims.

Certification fees

5. We charged fees totalling £49,375 for the certification of the six grant claims:
 - Housing Benefit and Council Tax Benefit claim – £36,250;
 - NNDR claim – £2,450;
 - HRA Subsidy Base Data Return 2010/11 – £4,000;
 - HRA Subsidy claim – £3,925;
 - Pooling of Housing Capital Receipts – £1,550; and
 - Disabled Facilities Grant claim – £1,200.

Background

6. The Council claims over £41.9 million for specific activities from grant paying departments. As this represents a significant element of the Council's income, it is important that this process is properly managed. In particular, this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
7. We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Gosport Borough Council. We charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
8. The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
9. The key features of the current arrangements are as follows:
 - For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree claim form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000 auditors are required to assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
 - The certification approach that the Audit Commission has agreed with the funding department for Housing Benefit & Council Tax Benefits requires detailed testing of a large sample of benefits cases and does not include assessment of the control environment.
 - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

10. It was only necessary for us to assess the control environment for the NNDR claim, HRA Subsidy Base Data return and HRA Subsidy return. Due to the limited segregation of duties and required amendments in previous years, we did not rely on the control environment for any of these claims.

Specific claims

Housing Benefit and Council Tax Benefit

11. Several amendments were required to the claim which did not affect the overall subsidy entitlement.

HRA Subsidy

12. Two minor amendments to this claim were required which did not affect the total amount of subsidy claimed.

Pooling of Housing Capital Receipts

13. An amendment to this claim was required which resulted in a reduction to the amount claimed of £5,581. This was due to administrative costs being understated.

NNDR, HRA Subsidy Base Data Return 2010/11 and Disabled Facilities Grant

14. No matters arising.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

| Claim | Value £ | Adequate control environment | Amended | Qualification letter |
|---|-------------|------------------------------------|---------|-------------------------|
| Housing and Council Tax Benefit | £24,125,326 | n/a | Yes | No |
| National Non-Domestic Rates (NNDR) | £13,922,424 | No | Yes | No |
| HRA Subsidy | £3,177,976 | No | Yes | No |
| HRA Subsidy Base Data Return 2010/11 | n/a | No | No | No |

Claims and returns between £100,000 and £500,000

| Claim | Value £ | Adequate control environment | Amended | Qualification letter |
|--|------------|------------------------------------|---------|-------------------------|
| Pooling of Housing Capital Receipts | £145,444 | n/a | Yes | No |
| Disabled Facilities Grant | £270,000 | n/a | No | No |

Agenda item no. 8

| | |
|-------------------------|--|
| Board/Committee: | Standards and Governance Committee |
| Date of meeting: | 18 March 2010 |
| Title: | Local Assessment Monitoring Report |
| Author: | Borough Solicitor and Monitoring Officer |
| Status: | FOR INFORMATION |

Purpose

To advise the Committee on the operation of the arrangements for Local Assessment.

Recommendation

That the Standards and Governance Committee notes the report.

1. Background

- 1.1 The Standards and Governance Committee became responsible for local assessment of complaints regarding allegations of breaches of the code of conduct in May 2008.

2. Report

- 2.1 Since the last report a further 2 complaints have been received making a total since May 2008 of 27 complaints alleging breaches of the Code of Conduct.
- 2.2 Both these complaints were made by Council Officers and were referred to the Standards Board for England who are currently investigating them.
- 2.3 In relation to the complaints referred to the Monitoring Officer an investigation is currently being undertaken by an independent person appointed by the Deputy Monitoring Officer.
- 2.4 Members may recall that a number of complaints were investigated by the Standards Board and they concluded that the Code of Conduct had been breached and that the case should be referred to the Adjudication Panel for England (APE). In July 2009 the APE agreed that the code had been breached and imposed a sanction of a 2 year disqualification from being a councillor. The High Court recently determined the appeal and decided that the Councillor should be suspended rather than disqualified. The period of suspension ends on 15 April 2010.
- 2.5 Details of complaints and investigations are kept confidential but copies of the decisions of the Assessment Sub-Committee are open to public inspection. In addition, the Members sitting on the relevant Sub-Committee are informed of the decision of the Standards Board following

a referral to them. The outcome of the Standards Board investigations and APE hearings may be found on their respective websites.

3. Risk assessment

- 3.1 It is important that the Council has in place appropriate systems to deliver high standards of governance which minimises the risk of loss of tangible resources and reputation to the Council. Regular monitoring reports is part of this system

4. Conclusion

- 4.1 This is the third monitoring report and at present I have not identified any particular areas of concern with members understanding of the code of conduct or local assessment. .

| | |
|---|---------------------------------------|
| Financial Services comments: | None |
| Legal Services comments: | Included in report |
| Service Improvement Plan implications: | |
| Corporate Plan: | |
| Risk Assessment: | Refer to paragraph no. 3 |
| Background papers: | Decisions of Assessment Sub-Committee |

AGENDA ITEM NO. 9

| | |
|-------------------------|--|
| Committee: | Standards & Governance Committee |
| Date of Meeting: | 18 March 2010 |
| Title: | Internal Audit Plan 2010/2011. |
| Author: | Head of Internal Audit & Risk Assurance |
| Status: | For Decision |

Purpose

This report provides the Standards and Governance Committee with the planned annual coverage of Internal Audit resources for 2010/2011.

Recommendation

That the Standards and Governance Committee agree without amendment the 2010/2011 Internal Audit Plan as attached in Appendix One.

1 Background

- 1.1 All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement in the Annual Accounts). Our External Auditors (Audit Commission) also place significant reliance upon Internal Audit work coverage to ensure that system controls are adequate and effective; this reduces the extent of External Audit testing.
- 1.2 The work also enables compliance with the Council's Constitution. Reports will make recommendations to address any weaknesses identified and aim to add value by providing professional advice to aid continual improvement.

2 Report

- 2.1 There are 4.81 full time equivalent officers available to deliver this plan. In addition, the section supports Eastleigh Borough Council with 130 (spread evenly through the year) strategic and operational management audit days throughout the year.
- 2.2 The Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Annual Audit Plan are detailed below:
 - The Council's Constitution and corporate governance responsibilities;

- Codes of Practice
 - CIPFA
 - Auditing practices board
 - Professional Standards;
- Audit Commission (External Audit) and their regulatory obligations and reliance upon Internal Audit coverage;
- Strategic Internal Audit planning (latest 2010/13) and Internal Audit Risk matrix, reflecting system and internal control changes, external national and local influential factors etc.;
- Elected Members;
- Corporate Risk Management information from the Risk Management Group or from the Strategic Risk Register;
- Council Management Team.

2.3 The Annual Audit Plan for 2010/2011 is aimed to be a product of all the drivers listed above. The plan has been developed in consultation with all the Council Chief Officers. It aims to meet all Professional Standards and Codes of Practice relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment, as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's Strategic Risk Register.

2.4 Internal Audit Services will play a key role in assisting service areas achieve progress in this respect, move towards change and secure even greater efficiency and improvement. The Plan reflects Internal Audit's important contribution towards securing increased sharing of services during the forthcoming year.

2.5 The work programme for the current year 2009/10, has progressed well. A detailed report on all the work performed in the year ending 31 March 2010 will be provided to the Committee at a future meeting.

2.6 The Audit Plan (attached) summarises the work into the relevant Services of the Council that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.

3 Risk Assessment

- 3.1 The work performed by Internal Audit assists in reducing the overall risk exposure in the Council's operations and provides a degree of support to management in placing reliance on the adequacy of controls within their Services.

4 Conclusion

- 4.1 Internal Audit will continue to provide regular reports to the Standards & Governance on its activities and any significant issues arising.
- 4.2 The Annual Audit Plan for 2010/2011 has been approved by the Council Management Team and aims to meet all the Professional Standards and the Codes of Practice relating to Internal Audit in the Public Sector. It should be viewed as a working document, subject to amendment as necessary to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's Corporate Risk Register.

| | |
|---|---|
| Financial Services comments: | Nil |
| Legal Services comments: | Nil |
| Service Improvement Plan implications: | The annual plan is part of the Sections improvement plan and regular monitoring features as the operational plan for which the section is scrutinised both externally (Audit Commission) and internally (by the S&G Committee). |
| Corporate Plan: | The Internal Audit coverage supports all Council Services in pursuit of their overall corporate objectives. |
| Risk Assessment: | See Section 3 |
| Background papers: | Nil |
| Appendices/Enclosures: | Appendix One – Internal Audit Plan 2010/2011 |
| Report author/ Lead Officer: | Chris Davis 023 9254 5306 |

Appendix One

| Council Service Unit/Consultancy | Number of Internal Audit Days 2010/11 |
|---|--|
| | |
| Financial | 215 |
| Management Reviews | 127 |
| Corporate | 126 |
| Legal, Democratic & CX's | 17 |
| Environmental | 91 |
| Leisure | 33 |
| Planning & Economic Development | 18 |
| Housing | 84 |
| Contingency | 45 |
| Support to Eastleigh Borough Council | 130 |
| Total | 886 |

AGENDA ITEM NO. 10

| | |
|-------------------------|---|
| Committee: | Standards & Governance Committee |
| Date of Meeting: | 18 March 2010 |
| Title: | Risk Management Update |
| Author: | Head of Internal Audit & Risk Assurance & Financial Services Manager |
| Status: | For Decision |

Purpose

This report provides the Standards and Governance Committee with an update on risk management within the Council.

Recommendation

That the Standards and Governance Committee note and approve the attached strategic risk register.

1 Background

- 1.1 The Council recognises that all aspects of business risk must be managed. As part of the Council's Corporate Governance arrangements, risk management should become permanently established as a management tool throughout the organisation.
- 1.2 In addition the process, responsibilities, accountability and principles need to be transparent and established to support the Use of Resources test applied by the Audit Commission.

2 Report

2.1 WHAT IS RISK MANAGEMENT?

Risks can be defined as the possibility of something happening, or not happening, that would have an impact on the organisation's ability to meet its strategic or operational objectives. The purpose of risk management is to manage the barriers to achieving these objectives.

Risk management can be defined as the process of identification, analysis, prioritisation, management and monitoring of risks, and any resulting actions, which would reduce the likelihood or impact of the risk occurring. Risk management is thus a strategic tool and is an essential part of the effective and efficient management and planning of the councils' operations.

2.2 **OBJECTIVES**

The objectives of Gosport Borough Council's Risk Management strategy are to;

- Integrate Risk Management into the culture of Gosport Borough Council;
- Manage risk in accordance with best practice;
- Anticipate and respond to changing social, environmental and legislative requirements;
- Prevent injury, damage, and losses and reduce cost of risk;

These objectives will be achieved by;

- Establishing clear roles, responsibilities and reporting lines within Gosport Borough Council for risk management;
- Providing opportunities for shared learning on risk management across Gosport Borough Council;
- Offering a framework which will assist management in the identification of risk and prioritisation of resource;
- Embedding risk management into working practices by offering awareness training;
- Monitoring risk management arrangements on an on-going basis through both strategic and operational risk registers.

2.3 **LOCAL AND NATIONAL DRIVERS**

There are a number of local and national factors that drive risk management.

2.3.1 **Business Improvement & Performance Management**

- Effective risk management enables the Council to identify, prioritise and manage barriers in the achievement of strategic objectives, corporate priorities, targets and service plan actions. It also supports the organisation in taking and managing significant risks to

increase confidence and ability to successfully deliver innovative and challenging projects. Risk management helps to enhance performance at all levels of the performance management framework and to demonstrate commitment to continuous improvement.

2.3.2

Corporate Governance Framework

- Risk management and assurance form part of the corporate governance for local authorities. It involves ensuring that risk management is embedded into the culture of the authority; with Councillors and officers at all levels recognising that risk management is part of their role within the Council. The Accounts and Audit Regulations 2003 require us to be responsible for ensuring that we have a sound system of internal control which facilitates the effective exercise of the councils' functions and which includes arrangements for the management of risk and measures to ensure that risk is appropriately managed.

2.3.3

Comprehensive Area Assessment (CAA)

- The Audit Commission's CAA framework introduced in 2009 looks at the public services delivered by the councils and their partners including the private and voluntary sectors. The councils' risk management arrangements will form part of the "Use of Resources" self-assessment which all Councils are required to submit to the Audit Commission. The use of resources assessment form part of the CAA and will also feed into relevant performance assessment frameworks as appropriate. The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better sustainable outcomes for local people. It is structured into 4 themes. One of these themes called "governing the business" includes an element on risk management. This requires Councils to demonstrate that they manage risks, have a clear strategy and effective arrangements including the allocation of appropriate resources.

2.4

BENEFITS

The overall benefits of a systematic approach to risk management should help the Council;-

- Focus on what needs to be done to meet the Councils aims and objectives;
- Encourage and support innovation;
- Protect our reputation;
- Achieve increased certainty and fewer surprises;
- Improve service delivery;
- Achieve more effective management of change;
- Use resources more efficiently;
- Improve management at all levels through better decision making;
- Reduce waste and fraud, and achieve Best Value.

2.5 **ROLES, RESPONSIBILITIES AND REPORTING LINES**

2.5.1 **Members**

Members are responsible for ensuring risk management is being implemented and progressed throughout the Council. This responsibility will be exercised by those charged with governance.

- The Standards & Governance Committee formally approving a Risk Management Policy Statement each year;
- The Standards & Governance Committee approving the Risk Management Strategy and Action Plan;
- The Standards & Governance Committee receiving an annual report reviewing progress against the Risk Management Strategy and Action Plan and updating the Strategy and Action Plan for the following year;
- The Policy & Organisation Board receiving the Annual Governance Statement outlining the adequacy of risk management and internal control throughout Gosport Borough Council as part of the overall governance framework.

2.5.2 **The Chief Executive and Council Management Team**

The Chief Executive and the Council Management Team have overall responsibility for risk management and will receive reports from the Corporate Management Working Group twice each year on how the implementation of the strategy and action plan is progressing. With other senior officers, they will also be involved in the risk assessment process itself and the identification and management of strategic risk.

Service Unit Managers will ensure that risk management is discussed and understood within their departments and that operational risks are being identified and managed effectively in line with the risk management strategy.

2.5.3 The Corporate Risk Management Group

The role of the Corporate Risk Management Group (chaired by the Financial Service Manager) is crucial to the implementation of a successful risk management programme. They are a facilitating group and will be the focal point for co-ordinating all aspects of risk management. They will concentrate on both strategic and operational issues at the onset and over time reduce their coverage in operational risk.

The membership of the Group will include a representative from each Unit as well as those in specialist roles with specific responsibilities for aspects of risk management (i.e. health & safety, insurance.)

The Risk Management Group will make arrangements for the promotion and facilitation of Risk Management throughout the authority.

They will monitor the success and implementation of risk management measures and report as necessary to Committee and the Council Management Team.

The Risk Management Group will arrange for the dissemination of information and advice to achieve better risk management throughout the organisation.

2.5.4 Service Unit Managers and their staff

- Comply with Financial Regulations and Standing Orders;
- Work to ensure risk management becomes embedded in the culture of the authority, particularly when new policies and service delivery methods are considered;
- Take responsibility for risk management in their Units, having regard to advice from the Risk Management Group and other specialist officers;
- Develop an analysis of risks faced by the their Units and record incidents that occur (template and guidance) to be provided ;

- Notify the Risk Management Group and Internal Audit promptly of all new risks identified;
- To consider and act promptly in relation to risk management issues raised;
- Review processes and controls continuously and ensure staff have a clear understanding of the consequences of lack of control (especially important in new system development areas);
- Ensure Business plans/Service reviews/ Performance Plans and Service improvement plans include consideration of the risk management issues.

RISK IDENTIFICATION

2.6

One of the key risk management objectives is the effective management of the Council's risks, both strategic and operational. This exercise has been completed with the Council's Management Team and a Strategic Risk Register is attached. The Council's operational registers are planned to be refreshed between May and September 2010 (using the same principles as the strategic risk register). The definition of significant risk is 'one which will prohibit the achievement of one or more of the Council's objectives.'

The strategic risk register will reviewed half yearly by the Council Management Team.

COMMUNICATION AND TRAINING

2.7

It is important that the profile of risk management is raised throughout the Council. This will be done by using existing communication processes such as regular reporting to Members and to Council Management Team. In addition, other departmental meetings should be used to explain and take forward the risk management process.

Training programmes for those involved in the risk assessment process will be compiled to ensure that the same approach to risk is adopted throughout the Council.

In addition, specific training for Members will be organised with support from our Insurers Zurich Municipal.

Further in-house training will be provide to key officers over the development period of the operational risk registers (May- Sept 2010)

3 Risk Assessment

- 3.1 The work performed by this group includes providing guidance and advice on all levels of risk associated with Council business including its partners. Its outcomes are also a key element within the overall governance framework.

4 Conclusion

- 4.1 This report outlines the current position of risk management within the Council.

| | |
|---|---|
| Financial Services comments: | Nil |
| Legal Services comments: | Nil |
| Service Improvement Plan implications: | Council wide. |
| Corporate Plan: | The Corporate Risk Management Group and its principles support all Council Services in pursuit of their overall corporate objectives. |
| Risk Assessment: | See Section 3 |
| Background papers: | Nil |
| Appendices/Enclosures: | Strategic Risk Register |
| Report author/ Lead Officer: | Chris Davis 023 9254 5306 |

Council wide risks at 02.03.10

Places
People
Prosperity
Pursuit of Excellence

Negative risks

| Ref | New item added since last register? | Risk Description | Strategic Themes |
|-----|-------------------------------------|--------------------------------------|--|
| | | | <small>* COULD BE MORE THAN ONE?</small> |
| 1 | | Concessionary travel | People |
| 2 | | Adverse interest rate movements | Pursuit of Excellence |
| 3 | | Internal health and safety issues | People |
| 4 | | Partnership working | People |
| 5 | | Data security | Pursuit of Excellence |
| 6 | | IT Failure | Pursuit of Excellence |
| 7 | | Investment found to be unsound | Pursuit of Excellence |
| 8 | | Inadequate Business Continuity Plans | Pursuit of Excellence |

| | | | |
|----|-----|---------------------------------------|-----------------------|
| 9 | | Council's carbon reduction by 30% | Places |
| 10 | | Pandemic flu | People |
| 11 | | Corporate governance | Pursuit of Excellence |
| 12 | | Data quality | Pursuit of Excellence |
| 13 | | External health & safety issues | People |
| 14 | | Turnover of key staff | People |
| 15 | | Adaptation to Climate Change (NI 188) | Places |
| 16 | New | Public Sector Funding | Pursuit of Excellence |
| 17 | New | Contract Procurement | Pursuit of Excellence |
| 18 | New | Loss of operational buildings | Places |
| 19 | New | Extreme weather events | People |
| 20 | New | Major incidents | People |

Negative Impact ratings:

| | |
|-----------|---|
| Very low | 1 |
| Low | 2 |
| Medium | 3 |
| High | 4 |
| Very high | 5 |

| Cause(s) | Existing Risk Controls | Impact | Likelihood |
|--|---|-----------|----------------|
| Introduction of national free bus pass by central government without adequate funding | Budget controls and medium term budget strategy. Continue to keep FSM updated with details of costs as estimates are known. | Very high | Almost certain |
| Global economic downturn | Annually approved Medium Term Budget Strategy | High | Almost certain |
| Compliance issues | H&S policies, procedures, training, risk assessment and audits | Very high | May happen |
| Potential partnership effectiveness concerns | Performance monitoring, partnership management inc review and planning | High | May happen |
| Potential data security threats | Firewalls, AV software, IT procedures, user guides and responsibilities | High | May happen |
| Failure of IT, telephony and network upgrades | Clear and tested DR | High | May happen |
| Recent press coverage regarding potential losses that could occur for Councils that have made investments in Icelandic (and other) banks means that GBC needs to remain vigilant | Continual review of investments creditworthiness already undertaken - problem arises when institution creditworthiness falls after taking investment monies. Internal Audit review undertaken in 2008/09. | Medium | Unlikely |
| Possible risk of plans not being updated, relevant, robust | Ongoing plan reviews | High | May happen |

| | | | |
|--|--|-----------|----------------|
| Potential timetable risk | Zero carbon initiatives across all services | High | May happen |
| Significant staff absence arising from flu | Emergency planning advice | Very high | Unlikely |
| Compliance and good practice requirements | Constitution, external inspection, professional guidance / good practice, legislation. | High | May happen |
| Use of Resources Assessment requirements | Collation of supporting papers | High | May happen |
| Accountability requirements | Corporate manslaughter advice from officers and external sources | Very high | Very unlikely |
| Departure of management team member | Team members still in post and preparing to handover | Very high | Almost certain |
| Global warming | Service wide risk assessments | Very high | May happen |
| Reduced Central Grant and local income from fees & charges | N/A | Very high | Likely |
| Compliance to legislation | Training and awareness | High | Likely |
| Power failure, flooding | Emergency planning advice | Very high | May happen |
| Climate change, storms | Emergency planning advice | Very high | Likely |
| Terrorism, nuclear incident etc.. | Emergency planning advice | Very high | May happen |

Negative Likelihood ratings:

| | |
|----------------|---|
| Very unlikely | 1 |
| Unlikely | 2 |
| May happen | 3 |
| Likely | 4 |
| Almost certain | 5 |

| Risk Score (Existing Controls) | | | Future plans for mitigation | Target date for mitigation | Resources required for effective mitigation | Impact after mitigation | Likelihood after mitigation |
|-----------------------------------|---|-------|--|--|---|-------------------------|-----------------------------|
| I | L | Total | | | | | |
| 5 | 5 | 25 | Further appeals pending. Budget provision to be made for likely settlement. | 31/05/2010 | None | Very high | Likely |
| 4 | 5 | 20 | The 2010-11 budget has been prepared based on external treasury management advice on preserving the principal capital sum and to allow for continued low interest yields | Ongoing | N/A | High | Unlikely |
| 4 | 3 | 12 | H&S plans being deployed across GBC in addition to improved reporting processes - see intranet | Ongoing | Contained within existing budgets | Very high | May happen |
| 4 | 3 | 12 | Performance monitoring, partnership management inc review and planning | Ongoing | Contained within existing budgets | High | May happen |
| 5 | 3 | 15 | Ongoing control improvements | Ongoing as circumstances and technology evolve | Not yet possible to determine | High | May happen |
| 5 | 3 | 15 | Development of project to upgrade systems | Jun-10 | Contained within existing budgets | High | Unlikely |
| 4 | 2 | 8 | Main mitigation is to reduce (even further) the duration of investments into credit approved institutions - means that overall yield may reduce slightly (compared to longer-term possibilities) | Immediate | Contained within existing budgets | Medium | Very unlikely |
| 4 | 3 | 12 | Ongoing plan reviews, exercise and test | Ongoing | Contained within existing budgets | High | May happen |

| | | | | | | | |
|---|---|----|---|---------|-----------------------------------|-----------|---------------|
| 4 | 3 | 12 | Development of Carbon-Free and deployment of local authority carbon management plan | 2012 | Under review | High | Unlikely |
| 4 | 3 | 12 | Continued awareness and preparation | Ongoing | Contained within existing | Very high | Unlikely |
| 4 | 3 | 12 | External assessments and advice plus internal process review to ensure good governance practice | Ongoing | Not applicable | High | Unlikely |
| 4 | 3 | 12 | Development of data checking and scrutiny | Ongoing | Contained within existing budgets | High | May happen |
| 5 | 1 | 5 | Regular quarterly reporting to Management Team | Ongoing | Contained within existing budgets | Very high | Very unlikely |
| 4 | 4 | 16 | Handover plans to be drawn up | Jun-10 | None | Very high | May happen |
| 5 | 3 | 15 | Continued awareness and preparation | Ongoing | Contained within existing budgets | Very high | May happen |
| 5 | 4 | 20 | Change management | Ongoing | None | Very high | Likely |
| 4 | 4 | 16 | Continued awareness and preparation | Ongoing | Major Contracts Group established | High | Unlikely |
| 5 | 3 | 15 | Continued awareness and preparation, test and exercise | Ongoing | Contained within existing budgets | Very high | Unlikely |
| 5 | 4 | 20 | Continued awareness and preparation, test and exercise | Ongoing | Contained within existing budgets | Very high | Likely |
| 5 | 3 | 15 | Continued awareness and preparation, test and exercise | Ongoing | Contained within existing budgets | Very high | Unlikely |

| Risk Score (Expected Controls) | | | Risk Owner | Mitigation score |
|--------------------------------------|---|-------|---------------|---------------------|
| I | L | Total | | |
| 5 | 4 | 20 | JB | (5) |
| 4 | 2 | 8 | PW | (12) |
| 4 | 3 | 12 | DJ | 0 |
| 4 | 2 | 8 | IL | (4) |
| 5 | 2 | 10 | KL | (5) |
| 5 | 2 | 10 | KL | (5) |
| 4 | 1 | 4 | PW | (4) |
| 4 | 3 | 12 | KL | 0 |

| | | | | |
|---|---|----|-----|-----|
| 4 | 2 | 8 | DJ | (4) |
| 4 | 2 | 8 | CMT | (4) |
| 4 | 2 | 8 | IL | (4) |
| 4 | 3 | 12 | CMT | 0 |
| 5 | 1 | 5 | LE | 0 |
| 3 | 3 | 9 | IL | (7) |
| 5 | 3 | 15 | DJ | 0 |
| 5 | 4 | 20 | IL | 0 |
| 4 | 2 | 8 | PW | (8) |
| 5 | 2 | 10 | IL | (5) |
| 5 | 4 | 20 | KL | 0 |
| 5 | 2 | 10 | KL | (5) |

AGENDA ITEM NO. 11

STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN
AS AT 18 MARCH 2010

| Work Area | Report To Committee | Lead Officer |
|-------------------------------------|----------------------------|--------------------------------|
| Local Assessment Monitoring Report | 18 Mar 10 | Linda Edwards |
| Annual Internal Audit Plan 10/11 | 18 Mar 10 | Chris Davis |
| Risk Management | 18 Mar 10 | Chris Davis/ Julian Bowcher |
| New Member Induction | 22 Apr 10 | Linda Edwards |
| Draft AGS 2009/10 | 22 Apr 10 | Chris Davis |
| Annual Audit Report 2009/10 | 22 Apr 10 | Chris Davis |
| Member/Officer Protocol | 15 Jul 10 | Linda Edwards |
| Fraud & Corruption Strategy update | 15 Jul 10 | Linda Edwards/ Chris Davis |
| Review of Contract Standing Orders | 15 Jul 10 | Chris Davis |
| Annual Complaints Monitoring Report | 16 Sept 10 | Ken Lucking |