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18 March 2015

## **S U M M O N S**

**MEETING:** Standards and Governance Committee  
**DATE:** 26th March 2015  
**TIME:** 6.00 pm  
**PLACE:** Committee Room 1, Town Hall, Gosport  
**Democratic Services contact:** Vicki Stone

LINDA EDWARDS  
BOROUGH SOLICITOR

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### MEMBERS OF THE BOARD

Councillor Carter (Chairman)  
Councillor Scard (Vice-Chairman)

Councillor Allen  
Councillor Bateman  
Councillor Chegwyn

Councillor Dickson  
Councillor Forder  
Councillor Wright

## **FIRE PRECAUTIONS**

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

**In the event of the fire alarm sounding, 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).

**Please note that mobile phones should be switched off or on silent for the duration of the meeting.**

**This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.**

## **AGENDA**

1. **APOLOGIES FOR NON-ATTENDANCE**

2. **DECLARATIONS OF INTEREST**

*All Members present are reminded to declare, at this point in the meeting or as soon as possible thereafter, any disclosable pecuniary 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 15 January 2015 (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, 24 March 2015. 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, 24 March 2015).*

6. **ERNST & YOUNG – AUDIT PROGRESS REPPRT**

*The audit progress report confirms the work completed to date in respect of the 2014/15 audit and the outline plan for the completion of the remaining work.*

PART II  
Contact Officer  
Helen Thompson  
Ernst & Young

7. **INTERNAL AUDIT PLAN 2015/16**

*This report provides the Standards and Governance Committee with the planned annual coverage of the Internal Audit resource in 2015/16.*

PART II  
Contact Officer  
Chris Davis

8. **INTERNAL AUDIT MONITORING STATEMENT TO 31.01.15 & RISK MANAGEMENT UPDATE**

*To table the performance of the Internal Audit Section in the ten months of 2014/15 (1<sup>st</sup> April 2014 – 31<sup>st</sup> January 2015) against the agreed audit plan to the Members with responsibility for governance.*

PART II  
Contact Officer  
Chris Davis

*Secondly to provide Members with an update in risk management as part of their wider corporate governance responsibilities.*

9. **ANY OTHER ITEMS**

*Which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.*



**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE  
WAS HELD ON 15 JANUARY 2015**

Councillors Allen, Bateman (P), Carter (P), Chegwyn, Dickson (P), Forder, Scard (P) and Wright (P)

It was reported that in accordance with Standing Order 2.3.6, Councillors Burgess had been nominated to replace Councillor Forder for this meeting.

**17. APOLOGIES**

An apology for inability to attend the meeting was submitted on behalf of Councillor Forder.

**18. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**19. MINUTES**

**RESOLVED:** That the minutes of the meeting of the Standards and Governance Committee held on 11 September 2014 be approved and signed by the Chairman as a true and correct record.

**20. DEPUTATIONS**

There were no deputations

**21. PUBLIC QUESTIONS**

There were no public questions.

**PART II**

**22. ERNST & YOUNG – ANNUAL AUDIT LETTER 2013/14 AND 2013/14  
AUDIT SCALE FEE VARIATION LETTER**

Consideration was given to a report of the Council's external auditors Ernst & Young that summarised the findings from the 2013/14 audit.

Members were advised that the Annual Audit Letter had been prepared in line with the requirements of the Audit Commission' and highlighted key messages that were reported in the Audit Results Report presented to the Standards & Governance Committee on 11<sup>th</sup> September 2014 and the Policy & Organisation Board on 29<sup>th</sup> September 2014.

It was further reported that following consultation with the Audit Commission and the removal of the requirement for auditors to certify the national non-domestic rates for 2013/14, it had been requested that a supplementary fee of £900 be applied for the additional audit procedures required to provide assurance on business rate income and expenditure of the Collection Fund.

In conclusion, Members were advised that it was anticipated that upon completion of the grants work, Ernst & Young would issue the annual certification report for 2013/14.

**RESOLVED:** That the Stands & Governance Committee:

- a) receive the Annual Audit Letter and consider the conclusions reached by the auditor before the final approval by the Policy and Organisation Board; and
- b) approve the Audit Commission's 2013/14 supplementary scale fee variation in respect of the additional audit procedures required to provide assurance over business rates income and expenditure in the Collection Fund for 2013/14.

**23. ERNST & YOUNG – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013/14, ANNUAL AUDIT AND CERTIFICATION FEES LETTER 2014/15 AND AUDIT PROGRESS REPORT**

Consideration was given to a report of the Council's external auditors Ernst & Young, which summarised the findings from the work completed to enable Ernst & Young to certify the Council's 2013/14 claims and returns.

Members were advised that the annual audit and certification fees letter for 2014/15 set out the indicative fee for the audit and certification of claims. It was also reported that the audit progress report confirmed the completion of the certification of claims and returns annual report for 2013/14 and the progress made on the 2014/15 audit.

**RESOLVED:** That the Standards and Governance Committee:

- a) review and approve the conclusions set out in the certification of claims and returns annual report 2013/14; and
- b) note the annual audit and certification fees letter for 2014/15 and the audit progress report 2014/15.

**24. ANY OTHER BUSINESS**

There was no other business.

The meeting concluded at 18:25

CHAIRMAN

## AGENDA ITEM NO. 06

<b>Board/Committee:</b>	<b>Standards and Governance Committee Meeting</b>
<b>Date of Meeting:</b>	26 March 2015
<b>Title:</b>	EY – audit progress report
<b>Author:</b>	Helen Thompson
<b>Status:</b>	For consideration by Standards and Governance Committee

### **Purpose**

The audit progress report confirms the work completed to date in respect of the 2014/15 audit and the outline plan for the completion of the remaining work.

### **Recommendation**

Review and note the audit progress report in respect of the completion of the 2014/15 audit.

#### **1      Background**

- 1.1      The audit progress report 2014/15 provides the Committee with details of our planned work, the work completed at this stage and the planned outputs in respect of the 2014/15 audit.

#### **2      Progress report 2014/15**

- 2.1      We have completed our initial planning for the audit and have held a number of meetings with key officers to ensure the audit progresses as smoothly as possible.
- 2.2      We have identified the Council's material income and expenditure systems and confirmed our understanding of them. We have started the detailed testing of Housing Benefits and Local Council tax Support controls and substantive testing of income and expenditure transactions.
- 2.3      Our initial work has noted that the Internal Audit section has had a number of vacant posts throughout 2014/15. Management has therefore procured additional support from an external provider of internal audit services, and employed a temporary experienced internal auditor, to ensure the 2014/15 plan is completed. The Internal Audit section should be fully staffed at the earliest opportunity; to enable the 2015/16 internal audit plan to be delivered and the Chief Internal Auditor to complete his annual report.

- 2.4 There are no other matters arising from our planning and interim work at this stage and we will update the Committee when our testing of controls and substantive testing has been completed. A timetable for this work is appended to the report.

### **3 Risk Assessment**

- 3.1 There are no risks associated with the 2014/15 audit progress report.

### **4 Conclusion**

- 4.1 The 2014/15 audit progress report is attached for the Committee's information

<b>Financial Services comments:</b>	N/A
<b>Legal Services comments:</b>	N/A
<b>Crime and Disorder:</b>	N/A
<b>Equality and Diversity:</b>	N/A
<b>Service Improvement Plan implications:</b>	N/A
<b>Corporate Plan:</b>	N/A
<b>Risk Assessment:</b>	N/A
<b>Background papers:</b>	N/A
<b>Enclosures:</b>	The 2014/15 audit progress report.
<b>Report author/ Lead Officer:</b>	Helen Thompson, Audit Director, Ernst & Young



# Gosport Borough Council

## Audit Progress Report

March 2015



Building a better  
working world



Standards and Governance Committee  
Gosport Borough Council  
Town Hall  
High Street  
Gosport  
Hampshire  
PO12 1EB

10 March 2015

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2014/15 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson  
Director  
For and behalf of Ernst & Young LLP



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<b>2014/15 audit.....</b>	<b>2</b>
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 2014/15 audit

### Fee letter

We issued our 2014/15 fee letter to the Council in April 2014, and our detailed audit plan will be presented to the June 2015 meeting of Standards and Governance Committee and the July 2015 Policy & Organisation Board.

### Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning; we have held a number of meetings with key officers to ensure the 2014/15 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

### Planning and interim visit

Our work to identify the Council's material income and expenditure systems and to walk through these systems has been completed. We have also started the detailed testing of housing benefits and local council tax support controls, and substantive testing of income and expenditure transactions.

There are no matters arising from our planning and interim work that we need to bring to your attention at this stage. We will update the Committee when the testing of controls and substantive testing has been completed.

### Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

The completion of the annual internal audit plan also provides the Chief Internal Auditor with a basis for his annual report. This report is key source of assurance that enables the Council to complete its Annual Governance Statement.

Our review has highlighted that a number of posts in the Internal Audit structure have remained vacant for most of 2014/15. In response, action has been taken to recruit and appoint new staff, although Internal Audit has remained below full establishment for the majority of 2014/15. Management has therefore procured an additional 50 days support from an external provider of internal audit services during the year, and has employed an experienced internal auditor on a temporary contract, to ensure that the 2014/15 Internal Audit Plan can be delivered.

The Council should ensure that the Internal Audit section returns to full staffing levels at the earliest opportunity. This will enable the 2015/16 internal audit plan to be delivered and will provide a basis for the completion of the Chief Internal Auditor's annual report. We will consider management's success with the appointment process during the remainder of our 2014/15 audit, and as part of our planning for the 2015/16 audit.

### **Post statements visit**

We have agreed dates for our audit visit, and will have early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Standards and Governance Committee in June 2015 and the Policy and Organisation Board in July 2015.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

### **Value for money**

The Audit Commission has now issued its guidance on the 2014/15 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/>

There are no planned changes to the approach in 2014/15. We will carry out our initial risk assessment in early 2015 and report the risks we have identified, and associated work we will carry out, to Standards and Governance Committee in June 2015 and to Policy and Organisation Board in July 2015.

### **Other issues of interest**

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings. The most recent Briefing will be sent to members through the 'Members Information Bulletin'.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2014/15 Standards and Governance Committee cycle. We will provide formal reports to the Standards and Governance Committee and the Policy and Organisation Board, throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	<b>Ongoing</b>	Audit Fee Letter	January 2015	Completed
Risk assessment and setting of scope of audit	<b>Jan -Feb 2015</b>	Audit Plan	June 2015 and July 2015	In progress
Testing of routine processes and controls	<b>Jan -Feb 2015</b>	Audit Plan	June 2015 and July 2015	In progress
Year-end audit	<b>August - September 2015</b>	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2015	Work is planned to start during August 2015
Annual Reporting	<b>October 2015</b>	Annual Audit Letter	January 2016	-
Grant Claims	<b>September – November 2015</b>	Annual certification report	January or March 2016	



**EY** | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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## AGENDA ITEM NO.07

<b>Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>26 March 2015</b>
<b>Title:</b>	<b>Internal Audit Plan 2015/16</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>For Decision</b>

### **Purpose**

This report provides the Standards and Governance Committee with the planned annual coverage of the Internal Audit resource in 2015/16.

### **Recommendation**

That the Standards and Governance Committee comment on and approve the Internal Audit plan for 2015/16 Internal Audit Plan as attached in Appendix One.

#### **1 Background**

- 1.1 The plan has been developed in recognition of the responsibilities of the Borough Treasurer under S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2011 and in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013.

#### **2 Report**

- 2.1 The annual audit plan is based on 4.8 WTE internal staff and highlights the key components of the planned output from Internal Audit for 2015/16. Future monitoring reports will be scheduled (included in the Committee's work plan) for Members throughout the year to compare actual versus planned coverage for the forthcoming year.
- 2.2 The Internal Audit Plan also includes (up to a maximum of 20 days) an IT Audit specialist (covered within the annual internal audit budget) resource that continues to be shared with Portsmouth City Council.
- 2.3 The 2015/16 internal audit plan allows for a maximum of 102 audit days to be shared, under the revised arrangement, to support Test Valley Borough Council (TVBC) in delivering their audit plan. Eastleigh Borough Council decided to cease the arrangement on economic grounds from the 31 March 2015. It's planned that audit resources will be allocated to Test Valley Borough Council in the following way:-

Quarter	Head of Internal Audit TVBC (days) [Mon & Tue]
Q1 (Apr–Jun)	26
Q2 (Jul - Sep)	26
Q3 (Oct – Dec)	26
Q4 (Jan – Mar)	26

- 2.4 Whilst the PSIAS is specific in identifying the requirements of the planning process, there is also a need for flexibility within the plan in recognition of new initiatives, the continuing impact of changes legislation and the development of strategies both nationally and locally. The plan will be kept under review for 2015/16 with a new team being trained and established following turnover in the current year. Two new members of staff will commence employment on 7th April 2015.
- 2.5 Significant professional training and mentoring will be invested in the new staff throughout 2015/16 with a number of joint audits being planned with senior members of the team. In addition a number of professional training days have been included in the plan.
- 2.5 Discussion and agreement of the Plan is currently being undertaken with the Council's External Auditors, in order to optimise the use of both internal and external resources and avoid duplication. Every effort will be made to ensure that External Audit will continue to be able to place strong reliance on the work of Internal Audit when preparing and undertaking their External Audit.
- 2.6 In developing the Plan it is recognised that Internal Audit are integral to the review of systems and procedures that may be developed over 2015/16 and that "sign off" by Internal Audit is a requirement of any material changes.
- 2.7 The Plan is endorsed by the Borough Treasurer and the Head of Internal Audit & Risk Assurance as being sound, robust and sufficient to safeguard the Council's internal control framework.

### **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 assurance to management in placing reliance on the adequacy of their controls within their Services.
- 3.2 It is important that External Audit are able to continue to place reliance on the work of the Internal Audit Section otherwise additional costs may be incurred in relation to the cost of external audit. It is believed that the resources allocated to the section will be sufficient to meet this objective.

#### 4 **Conclusion**

4.1 This report outlines the planned internal audit coverage for 2015/16.

<b>Financial Services comments:</b>	None
<b>Legal Services comments:</b>	None
<b>Crime and Disorder:</b>	None
<b>Equality and Diversity:</b>	None
<b>Service Improvement Plan implications:</b>	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 (External Audit) and internally (by the Standards & Governance Committee).
<b>Corporate Plan:</b>	The Internal Audit coverage supports all Council Services in pursuit of their overall corporate objectives.
<b>Risk Assessment:</b>	See Section 3
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Appendix A – Internal Audit Plan 2015/16
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

**Appendix A**

<b>Service Unit/ Audit Area</b>	<b>Planned Audit Days 2014/15</b>	<b>Planned Audit Days 2015/16</b>
<b>Based on audit resource:-</b>	<b>4.8 WTE</b>	<b>4.8 WTE</b>
<b>Financial Services</b>	<b>241.50</b>	<b>272.50</b>
<b>Legal, Democratic &amp; Planning Services</b>	<b>35.50</b>	<b>18.00</b>
<b>Chief Executives</b>	<b>71.75</b>	<b>132.75</b>
<b>Community &amp; Customer Services*</b>	<b>105</b>	<b>-</b>
<b>Housing Services</b>	<b>62.50</b>	<b>99.25</b>
<b>Management/VFM Reviews</b>	<b>144</b>	<b>117.75</b>
<b>Eastleigh Borough Council</b>	<b>86</b>	<b>-</b>
<b>Test Valley Borough Council</b>	<b>80</b>	<b>104</b>
<b>Contingency</b>	<b>70</b>	<b>30</b>
<b>Total</b>	<b>896.25</b>	<b>774.25</b>

\* This Service Unit has now been disbanded. All the sections are now spread across the remaining four Service Units.

## **AGENDA ITEM NO.08**

<b>Board/Committee:</b>	Standards and Governance Committee
<b>Date of Meeting:</b>	26 March 2015
<b>Title:</b>	Internal Audit Monitoring Statement to 31.01.15 & Risk Management Update
<b>Author:</b>	Head of Internal Audit & Risk Assurance
<b>Status:</b>	FOR DECISION

### **Purpose**

To table the performance of the Internal Audit Section in the ten months of 2014/15 (1 April 2014 – 31 January 2015) against the agreed audit plan to the Members with responsibility for governance.

Secondly to provide Members with an update in risk management as part of their wider corporate governance responsibilities.

### **Recommendations**

- a) That the Standards and Governance Committee review the performance of Internal Audit from 1 April 2014 to 31 January 2015.
- b) That the Standards and Governance Committee note the current status of the Council Strategic Risk Register and approve the updated Risk Management Policy and Risk Management Strategy.

### **1 Background**

- 1.1 The purpose of this report is to provide the Standards and Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved internal audit plan.

### **2 Report**

#### **Internal Audit Coverage for 2014/15**

- 2.1 In the ten month period to the end of January 2015 adequate progress has been made in delivering the revised internal audit plan.
- 2.2 The team experienced turnover in 2014/15 with two members of the team leaving the Council's employment. The section went through a recruitment process in August 2014 but this proved unsuccessful. As a result of the difficulty in recruiting experienced audit staff the alternative approach of recruiting internal audit trainees has been adopted. The recruitment of the two posts has now been completed and subject to employment checks the team will be fully staffed from the 7 April 2015.

- 2.3 Additional resource was bought in (within existing budgets) through the year to enable the key audit work to be completed in time for external scrutiny from Ernst Young the Council's External Auditors.
- 2.4 Fundamental audit assignments completed in the period April 2014 to January 2015 include the following:-

Report Title	Service Unit	No. of Recommendations <sup>1</sup>			
		Cr	Es	Im	Ad
Mobile Phones & iPads	CX	-	-	-	3
Housing Benefits 2013/14	Finance	-	-	1	1
Cash receipting – interim report	Finance	-	-	5	9
Purchasing	Finance	-	-	4	7
Treasury Management	Finance	-	-	-	-
Council Tax	Finance	-	1	11	3
NDR	Finance	-	-	4	3
Payroll	Finance	-	-	4	6
Debtors	Finance	-	-	4	4
Housing Debtors	Housing	-	-	5	3
Housing Benefit Overpayments	Finance	-	-	4	15
Creditors	Finance	-	-	-	2
Housing Rents	Housing	-	-	-	2
Accounting & Bank Reconciliation (in progress)	Finance				
VAT (in progress)	Finance				
Housing Benefits (in progress)	Finance				
Budgetary Control (in progress)	Finance				
Total		-	1	42	58

- 2.5 In addition, other work included support on the major contracts, assisting in work on the annual governance statement, audit advice to all Units, supporting the strategic risk management group and also responding to the External Auditors questions relating to internal audit matters.
- 2.6 The Head of Internal Audit has continued his joint role managing the three Internal Audit Sections and had spent 66 days engaged off site at Eastleigh Borough Council and 60 days at Test Valley Borough Council in the first three quarters of 2013/14. The three way arrangement will cease from the 31 March 2015 with Eastleigh Borough Council withdrawing from the partnership. Up to and including December 2014

<sup>1</sup> Cr is Critical, Es is Essential, Im is Important and Ad is Advisory.

the three way shared internal audit arrangement has brought in income in excess of £42k for the Council.

### **Risk Management Update 2014/15**

2.7 The Corporate Risk Management Group (CRMG) has been extremely active in the last year.

Notable achievements are:

- A full review by the Group and Council Management Team (CMT) in updating the Strategic Risk Register and utilising the Covalent software.
- An independent review by Zurich (our current Insurers) of our Strategic Risk Register.
- A full review and update of all operational risk registers and migration onto Covalent with further refinement planned for 2015/16.

2.8 Both the Risk Management Strategy (Appendix A) and Risk Management Policy (Appendix B) are attached to the report. These have been updated and are for approval by the Committee.

2.9 Corporate Management team (CMT) reviewed and updated the Strategic Risk Register on the 3<sup>rd</sup> March 2015 and the current status of the risks and target risks are listed in the following table. The strategic risk rating matrix that guides management when scoring each risk is shown in Appendix C. The strategic risk register will be reviewed again by CMT in September 2015.

Risk Code	Risk Title	Sub Risk Title	Current Risk Score IMPACT	Current Risk Score LIKELIHOOD	Total Score
SRR01	Corporate Governance				
SRR01-01		Bribery	Medium 3	May Happen 3	9
SRR01-02		Fraud (Internal & External)	High 4	May Happen 3	12
SRR02	Government Reform		Medium 3	Likely 4	12
SRR03	Civil Emergency				
SRR03-01		Extreme weather events	High 4	Likely 4	16



SRR03-02		Pandemic emergency	High 4	May Happen 3	12
SRR03-03		Loss of key operational assets	Very High 5	Unlikely 2	10
SRR04	Staffing Resource				
SRR04-01		Staff Numbers	Medium 3	May Happen 3	9
SRR04-02		Key Staff	High 4	May Happen 3	12
SRR05	Information Governance				
SRR05-01		Integrity of data security	Very High 5	May Happen 3	15
SRR05-02		Data Quality	Low 2	May Happen 3	6
SRR06	Partnership working				
SRR06-01		Shared Services	Medium 3	Unlikely 2	6
SRR06-02		Partnership working	High 4	May Happen 3	12
SRR06-03		Contract risk	High 4	May Happen 3	12
SRR07	Finance				
SRR07-01		Treasury Management	Very High 5	Very Unlikely 1	5
SRR07-02		Economic conditions	Medium 3	Likely 4	12
SRR07-03		Grant settlement	Very High 5	Almost Certain 5	25
SRR07-04		Revenue streams	Medium 3	May Happen 3	9
SRR08	Health & Safety				
SRR08-01		Internal H & S	Medium 3	Unlikely 2	6

SRR08-02		External H& S	Medium 3	May Happen 3	9
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- 2.10 Not unsurprisingly the Council's main strategic risk currently identified relates to future grant settlements where the level of Revenue Support Grant received from Central Government is expected to reduce significantly over the next four years.

### **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 high degree of assurance to management in placing reliance on the adequacy of internal controls within their Services.

### **4 Conclusion**

- 4.1 That the Committee note the update on the planned coverage for 2014/15 as at 31 January 2015, the future of the revised internal audit partnership with Test Valley Borough Council and the current position of risk management within the Council.

<b>Financial Services comments:</b>	None
<b>Legal Services comments:</b>	None
<b>Crime and Disorder:</b>	Nil
<b>Equality and Diversity:</b>	Nil
<b>Service Improvement Plan implications:</b>	The delivery of the annual audit plan is a key function of the service and is measured quarterly and progress reviewed by the Chief Executive. The Corporate Risk Management Group and its principles support all the Council Services in pursuit of their overall corporate objectives.
<b>Corporate Plan:</b>	It supports the Council in pursuit of excellence through delivering a quality joint service.
<b>Risk Assessment:</b>	Paragraph 3
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	
Appendix A	Risk Management Strategy
Appendix B	Risk Management Policy 2015
Appendix C	Strategic Risk Scoring Matrix
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### **RISK MANAGEMENT STRATEGY**

#### **INTRODUCTION**

Gosport Borough Council is committed to ensuring that risks to the effective delivery of its services and achievement of its overall objectives are properly and adequately controlled. It is recognised that effective management of risk will enable the Council to maximise its opportunities and enhance the value of services it provides to the community. Gosport Borough Council expects all officers and members to have due regard for risk when carrying out their duties and that risk management should become permanently established as a management tool throughout the organisation.

#### **WHAT IS RISK MANAGEMENT**

Risk Management is the control of business risks in a manner consistent with the principles of economy, efficiency and effectiveness. It is an essential performance management process to ensure that both the long and short term objectives of the Council are achieved and that all opportunities are fully maximised.

Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of our objectives and develop actions to control or reduce those risks. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective'.

#### **AIMS, OBJECTIVES AND STRATEGIC PRIORITIES**

**Gosport Borough Council's strategic priority themes are;**

- Places
- People
- Prosperity
- Pursuit of Excellence

The aim of this strategy is to provide an effective framework for the council to manage the key risks facing our services and to help achieve its corporate aims, objective and strategic priorities by effectively managing the main risks. This should ensure resources stay focused on delivery and are not diverted to deal with unexpected problems. Risk management across the organisation should, therefore, be viewed as a tool to support achievement rather than simply another compliance procedure.

The objectives of Gosport Borough Council's Risk Management strategy are clearly defined in the *Risk Management Policy* along with how these objectives will be achieved.

## **THE RISK MANAGEMENT FRAMEWORK**

The Council maintains both a Strategic Risk Register (SRR) and Operational Risk Registers (ORR) which records the key risks facing the Council together with mitigating controls to reduce the risk. By having a robust and systematic risk management framework embedded throughout the organisation it will:

- Help officers to fully understand the causes and impacts of the risks that they face, and in turn make more informed decisions on how best to manage risks.
- Allow officers to analyse and prioritise risks; helping inform decisions on the management, escalation and communication of risks.
- Creates a management tool which promotes discussion and helps reinforce officers' understanding of risks and how they will be managed; as well as encouraging the assignation of roles and responsibilities.
- Provide senior managers and members with the assurance that risks are being considered and managed across the organisation, and where need-be risks are escalated for their input and guidance.

Some risks namely those associated with projects and partnership working may be cross departmental and will need to be identified, assessed and included at either operational or strategic register level.

Risk management is a dynamic process and risk registers must be living documents which are reviewed to add/delete risks and amend impact and likelihood scorings.

## **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 Council's 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.

## **MONITORING AND SUPPORT**

There will be regular reporting to Members and to Council Management Team of the Strategic Risk Register and the Risk Management Action Plan. In addition, other section 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.

Specific training for members will be organised with support from the Council's Insurers.

The induction process will be extended to ensure a consistent approach is taken across the whole authority.



**GOSPORT**  
Borough Council

# **RISK MANAGEMENT POLICY 2015**

## **POLICY STATEMENT**

Everything that we do as an organisation involves a degree of risk whether it is innovative projects, purchasing new systems and equipment, determining priorities, or taking decisions about the future of the Borough. It is therefore an essential part of good governance that we manage these risks effectively.

Effective risk management helps us to:

- Successfully achieve corporate priorities and objectives by capitalising on opportunities and minimising threats.
- Strengthen corporate governance and internal control framework;
- Improve partnership arrangements;
- Embed risk management into corporate processes including the financial and strategic planning.

The updated Risk Management Policy explains how the Council will manage risk. Members and senior management are committed to embedding the principles and practices of Risk Management in the culture, behaviours, processes and administration of the Council.

Signed by:

Councillor Mark Hook  
**Leader of the Council**

Ian Lycett  
**Chief Executive**

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## 1. INTRODUCTION

(Chartered Institute of Public Finance and Accountancy) CIPFA define risk management as “the identification, analysis and economic control of those risks that can threaten the operations, assets, objectives and other responsibilities of an organisation”.

Risk management is an area for inclusion in the annual governance statement and as part of the Council’s Corporate Governance arrangements risk management should become permanently established as a management tool throughout the organisation.

The purpose of this Risk Management Policy is to state the Council’s risk management *aims, objectives, approach, responsibilities and procedures* to embed risk management across the Council.

## 2. AIMS

Risk Management has to be proactive to ensure that corporate and operational risks are:-

- Identified
- Assessed by considering the impacts and likelihoods of their occurrence
- Effectively managed by identifying suitable controls and counter measures, and assessing the cost effectiveness of the mitigating actions proposed.

## 3. OBJECTIVES

The objective of this policy is to provide an effective framework to enable the Council to design and implement measures to reduce the impact of those risks only where it would be cost-effective to do so by:-

- Embedding risk management into the culture of Gosport Borough Council;
- Managing both strategic and operational risk effectively in accordance with best practice;
- Anticipate and respond to changing social, environmental, political 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.
- Maintaining and reviewing registers of both key corporate risks and linking them to strategic business objectives and along with all operational risks, assigning ownership of each risk.
- Developing and maintaining a risk aware culture across the council
- Systematically and proactively identifying strategic and operational risks and prioritisation or resource at the overall authority-wide, service and activity levels.
- Providing regular, valued reports to members, management teams on the authority’s key risks including emergent risks.
- Embedding risk management in its corporate business processes including:-

- Strategic/Financial Planning
- Policy making and review
- Performance/Project management
- Partnership working
- Including a risk assessment in Board reports to support strategic policy decisions and project initiation documents
- Considering positive risks (opportunities) as well as negative risks (threats) in relation to its business planning.

## 4. APPROACH

### 4.1 Risk Treatment

There are 4 basic ways of treating risk:-

- **Avoidance** – deciding not to continue or proceed with the activity in view of the level of risks involved, wherever possible. (Note: statutory requirements cannot be avoided)
- **Transfer** – which involves another party bearing or sharing the risk, a typical example is the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged)
- **Control** – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary
- **Acceptance** – certain risks cannot be adequately treated by avoidance, transfer or control. In such cases, there is no alternative but for the Council to accept the residual ('remaining') risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the service's (and where appropriate Corporate) Risk Register, and subject to regular review.

### 4.2 Framework

The Council maintains a Strategic Risk Register (SRR) and Operational Risk Registers (ORR) that details the:

- Risk and Impact that could happen if the hazard or event should occur
- Actions which have been taken to mitigate the risk.
- Current risk score – a score to show the likelihood of the hazard/event occurring after actions have been taken to mitigate the risk.
- Further actions planned to reduce the risks.
- Post mitigated risk score (i.e. after treatment) – a score to show the risk level when further actions have been taken to mitigate the risk.
- All risks will be assigned risk owners.
- All actions will be assigned target dates for completion and action owners.

## 5. ROLES AND RESPONSIBILITIES

The Council recognises that it is the responsibility of all elected members and employees to have due regard for risk in performing their duties. The key roles within the risk management framework are as follows: -

### 5.1 Elected Members

Have a responsibility to:-

- Understand the strategic risks faced by the authority.
- Oversee the effective management of these risks by officers.
- Ensure that risks have been considered in decision-making
- Agree the Risk Management Policy and review its effectiveness

## **5.2 The Chief Executive and Council Management Team (CMT)**

Have overall responsibility for risk management and will be involved in the identification and effective management of strategic risk in line with the agreed Risk Management Policy including a six-monthly review of the Strategic Risk Register and that the management of risk is within the council's risk appetite.

## **5.3 The Corporate Risk Management Group (CRMG)**

The role of the group is as a facilitating group which will be the focal point for the co-ordinating and the developing of good practice on all aspects of risk management focussing on strategic, operational and cross cutting issues.

Membership of the group will include 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 group will review both Strategic and Operational Risk Register to ensure that these are scored and managed appropriately. The success and implementation of risk management measures will be monitored and reported to Elected Members and CMT and will arrange for the dissemination of information and advice to achieve better risk management throughout the organisation.

## **5.4 Internal Audit**

Is responsible for:-

- undertaking audits of the Council's Risk Management system and procedures in order to assess their effectiveness and compliance with the Council's requirements as part of Corporate Governance process
- making recommendations to improve the effectiveness of risk management within the Council

## **5.5 Service Unit Managers and their Staff**

Service Unit Managers will ensure that risk management is discussed, understood and complied with within their units and that operational risks are being identified, evaluated and managed effectively in line with the risk management strategy and that operational risk registers are regularly reviewed and updated.

## **6. MONITORING**

- The Chief Executive and CMT will receive reports from the CRMG twice each year on how the implementation of the Strategy and Action Plan is progressing.
- CRMG will review the Action Plan and the Strategic Risk Register twice yearly alternating with the CMT review. CRMG will invite Line Managers to present their Operational Risk Registers periodically to the group.
- Standards & Governance Committee will receive 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 will receive the Annual Governance Statement outlining the adequacy of risk management and internal control throughout Gosport Borough council as part of the overall governance process.

## **7. REVIEW**

This policy will be subject to annual review. The Standards & Governance Committee will formally approve this Risk Management Policy each year.

**Risk Rating Card – Strategic Levels**

SCALE					
Probability	Very Unlikely	Unlikely	May Happen	Likely	Almost Certain
	Not likely to occur in a 10 year period (1%-5%)	Not likely to occur in a 5 year period (6% - 40%)	Likely to occur once or twice within a 5 year period (41%-60%)	Likely to occur three or more times within a 5 year period (61%-95%)	Has already occurred this year/ likely to occur within the next year (96%-100%)
Value	1	2	3	4	5

			Very Low	Low	Medium	High	Very High
Value			1	2	3	4	5
IMPACTS	FINANCIAL EFFECTS £ (Materiality, effect on reserves)		<£10,000	>£10,000	>£50,000	>£100,000	>£250,000
	NON-FINANCIAL EFFECTS	EFFICIENCY AND SERVICE DELIVERY	No effect on process	Minor effect on process	Major effect on process	Partial breakdown of process	Complete breakdown of process
		LEGAL	No legal implications	Minor legal implications within the Authority	Major legal implications within the Authority  Court hearing (GBC wins)	Major legal implications external to the Authority  Court hearing (GBC loses)	Sued by individual/business
		PHYSICAL	No treatment required	Basic First Aid treatment	Hospital visit required	Major injury	Fatality
		IT/ TECHNOLOGICAL	No effect BC/DRP in place and tested	Minor effect BC/DRP in place but hasn't been tested	Major effect BC/DRP in place but out of date	Partial Breakdown Developing BC/DRP	Complete breakdown No BC/DRP in place
		REPUTATION	No media attention/minor letters	Minor Local publicity	Adverse Local publicity	Adverse National publicity	Remembered for years!

