



Borough of Tamworth

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## AUDIT AND GOVERNANCE COMMITTEE

5 February 2020

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 13th February, 2020 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal line that tapers to a point on the right.

**CHIEF EXECUTIVE**

### A G E N D A

#### NON CONFIDENTIAL

- 1 **Minutes of the Previous Meeting** (Pages 5 - 8)
- 2 **Apologies for Absence**
- 3 **Declarations of Interest**

*To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.*

*When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.*

**4 Update from External Auditors**

*To receive an update*

**5 Fee Increase Letter (Pages 9 - 12)**

*(Report of the External Auditors)*

**6 Audit Plan (Pages 13 - 30)**

*(Report of the External Auditors)*

**7 Regulation of Investigatory Powers Act 2000 (Pages 31 - 34)**

*(Report of the Assistant Director Partnerships)*

**8 Risk Management Quarterly Update (Pages 35 - 82)**

*(Report of the Assistant Director Finance)*

**9 Internal Audit Update report 2019/20 (Quarter 3) (Pages 83 - 96)**

*(Report of the Head of Audit & Governance and Monitoring Officer)*

**10 Audit Committee Effectiveness (Pages 97 - 102)**

*(Report of the Head of Audit & Governance and Monitoring Officer)*

**11 Audit and Governance Committee Timetable (Pages 103 - 108)**

*(Discussion Item)*

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**Access arrangements**

*If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail [democratic-services@tamworth.gov.uk](mailto:democratic-services@tamworth.gov.uk). We can then endeavour to ensure that any particular requirements you may have are catered for.*

## **Filming of Meetings**

*The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.*

*The Protocol requires that no members of the public are to be deliberately filmed. Where possible, an area in the meeting room will be set aside for videoing, this is normally from the front of the public gallery. This aims to allow filming to be carried out whilst minimising the risk of the public being accidentally filmed.*

*If a member of the public is particularly concerned about accidental filming, please consider the location of any cameras when selecting a seat.*

## **FAQs**

*For further information about the Council's Committee arrangements please see the FAQ page [here](#)*

To Councillors: M Summers, M Bailey, C Cooke, J Faulkner, M Oates, S Pritchard and  
P Thurgood

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**MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD ON 24th OCTOBER 2019**

**PRESENT:** Councillor M Summers (Chair), Councillors M Bailey (Vice-Chair),  
C Cooke, J Faulkner, M Oates and P Thurgood

**Officers** Stefan Garner (Executive Director Finance), Lynne  
Pugh (Assistant Director Finance), Zoe Wolicki  
(Assistant Director People) and Rebecca Neill (Head of  
Audit & Governance and Monitoring Officer)

**Visitors** Laurelin Griffiths

**27 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 25<sup>th</sup> July 2019 were approved and signed as  
a correct record.

*(Moved by Councillor J Faulkner and seconded by Councillor M Oates)*

**28 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor M Greatorex

**29 DECLARATIONS OF INTEREST**

There were no declarations of Interest.

**30 ANNUAL AUDIT LETTER 2018/19**

The Annual Audit Letter 2018/19 of Grant Thornton (External Auditor) was  
considered.

**RESOLVED:** That Members;

Endorsed the Annual Audit Letter for Tamworth  
Borough Council.

*(Moved by Councillor M Bailey and seconded by  
Councillor C Cooke)*

**31 REVIEW OF THE ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2018/19**

The Executive Director Finance provided an overview of the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2018/19 approved by Council on 10<sup>th</sup> September 2019.

**RESOLVED** That Members  
  
Considered the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2018/19, as detailed at Annex 1 and proposed minor amendments to be included in future reports

*(Moved by Councillor J Faulkner and seconded by Councillor C Cooke)*

**32 RISK MANAGEMENT QUARTERLY UPDATE**

The Assistant Director Finance reported on the Risk Management process and progress to date for the current financial year.

**RESOLVED** That Members,  
  
Endorsed the Corporate Risk Register

*(Moved by Councillor P Thurgood and seconded by Councillor M Bailey)*

**33 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW 2018/19**

The Assistant Director People advised the Committee of the contents of the Local Government and Social Care Ombudsman's (LGSCO) Annual Report Letter for the year ended 31<sup>st</sup> March 2019 in relation to complaints against the Council.

**RESOLVED** That Members;  
  
Endorsed the Annual Review Letter and summary of complaints, enquiries and decisions made as attached at Appendix 1 and wished to place on record their thanks to all of the staff at Tamworth Borough Council.

*(Moved by Councillor M Summers and seconded by Councillor M Oates)*

**34 REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Assistant Director Partnerships updated the Committee on the Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000.

**RESOLVED** That Members

Endorsed the RIPA monitoring report for the quarter to 30 September 2019 circulated for information.

*(Moved by Councillor M Summers and seconded by Councillor M Bailey)*

**35 INTERNAL AUDIT UPDATE REPORT - QUARTER 2**

The Head of Audit and Governance & Monitoring Officer reported on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the second quarter of 2019/20, which provided Members with assurance of the operation of the Internal Audit function and enabled any particularly significant issues to be brought to the Committee's attention.

**RESOLVED** That Members;

Considered the attached report and endorsed the proposed revised system for 'follow up' of audit recommendations

*(Moved by Councillor M Summers and seconded by Councillor P Thurgood)*

**36 COUNTER FRAUD UPDATE**

The Head of Audit and Governance & Monitoring Officer provided Members with an update of counter fraud work completed to Quarter 2 of the 2019/20 financial year.

**RESOLVED** That Members;

Noted this report and endorsed the latest fraud action plan at **Appendix 1** and fraud risk register at **Appendix 2**.

*(Moved by Councillor M Bailey and seconded by Councillor C Cooke)*

**37 REVIEW OF THE COUNTER FRAUD AND CORRUPTION POLICY STATEMENT, STRATEGY AND GUIDANCE NOTES AND WHISTLEBLOWING POLICY**

The Head of Audit and Governance & Monitoring Officer sought members' approval to the refreshed counter fraud and corruption policy statement, strategy and guidance notes and whistleblowing policy.

**RESOLVED** That Members

Approved the refreshed counter fraud and corruption policy statement, strategy and guidance notes and whistleblowing policy and delegated authority to the Head of Audit & Governance to make minor amendments to these policies should they arise

*(Moved by Councillor J Faulkner and seconded by Councillor M Bailey)*

**38 REVIEW OF ANTI MONEY LAUNDERING POLICY**

The Head of Audit and Governance & Monitoring Officer sought Members approval to the refreshed anti-money laundering policy.

**RESOLVED** That Members,

Approved the refreshed anti-money laundering policy and delegated authority to the Head of Audit & Governance to make minor amendments to this policy should the need arise

*(Moved by Councillor J Faulkner and seconded by Councillor M Bailey)*

**39 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE**

The Committee reviewed the timetable.

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Chair





**Grant Thornton**

An instinct for growth™

Our ref:  
Your ref:

Stefan Garner  
Executive Director Finance  
Tamworth Borough Council  
Marmion House  
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15 January 2020

Dear Stefan

**Audit scope and additional work 2019/20**

In recent conversations, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *“significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.”*

I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general ‘raising of the quality bar’ following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Council’s audit.

**Increased challenge and depth of work – raising the quality bar**

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

#### **Property, plant and equipment (PPE or 'Fixed Assets')**

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.

#### **Pensions (IAS 19)**

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority.
- checking the value of the Pension Fund Assets at 31 March per the Council's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers.

- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process).

#### **Complex accounting issues and new accounting standards**

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

#### **Impact on the audit and associated costs**

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Cost £		
	2019/20	2018/19	2017/18
Increased challenge and depth of work	2,500	NIL	NIL
PPE	1,750	1,500	NIL
Pensions	1,750	3,000	NIL
New standards/ developments	1,500	NIL	NIL
<b>Total</b>	<b>7,500</b>	<b>4,500</b>	<b>NIL</b>

This would give a scale fee for the statutory accounts audit for 2019/20 of £38,375 plus VAT plus a variation of £7,500 plus VAT.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the

further work we are planning to undertake on our delivery timetable for your audit, which at this stage is planned to be delivered by 31 July 2020.

**Future changes to audit scope**

As I have previously mentioned in meetings and at the audit and risk committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely



**Mark C Stocks**  
**Engagement Lead and Key Audit Partner**

For and on behalf of Grant Thornton UK LLP

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

# Indicative External Audit Plan

*Year ending 31 March 2020*

Tamworth Borough Council  
January 2020

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# DRAFT



Your key Grant Thornton  
team members are:

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

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Tamworth Borough Council ('the Authority') for those charged with governance. It is subject to the completion of our planning work.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Tamworth Borough Council. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

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## Significant risks

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Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.1m (PY £1.1m) for the Authority, which equates to 1.95% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £55k (PY £55k).

## Value for Money arrangements

Our value for money risk assessment remains in progress. However, based on the assessment completed to date, we do not anticipate any significant VFM audit risks that will impact the audit for 2019-20.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

## Audit logistics

Our interim visit will take place in January and February 2020 and our final visit will take place in June and July 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £45,875 (PY: £42,875) for the Authority, subject to the Authority meeting our requirements set out on page 13.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

## 2. Key matters impacting our audit

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### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

The Council developed a 3 Year Medium Term Financial Strategy for the General Fund for 2019/20 and is currently forecasting that it will deliver its planned budget position for 2019/20.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Financial Statements

We have commenced our detailed planning for 2019/20 and have started the process of meeting with your Executive team. We have started initial discussion around key risk areas including valuation of HRA dwellings and disclosure requirements around IFRS 16.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Executive Director Finance and is subject to PSAA agreement.
- We continue to liaise with your finance team on a regular basis in order to ensure key risks areas are kept under appropriate consideration.



### 3. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Tamworth Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for Tamworth Borough Council.</p>
<p><b>Management over-ride of controls</b></p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

### 3. Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings (Rolling revaluation)</b></p>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis, and investment properties every year.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£236 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>The council are currently considering their approach to the revaluation of their housing stock. We will finalise our response when the approach has been confirmed.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register and accounted for correctly; and</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

### 3. Significant risks identified

# DRAFT

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of the pension fund net liability</b></p>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£50.8 million, in 2018-19, in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

## 4. Other risks identified

# DRAFT

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</b>	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements; and</li> <li>Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC <a href="#">Local Authority Leasing Briefings</a>.</li> </ul>
<p>Page 20</p>	<p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

## 5. Other matters

# DRAFT

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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### Other material balances and transactions

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

### Going concern

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

## 6. Materiality

# DRAFT

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

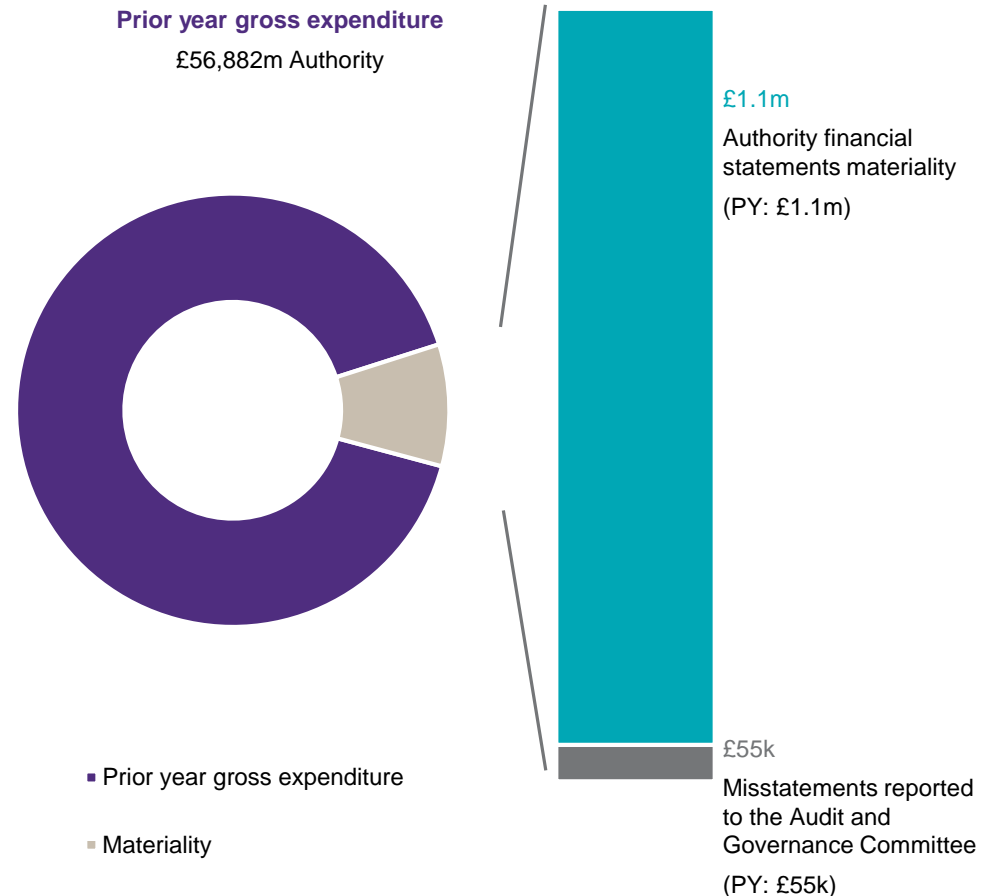
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.1m (PY £1.1m) for the Authority, which equates to 1.95% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for the disclosure of Senior officer remuneration.

We do not consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £55k (PY £55k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



# 7. Value for Money arrangements

# DRAFT

## Background to our VFM approach

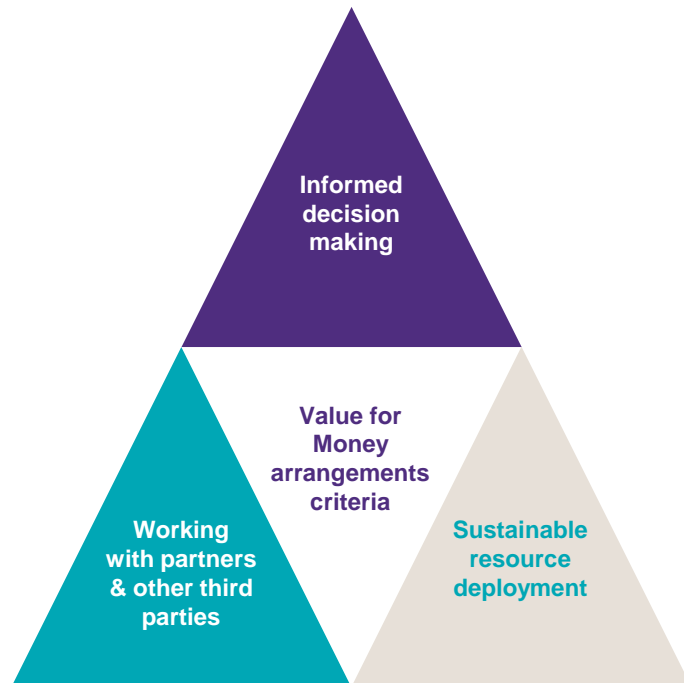
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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

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## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Financial Sustainability

The Council developed a 3 Year Medium Term Financial Strategy for the General Fund for 2019/20 and is currently forecasting that it will deliver its planned budget position for 2019/20.

However, the medium term financial planning process is challenging due to the uncertainty over future local government funding arrangement as well as uncertain economic conditions. The longer-term reforms for the local government finance system, including business rates retention and fairer funding have been delayed until 2021/22 and the Council recognises the significant risk that these reforms, including the planned Business Rates Reset, will have a significant effect on the Council's funding level from 2021/22.

The Council's draft Budget and Medium Term Financial Strategy 2020/21 to 2024/25 is based on a maximum council tax increase for 2020/21 followed by increases thereafter in line with statutory requirements. The forecast projects General Fund balances of £0.5m over 3 years (with a shortfall of £6.9m over 5 years), including the minimum approved level of £0.5m. In order to ensure General Fund balances remain above the minimum approved level of £0.5m over 5 years further savings of around £1.4m p.a. will be required (based on annual £5 increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.5m over 5 years.

Our value for money risk assessment remains in progress. However, based on the assessment completed to date, we do not anticipate any significant VFM audit risks that will impact the audit for 2019-20.

We will keep the Audit & Governance Committee updated with our assessment.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

## 8. Audit logistics & team

# DRAFT



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### Mark C Stocks, Key Audit Partner

Mark's role will be lead to our relationship with you and be a key contact for the s151 Officer and the Audit and Governance Committee. Mark will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority as well as ensuring that Grant Thornton's full service offering is at your disposal.



### Javed Akhtar, Audit Manager

Javed's role will be to manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority.



### Aaron K Smallwood, Audit Incharge

Aaron's role will be the day to day contact for the Authority's finance staff, will take responsibility for ensuring there is effective communication and understanding by finance of audit arrangements. Aaron will focus on the on the technical matters raised by you throughout the audit.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



## 9. Audit fees

# DRAFT

### Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Executive Director Finance and is subject to PSAA agreement.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£49,838	£42,875	£45,875
<b>Total audit fees (excluding VAT)</b>	<b>£49,838</b>	<b>£42,875</b>	<b>£45,875</b>

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

# DRAFT

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	38,375	
<b>Raising the bar</b>	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
<b>Pensions – valuation of pension liabilities under International Auditing Standard (IAS)</b>	1,750	<p>The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.</p> <p>Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.</p>
<b>PPE Valuation – work of experts</b>	1,750	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
<b>New Standards</b>	1,500	<p>You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.</p> <p>We know the Authority has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.</p>
<b>Revised scale fee (to be approved by PSAA)</b>	<b>£45,875</b>	

# 10. Independence & non-audit services

# DRAFT

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

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Service	£	Threats	Safeguards
<b>Audit related:</b>			
Housing Benefit subsidy certification	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £45,875 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related:</b>			
N/A	-	N/A	N/A

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

# Appendices

**DRAFT**

A. Audit Quality – national context

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# Appendix A: Audit Quality – national context

# DRAFT

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Audit and Governance Committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

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**AUDIT & GOVERNANCE COMMITTEE**  
**13 FEBRUARY 2020**  
**REPORT OF THE ASSISTANT DIRECTOR – PARTNERSHIPS**  
**REGULATION OF INVESTIGATORY POWERS ACT 2000**

## **Purpose**

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

Report for information

## **Recommendation**

That Audit and Governance Committee endorse the RIPA monitoring report for the quarter to 31 December 2019 circulated for information.

## **Executive Summary**

The Council has a number of statutory functions that involve officers investigating the conduct of others with a view to bringing legal action against them. The Council has also been given powers under the Regulation of Investigatory Powers Act 2000 (RIPA) which enable it to carry out Directed Surveillance in certain strict circumstances. RIPA provides a legal framework for the control and regulation of surveillance and information gathering techniques which public bodies such as Tamworth Borough Council have to comply with. These powers have been amended and changed in accordance with various pieces of legislation. The last change resulted in a revised RIPA Policy being approved by the Council on 12 December 2017.

The Protection of Freedoms Act 2012 now requires that local authority authorisations under RIPA for Directed Surveillance or CHIS can only become effective on the granting of an order approving the authorisation by a Justice of the Peace. Further a local authority can now only have an authorisation under RIPA for the use of Directed Surveillance where the local authority is investigating criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco under the Licensing Act 2003 or the Children and Families Act 2014.

No Directed Surveillance has been carried out by the Council since 2011 and it is not envisaged that there will be any appreciable change in the foreseeable future. By adhering to Policy the Council ensure that the acquisition and disclosure of data is lawful, necessary and proportionate so that the Council will not be held to be in breach of Article 8 (the right to respect for private family life, home and correspondence ) of the European Convention on Human Rights.

In July 2017 the Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training utilised at the Council. Arising from the inspection it has been recommended that guidance regarding use of internet and SNS for research of persons and how this might meet the requirement as directed surveillance or CHIS should be drawn up, inserted into our policy and procedures and actively disseminated to staff.

Training took place in October 2017 for officers who previously had no RIPA training and for members with refresher training being delivered for those officers previously trained. Further training will be arranged through Netconsent. The feedback from the training has been positive and going forward training for RIPA has been added to the Corporate Training Programme.

Further update training was provided to members of the Corporate Management Team in January 2019 and guidance around the use of social media is being updated..

The RIPA Policy is currently being reviewed with an update to the Social media powers.

The practice that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee will continue for information only unless applications or other major legal changes have been made.

### **Options Considered**

Obligations arising under RIPA for the authority are statutory therefore there the only option is compliance.

### **Resource Implications**

Support for the RIPA obligations and functions are met from existing budget and existing staff resources.

### **Legal/Statutory and Risk Implications**

The recording of applications, authorisations, renewals and cancellations of investigations using covert surveillance techniques or involving the acquisition of communications data is covered by the Regulation of Investigatory Powers Act 2000.

The Regulation of Investigatory Powers Act was introduced to regulate existing surveillance and investigation in order to meet the requirements of Article 8 of the Human Rights Act. Article 8 states: Everyone has the right for his private and family life, home and correspondence. There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the Country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.



RIPA investigations can only be authorised by a local authority where it is investigating criminal offences which

- (1) attract a maximum custodial sentence of six months or more or
- (2) relate to the sale of alcohol or tobacco products to children.

There are no risk management or Health and Safety implications.

## **Sustainability Implications**

The legislation requires the Authority to record and monitor all RIPA applications, keep the records up to date and report quarterly to a relevant Committee.

## **Background Information**

The RIPA Code of Practice produced by the Home Office in April 2010 and updated in January 2016 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the period from 1 July – 30 September 2019

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where an investigation is ongoing at the end of a quarterly period it will not be reported until the authorisation has been cancelled. At the end of the current quarterly period there were no outstanding authorisations.

There have been no authorisations for the use of CHIS.

## **Financial Year 2019/20**

No applications to 31 December 2019.

## **Background Papers**

None

*If Members would like further information or clarification prior to the meeting please contact Jo Sands, Assistant Director - Partnerships on Ext.585*

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## AUDIT AND GOVERNANCE COMMITTEE

Thursday, 13th February 2020

### REPORT OF THE ASSISTANT DIRECTOR FINANCE

#### RISK MANAGEMENT QUARTERLY UPDATE

#### EXEMPT INFORMATION

None

#### PURPOSE

To report on the Risk Management process and progress to date for the current financial year.

#### RECOMMENDATIONS

**That the Committee endorses the Corporate Risk Register**

#### EXECUTIVE SUMMARY

One of the functions of the Audit & Governance Committee is to monitor the effectiveness of the authority's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. Corporate risks are identified and managed and monitored by the Corporate Management Team (CMT) on a quarterly basis.

Following the recent organisation changes a review is currently underway to ensure that the flow of risk information from the strategic level through to the operational level and back reflects the corporate risks and objectives. It is also expected that we will be able to show the strategic nature of the risks across service units.

The risk review previously reported has been delayed to resourcing issues, this work is now being progressed. It is expected that a revised reporting format will be available the second quarter of the 20/21 financial year. The revised format will be more focussed and demonstrate clear actions with a timeframe to address each risk.

In the interim period the risks are still being monitored and mitigation steps progressed. Note risk code CPR1920 1.5 showing a number of measures as completed. The Brexit risk has also 'firmed up' following the UK leaving the EU on the 31<sup>st</sup> of January this year. The impact of Brexit will be monitored and the impact assessed as we progress through the transition period.

Corporate risks have been assigned to relevant members of the Corporate Management Team. Through regular review, risks may be added or removed from the Corporate Risk Register. The summary of the current Corporate Risk Register is attached as **Appendix 1** and the detailed for information is attached as **Appendix 2**.

## **RESOURCE IMPLICATIONS**

None

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

None

## **SUSTAINABILITY IMPLICATIONS**

None

## **BACKGROUND INFORMATION**

None

## **REPORT AUTHOR**

Lynne Pugh, Assistant Director Finance, ex 272

## **LIST OF BACKGROUND PAPERS**

None

## **APPENDICES**

**Appendix 1 Summary Corporate Risk Register**











**Appendix 2 Detailed Corporate Risk Register**

# Corporate Risk Register 2019/20

Generated on: 04 February 2020







Title	Description
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Finance To ensure that the Council is financially sustainable as an organisation

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Funding gaps		12 major – likely		9 serious–likely	17-Jan-2020
Business Rates Retention		12 major – likely		9 serious–likely	17-Jan-2020
New Homes Bonus		9 serious–likely		6 serious–unlikely	17-Jan-2020
Welfare and Benefit Reform		12 serious – very likely		9 serious–likely	17-Jan-2020
Failure to manage budgets		12 major – likely		6 serious–unlikely	17-Jan-2020

Title	Description
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Modernisation & Commercialisation Agenda Develop and implement continuous improvement and develop employees to perform the right work

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Contract Management & Procurement		6 serious–unlikely		4 significant–unlikely	17-Jan-2020
Management of Assets		6 significant–likely		4 significant–unlikely	30-Jan-2020
New Revenue Streams		12 serious – very likely		9 serious–likely	17-Jan-2020



Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Workforce Planning Challenges		9 serious-likely		6 serious-unlikely	11-Jan-2020
Continuous Improvement		6 serious-unlikely		4 significant-unlikely	11-Jan-2020
Partnerships fail		9 serious-likely		6 serious-unlikely	30-Jan-2020





Title	Description
Governance	Ensure that processes, policies and procedures are in place and the authority is held to account

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Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Democratic Process		9 serious-likely		9 serious-likely	11-Jan-2020
Assurance Process		9 serious-likely		6 significant-likely	30-Jan-2020
Legislation		12 serious - very likely		6 serious-unlikely	11-Jan-2020
Policies & Procedures		12 serious - very likely		6 serious-unlikely	30-Jan-2020
Ethics		12 serious - very likely		4 significant-unlikely	30-Jan-2020







Title	Description
Community Focus	To ensure the safety, health and wellbeing of the citizens of the borough

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Community Cohesion & Engagement		12 serious - very likely		9 serious-likely	29-Jan-2020

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Safeguarding Children & Adults (including Modern Slavery)		12 major – likely		6 significant–likely	30-Jan-2020
Emergency Planning		12 major – likely		6 serious–unlikely	30-Jan-2020







Title	Description
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Economic Growth & Sustainability	To ensure that the economic growth and sustainability of the borough is maintained
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Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Regeneration		12 serious – very likely		9 serious–likely	30-Jan-2020
Housing Needs		12 serious – very likely		9 serious–likely	29-Jan-2020
Economic Changes		12 major – likely		9 serious–likely	30-Jan-2020

Title	Description
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Information Safeguarding	To ensure that our data is protected
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Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Data Protection and information Safeguarding		16 major – very likely		12 major – likely	11-Jan-2020
Cyber Security		12 major – likely		8 major – unlikely	11-Jan-2020
Business Continuity		12 major – likely		9 serious–likely	29-Jan-2020

Title	Description
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Title	Description
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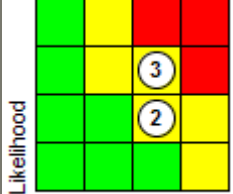
Brexit                      The Impact of Brexit upon the Council


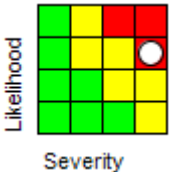
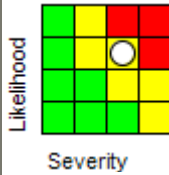
Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Financial		16 major - very likely		16 major - very likely	30-Jan-2020
The Impact of Brexit upon the Council		16 major - very likely		16 major - very likely	30-Jan-2020




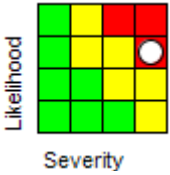
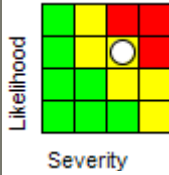
# Corporate Risk Register 2019/20


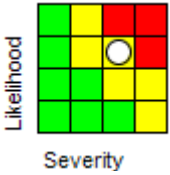
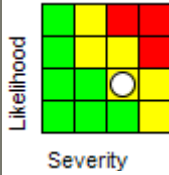
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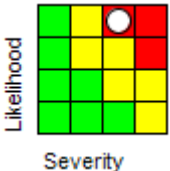
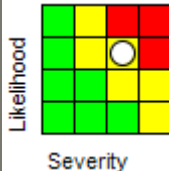
<b>Risk Code</b>	CPR1920 1	<b>Risk Title</b>	Finance	<b>Current Risk Status</b>	
<b>Description of Risk</b>	To ensure that the Council is financially sustainable as an organisation			<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					


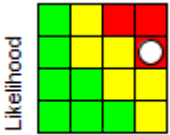
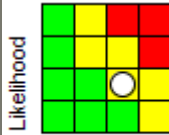
<b>Risk Code</b>	CPR1920 1.1	<b>Risk Title</b>	Funding gaps	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>			
<b>Gross Risk Score</b>	12	Medium term financial strategy in place - approved annually	<b>Current Risk Matrix</b>		
<b>Gross Severity</b>	4	Quarterly healthcheck to CMT / Cabinet including MTFS update	<b>Current Risk Score</b>	9	
<b>Gross Likelihood</b>	3	Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels	<b>Current Severity</b>	3	
<b>Gross Risk Review Date</b>	29-Mar-2019	Monitoring of the situation / regular reporting	<b>Current Likelihood</b>	3	
		A robust & critical review of savings proposals is required / undertaken before inclusion within the forecast	<b>Last Risk Review Date</b>	17-Jan-2020	
<b>Consequences</b>	<p>Inability to plan long term due to uncertainty over future Local Government funding arising from the Fair Funding Review, the planned business rates reset and the revised business rates retention scheme from 2021/22.</p> <p>Announcements as part of Spending Round 2019 that the Review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset will be now be reviewed as part of the Comprehensive Spending Review now planned for 2020 for 2021/22.</p> <p>There is a high risk that this will have a significant effect on the Council's funding level.</p> <p>Increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities.</p> <p>Shortfall in DFG grant funding / impact on General Fund revenue</p>				


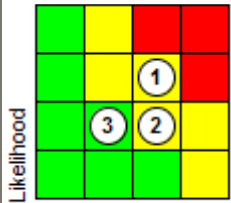
<p><b>Vulnerabilities/causes</b></p>	<p>Austerity cuts/Major variances to the level of grant/subsidy</p> <p>Business rates retention – deferral of the 75% retention of business rates from 2020/21 to 2021/22 (rather than 100% as previously planned).</p> <p>Review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) together with the Spending Review 2019 - which was planned to take effect from 2020/21.</p> <p>Announcements as part of Spending Round 2019 that the Review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset will be now be reviewed as part of the Comprehensive Spending Review now planned for 2020 for 2021/22.</p> <p>In addition, the next planned national <b>Business Rates Revaluation</b> will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a <b>centralised system for business rate appeals</b> at the same time to cover future changes arising from the 2021 valuation list</p> <p>Non achievement/delivery of substantial savings</p> <p>Review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance has been carried out by DCLG - however, planned CIPFA review of Prudential code may lead to a potential restriction of investments by Councils given increased risk exposure.</p> <p>Disabled Facilities Grants - increased demand / costs not in line with grant levels impacting on other funding sources, uncertainty over funding.</p>
<p><b>Risk Notes</b></p>	

<b>Risk Code</b>	CPR1920 1.2	<b>Risk Title</b>	Business Rates Retention	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>			
<b>Gross Risk Score</b>	12	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue	<b>Current Risk Matrix</b>		
<b>Gross Severity</b>	4	Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels	<b>Current Risk Score</b>	9	
<b>Gross Likelihood</b>	3		<b>Current Severity</b>	3	
<b>Gross Risk Review Date</b>	29-Mar-2019	Prudent approach to forecasting of Government Funding (NNDR/RSG/New Homes Bonus) post 2021/22 - including redistribution of growth in business rates since 2013	<b>Current Likelihood</b>	3	
<b>Last Risk Review Date</b>				17-Jan-2020	
<b>Consequences</b>	Reduced levels of business rates income and impact on MTFS				
<b>Vulnerabilities/causes</b>	<p>Uncertainty over level of appeals following 2017 Revaluation and implementation of new approach to 'Check, Challenge and appeal'  Impact on collection levels  Uncertainty / changes in S31 grants  Void property levels  Uncertainty due to:</p> <p>Business rates retention – deferral of the 75% retention of business rates from 2020/21 to 2021/22 (rather than 100% as previously planned).</p> <p>Review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) together with the Spending Review 2019 - which was planned to take effect from 2020/21.</p> <p>Announcements as part of Spending Round 2019 that the Review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset will be now be reviewed as part of the Comprehensive Spending Review now planned for 2020 for 2021/22.</p> <p>In addition, the next planned national <b>Business Rates Revaluation</b> will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a <b>centralised system for business rate appeals</b> at the same time to cover future changes arising from the 2021 valuation list</p>				
<b>Risk Notes</b>					


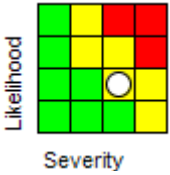
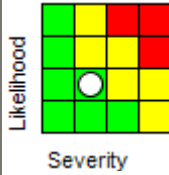
<b>Risk Code</b>	CPR1920 1.3	<b>Risk Title</b>	New Homes Bonus	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>			
<b>Gross Risk Score</b>	9	Given uncertainty over the review of the distribution methodology, the 'Fair Funding Review' as well as the planned Spending Review 2019 - which was planned take effect from 2020/21 a revised risk based approach was introduced in 2018 for 2019/20 onwards.	<b>Current Risk Matrix</b>		
<b>Gross Severity</b>	3		<b>Current Risk Score</b>	6	
<b>Gross Likelihood</b>	3		<b>Current Severity</b>	3	
<b>Gross Risk Review Date</b>	29-Mar-2019		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>		Announcements as part of Spending Round 2019 that NHB scheme will be reviewed as part of the Comprehensive Spending Review now planned for 2020 - also, legacy funding for the 4 years to 2019/20 will be paid, as well as continuation of the scheme for 2020/21 only. New payments from 2020/21 onwards will not be guaranteed pending the review.	<b>Last Risk Review Date</b>	17-Jan-2020	
<b>Consequences</b>	Reduced levels of New Homes Bonus grant funding & Growth in Council tax Income				
<b>Vulnerabilities/causes</b>	Uncertainty over the ongoing funding for the <b>New Homes Bonus scheme</b> , local growth in housing numbers and share of the national pool (including potential increases to the 'deadweight' for which Council's no longer receive grant). Deadweight confirmed unchanged at 0.4% for 2020/21. Announcements as part of Spending Round 2019 that NHB scheme will be reviewed as part of the Comprehensive Spending Review now planned for 2020 - also, legacy funding for the 4 years to 2019/20 will be paid, as well as continuation of the scheme for 2020/21 only. New payments from 2020/21 onwards will not be guaranteed pending the review				
<b>Risk Notes</b>					


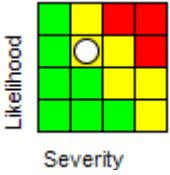
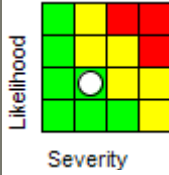
<b>Risk Code</b>	CPR1920 1.5	<b>Risk Title</b>	Welfare and Benefit Reform	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Welfare and Benefit Reform			<b>Assigned To</b>	Rob Barnes; Stefan Garner; Tina Mustafa; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Proactive approach to management of Homelessness Proactive management & monitoring of corporate income levels i.e. council tax, business rates (monthly review of target achievement) & housing rent Extensive preparation including staff training Welfare reform group established to review approach to corporate debt and financial inclusion - Complete Independent health check developed HQN - Complete Regular CMT, Cabinet and Scrutiny Committee updates CAB approach post 1/4/19 now in place - Complete Corporate project group established - Complete Proactive identification and system of administrative issues with ministers and MPs - Complete		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>	29-Mar-2019			<b>Last Risk Review Date</b>	17-Jan-2020
<b>Consequences</b>	Reduced income / increased bad debts - forecasts adjusted Additional impact arising from increased need for services - eg homelessness Greater demand on 3rd sector and statutory agency services Additional resource requirement to meet demand				
<b>Vulnerabilities/causes</b>	Reduced income corporately due to welfare reform changes (including council tax support scheme and Universal Credit with further austerity measures from Welfare Reform Act 2015) - impact on council tax, rent income etc Implementation of Government policy at local level - Impact of universal Credit being assessed Household hardship PBS/ADS transferred to CAB from 1/4/19				
<b>Risk Notes</b>	Leader and scrutiny supported letters to DWP around the impact of Universal Credit Identified as a Corporate project 27/3/19 and risks being managed				


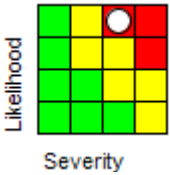
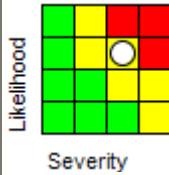
<b>Risk Code</b>	CPR1920 1.6	<b>Risk Title</b>	Failure to manage budgets	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to manage budgets			<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Budget planning & monitoring (Monthly report to CMT) Training Monthly budget monitoring meetings with Accountants and Managers Budget monitoring information available through Collaborative Planning (updated monthly) Annual review of unspent budgets feeds into budget setting process Training sessions for new manager rolled out in 2019 with more planned for 2020	<b>Current Risk Score</b>	6	
<b>Gross Severity</b>	4		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>	29-Mar-2019		<b>Last Risk Review Date</b>	17-Jan-2020	
<b>Consequences</b>	Cuts in front line service provision Quality of service declines Inability to meet on-going costs Budget overspends/underspends Reputational issues				
<b>Vulnerabilities/causes</b>	Lack of involvement / ownership by Managers Information not updated / provided on a regular basis				
<b>Risk Notes</b>					


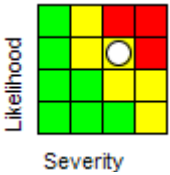
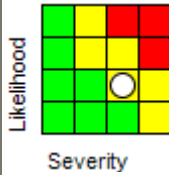
<b>Risk Code</b>	CPR1920 2	<b>Risk Title</b>	Modernisation & Commercialisation Agenda	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Develop and implement continuous improvement and develop employees to perform the right work		<b>Assigned To</b>		
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					




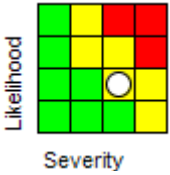
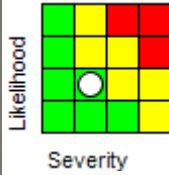
<b>Risk Code</b>	CPR1920 2.1	<b>Risk Title</b>	Contract Management & Procurement	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Contract Management & Procurement			<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	6	Procurement function Financial Guidance requirements / Contract standing orders in place Contracts review under GDPR legislation to ensure due diligence and obligations met Training for new managers rolled out in 2019 with more planned for 2020		<b>Current Risk Score</b>	4
<b>Gross Severity</b>	3		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	2		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>	29-Mar-2019		<b>Last Risk Review Date</b>	17-Jan-2020	
<b>Consequences</b>	Services not delivered Damage to reputation Loss of quality service High exit costs Efficiencies not gained Regulations not met				
<b>Vulnerabilities/causes</b>	Failure to meet service delivery expectations Partner has financial failure Service delivery collapses Third party supply chain failure Contractor/partner under performs Failure to assess and manage the risks arising from the use of third parties Benefit not realised				
<b>Risk Notes</b>					


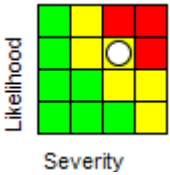
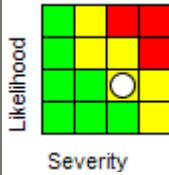
<b>Risk Code</b>	CPR1920 2.2	<b>Risk Title</b>	Management of Assets	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Management of Assets			<b>Assigned To</b>	Rob Barnes; Stefan Garner; Lynne Pugh; Paul Weston
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	6	Asset Strategy Steering Group in place qrtly meetings Asset register updated regularly Potential to purchase land in other districts for development (subject to Potential government restraints in the future)		<b>Current Risk Score</b>	4
<b>Gross Severity</b>	2			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	15-Jan-2019	Development of longer term Corporate Capital Strategy and Asset Management Planning including potential acquisition, investment and disposal Proactive approach to respond to emerging fire risk requirements i.e. High rise Flats Ensure programmes and projects are appropriately resourced.		<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Assets under utilised Income streams not maximised Decrease in asset value				
<b>Vulnerabilities/causes</b>	Assets not monitored Assets not maintained No land available for development opportunities				
<b>Risk Notes</b>					


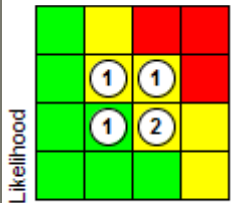
<b>Risk Code</b>	CPR1920 2.3	<b>Risk Title</b>	New Revenue Streams	<b>Current Risk Status</b>	
<b>Description of Risk</b>	New Revenue Streams			<b>Assigned To</b>	Stefan Garner; Lynne Pugh
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Monitoring of the situation / regular reporting Implementation of planned / potential investment and consequential income streams A robust & critical review of investment proposals is required / undertaken Develop commercial skills	<b>Current Risk Score</b>	9	
<b>Gross Severity</b>	3		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	4		<b>Current Likelihood</b>	3	
<b>Gross Risk Review Date</b>	29-Mar-2019		<b>Last Risk Review Date</b>	17-Jan-2020	
<b>Consequences</b>	Increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities				
<b>Vulnerabilities/causes</b>	Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term); Review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance has been carried out by DCLG - Cipfa currently reviewing the Prudential Code with a potential restriction of investments by Councils given increased risk exposure. From 9/10/19 PWLB increased the interest rates offered on new Public Works Loan Board by 1% on top of existing loans terms				
<b>Risk Notes</b>	Develop Commercial skills and action plan for commerciality				

<b>Risk Code</b>	CPR1920 2.4	<b>Risk Title</b>	Workforce Planning Challenges	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Workforce Planning Challenges			<b>Assigned To</b>	Anica Goodwin; Zoe Wolicki
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Service reviews as required Regular communication Regular ELT briefings Essential legislative/compliance/CPD Skills development HR policies and procedures reviewed Financial regulations/procedures Healthshield and occupational health Pre employment checks Gender pay reporting Regular updates with Trade Unions Workforce plan succession planning OD Strategy PDRs	<b>Current Risk Score</b>	6	
<b>Gross Severity</b>	3		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>	11-Jan-2020		<b>Last Risk Review Date</b>	11-Jan-2020	
<b>Consequences</b>	Strain on remaining staff Risk to service delivery Industrial action Increase in fraud Increase in grievances from staff Inability to align skill levels Pay and conditions below market conditions Increased absence rates Failure to manage change				
<b>Vulnerabilities/causes</b>	Staff become overloaded Low morale has impact on service delivery Industrial unrest Redundancy costs Failure to communicate effectively High sickness levels Leadership capacity insufficient to drive change & transformation Senior management review				


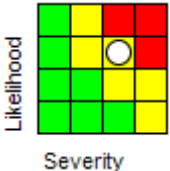
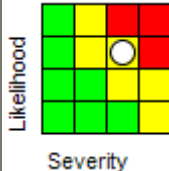
	Inequality Unable to recruit to essential vacant posts Inability to deliver key projects Key officers diverted to other new commitments
<b>Risk Notes</b>	No Changes

<b>Risk Code</b>	CPR1920 2.5	<b>Risk Title</b>	Continuous Improvement	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Continuous Improvement			<b>Assigned To</b>	Andrew Barratt; Anica Goodwin
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	6	Clear communications re change Robust policies and procedures Effective project management On-going transformational programmes Post Implementation Reviews Leadership Long term planning for continuous improvement clarity of strategies/ purpose Peer Challenge Membership of professional bodies Relationships with Members	<b>Current Risk Score</b>	4	
<b>Gross Severity</b>	3		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	2		<b>Current Likelihood</b>	2	
<b>Post Risk Review Date</b>	11-Jan-2020		<b>Last Risk Review Date</b>	11-Jan-2020	
<b>Consequences</b>	Change is not completed No strategic direction Inability to deliver key projects				
<b>Vulnerabilities/causes</b>	No clarity around responsibilities and accountabilities Lack of leadership Work overload				
<b>Risk Notes</b>	No changes				


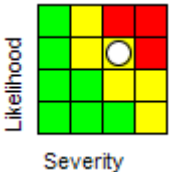
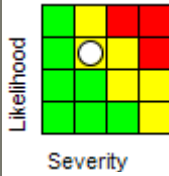
<b>Risk Code</b>	CPR1920 2.6	<b>Risk Title</b>	Partnerships fail	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Partnerships			<b>Assigned To</b>	Rob Barnes; Joanne Sands
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Regular partnership service meetings Engagement with service realignments Development of collaborative working TSP Partnership Coordination Group Development and delivery of shared plans and programmes		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	16-Oct-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Inability to provide service to the required level Loss of service Lack of skilled resources				
<b>Vulnerabilities/causes</b>	Partnerships fail Inability to provide resources to partnership service arrangements Service arrangements provided by other partners cease				
<b>Risk Notes</b>	No Changes				
	Partnership Co-ordination group established				


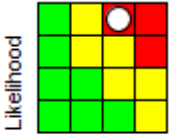
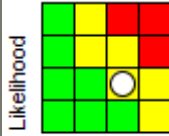
<b>Risk Code</b>	CPR1920 4	<b>Risk Title</b>	Governance	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Ensure that processes, policies and procedures are in place and the authority is held to account		<b>Assigned To</b>		
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					


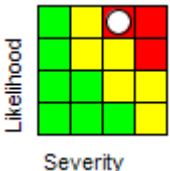
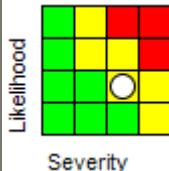



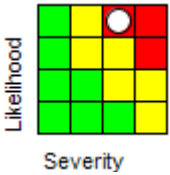
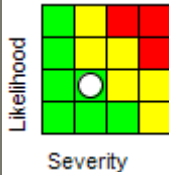
<b>Risk Code</b>	CPR1920 4.1	<b>Risk Title</b>	Democratic Process	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Democratic Process			<b>Assigned To</b>	Andrew Barratt; Anica Goodwin; Ryan Keyte; Rebecca Neill; Angela Struthers
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Regular review and update of Constitution Scheme of Delegation Forward plan and key decisions Meetings open to the public Training for Members Audit & Governance Committee including Standards Committee) Scrutiny Committees Constitution increased access to services increase use of technology Reference to 'Every Voice Matters' Member Induction		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	3
<b>Last Risk Review Date</b>	11-Jan-2020			<b>Last Risk Review Date</b>	11-Jan-2020
<b>Consequences</b>	Damage to reputation Legal challenge Damage to reputation Financial impact on poor decisions Increase of "call ins"				
<b>Vulnerabilities/causes</b>	Failure to match social and political expectations Failure to act on feedback Ultra vires decisions Lack of training/knowledge Lack of documented procedures Lack of commitment from officers and members Failure to understand key decisions, legal/governance requirements Inappropriate decision making Changes to political control Members resign from duties/as a member				
<b>Risk Notes</b>	No Change				


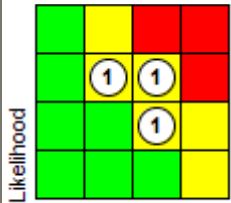



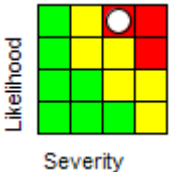
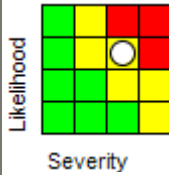
<b>Risk Code</b>	CPR1920 4.2	<b>Risk Title</b>	Assurance Process	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Assurance Process			<b>Assigned To</b>	Andrew Barratt; Stefan Garner; Rebecca Neill; <del>Angela Struthers</del>
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Internal Audit External Audit Audit & Governance Committee including Standards Committee Scrutiny Committees Annual Governance Statement & Managers Assurance Statements Corporate fraud officer Section 151 Officer Monitoring Officer Policies and procedures		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>	04-Sep-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Erosion in trust and confidence Reputational damage Lack of training/knowledge Lack of documented procedures Lack of commitment from officers and members Damage to reputation Increased demand for resources Poor inspection/audit comments				
<b>Vulnerabilities/causes</b>	Policies and procedures not followed Lack of resources Policies are not updated				
<b>Risk Notes</b>	No Change The risks have been reviewed by Andrew Barratt and he established that there are no changes to the Matrix required				

<b>Risk Code</b>	CPR1920 4.3	<b>Risk Title</b>	Legislation	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Legislation			<b>Assigned To</b>	Rob Barnes; Andrew Barratt; Stefan Garner; Anica Goodwin; Ryan Keyte
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Constitution & Scheme of Delegation with regular review and update Shared Legal Service Obligations under various legislation Monitoring of government reforms and changes in statute CPD Training Horizon Scanning consultation updates Membership of Professional Bodies Proactive monitoring of potential legislative changes and consultations		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	11-Jan-2020			<b>Last Risk Review Date</b>	11-Jan-2020
<b>Consequences</b>	Non-compliance with legal requirements Damage to reputation Prosecution, fines Legal challenge Ultra vires decisions				
<b>Vulnerabilities/causes</b>	Lack of training/knowledge Lack of documented procedures Lack of commitment from officers and members Non compliance with legislation Lack of resources Loss of key staff/members				
<b>Risk Notes</b>	No Change The risks have been reviewed by Andrew Barratt and he established that there are no changes to the Matrix required				

<b>Risk Code</b>	CPR1920 4.4	<b>Risk Title</b>	Policies & Procedures	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Policies & Procedures			<b>Assigned To</b>	Corporate Management Team; Rebecca Neill; Angela Struthers
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Constitution & Scheme of Delegation with regular review and update Regular review and update of financial guidance Audit & Governance Committee including Standards Committee) Scrutiny Committees Annual Governance Statement & Managers Assurance Statements Whistleblowing Policy & Counter Fraud Policy Money Laundering Policy Section 151 Officer Monitoring Officer Partnership Guidance Policy NetConsent for policy management and acceptance RIPA Policy & staff training Data Protection Policy/Cyber Awareness & staff training GDPR Astute - e-learning		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	05-Sep-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Fraud Poor performance				
<b>Vulnerabilities/causes</b>	Lack of training/knowledge Lack of documented procedures Lack of commitment from officers and members Lack of resources				
<b>Risk Notes</b>					


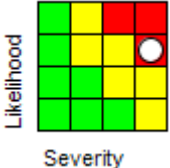
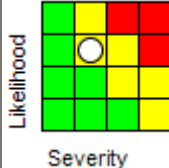
<b>Risk Code</b>	CPR1920 4.5	<b>Risk Title</b>	Ethics	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Ethics			<b>Assigned To</b>	Andrew Barratt; Rebecca Neill; <del>Angela Struthers</del>
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Monitoring Officer Declaration of interests, gifts & hospitality Codes of Conduct for members and officers Policies and procedures		<b>Current Risk Score</b>	4
<b>Gross Severity</b>	3			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	10-Oct-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Reputational damage				
<b>Vulnerabilities/causes</b>	Lack of training/knowledge Lack of documented procedures Lack of commitment from officers and members Lack of resources				
<b>Risk Notes</b>	No change				
	The risks have been reviewed by Andrew Barratt and he established that there are no changes to the Matrix required				


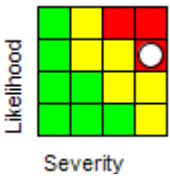
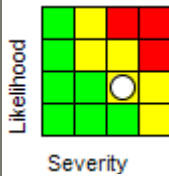
<b>Risk Code</b>	CPR1920 5	<b>Risk Title</b>	Community Focus	<b>Current Risk Status</b>	
<b>Description of Risk</b>	To ensure the safety, health and wellbeing of the citizens of the borough			<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	 <p>Likelihood</p> <p>Severity</p>
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					

<b>Risk Code</b>	CPR1920 5.1	<b>Risk Title</b>	Community Cohesion & Engagement	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Community Cohesion & Engagement			<b>Assigned To</b>	Rob Barnes; Tina Mustafa; Joanne Sands
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Corporate project to be scoped 2020/21 Neighbourhood working and collaborative arrangements currently under review ASB policy Partnership working Financial inclusion policy Community engagement - locality Corporate consultation database Participatory budgeting Tamworth advice centre Dementia friendly status VCSE Commissioning Grants Review Review TCO	<b>Current Risk Score</b>	9	
<b>Gross Severity</b>	3		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	4		<b>Current Likelihood</b>	3	
<b>Last Risk Review Date</b>	16-Oct-2018		<b>Last Risk Review Date</b>	29-Jan-2020	
<b>Consequences</b>	Long term costs Not meeting/understanding users needs Increase in crime and disorder Poor use of funding Increased tensions in the community Failure to meet demand Fear of perception of crime				
<b>Vulnerabilities/causes</b>	Economic recession Poverty Welfare reforms Services withdrawn Communities become fragmented Links to Customer Engagement Strategy around building local resilience				
<b>Risk Notes</b>	Neighbourhood offer and corporate project 2020/21 with 2019/20 focussed on baseline data, warden offer, relocation of key partnership and neighbourhood teams. Targeted use of HRA neighbourhood investment fund. <i>No Change</i>				


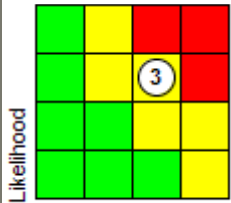



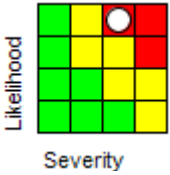
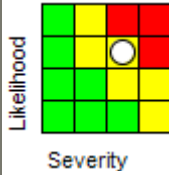
The risks have been reviewed and there are no changes


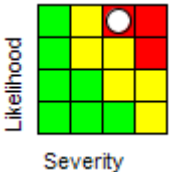
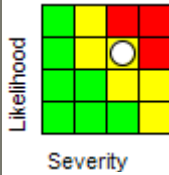
<b>Risk Code</b>	CPR1920 5.2	<b>Risk Title</b>	Safeguarding Children & Adults (including Modern Slavery)	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Safeguarding Children & Adults at Risk of Abuse & Neglect m(including Modern Slavery)			<b>Assigned To</b>	Rob Barnes; Joanne Sands
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Policy in place		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	4	Training for staff and members		<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3	Appropriate risk assessments completed		<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>	16-Oct-2018	Senior leadership commitment		<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Death, serious injury Legal challenge Loss of reputation Prosecution Increase in inspection Increase in demand				
<b>Vulnerabilities/causes</b>	Non-compliance with legislation Lack of appropriate policy and procedures Low awareness amongst staff and members Lack of joined up case management Case management systems unable to share data or support risk management Lack of appropriate services Gaps in service provision				
<b>Risk Notes</b>	No change The risks have been reviewed and no changes identified				


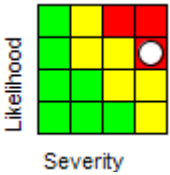
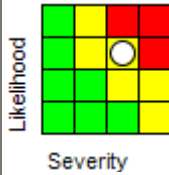
<b>Risk Code</b>	CPR1920 5.3	<b>Risk Title</b>	Emergency Planning	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Emergency Planning			<b>Assigned To</b>	Rob Barnes; Tina Mustafa
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	<p>Emergency Plan in place</p> <p>Emergency planning training completed at various levels</p> <p>Business Continuity Plans in place</p> <p>Comprehensive review of corporate business continuity with representation across all directorates. Policy, terms of reference and testing schedule</p> <p>Active engagement in Exercises</p> <p>Insurance cover in place to cover exposure to financial loss.</p> <p>Advice and guidance on Risk Management and Business Continuity on the intranet</p> <p>Emergencies advice available on website</p> <p>Building- fire prevention controls in place and tested on a regular basis</p> <p>Adequate physical security controls in place and reviewed on a regular basis.</p> <p>IT business continuity plan in place and tested on a regular basis</p> <p>Service impact analysis completed to rank priority of services</p> <p>Corporate business continuity plan in place</p> <p>All communication plans tested on a regular basis</p> <p>Emergency plan tested on a regular basis</p> <p>Business Continuity Group</p> <p>Membership of Staffordshire CCU &amp; Resilience Forum</p> <p>Effective communication /ICT tools/ infrastructure eg mobile phones, laptops</p> <p>Representation at newly formed CCU Strategic Leaders Meeting</p> <p>Successful no notice test</p> <p>Learning from recent incidents - informing preparedness</p> <p>Comprehensive internal audit across BC and EP resulting in a number of agreed management actions</p> <p>Emergency Planning Admin all brought into ICT</p> <p>Actual ICT Disaster recovered from within appropriate timescales</p> <p>Attendance at SRF meetings</p>		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	4			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	10-Oct-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	<p>Services not delivered</p> <p>Damage to reputation</p> <p>Civil Contingency Act requirements not met</p> <p>Death</p> <p>Destruction of property</p>				

	<p>Damage to the environment  Adverse affect on vulnerable groups  Public expectations of service delivery not met  Increased costs for alternative service delivery  Interim arrangements from CCU until December 2020.  Full audit 2020/21</p>
<b>Vulnerabilities/causes</b>	<p>Lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act.  Failure to test plans  Failure to undertake training  Plans not activated  plans do not accurately identify the staffing/resources required  Implications of industrial action from other service providers ie Fire Service</p>
<b>Risk Notes</b>	<p>No Change  The emergency plans are in place but are currently being reviewed by Alex from the CCU - TM. System updated by RB as TM experiencing access issues</p>


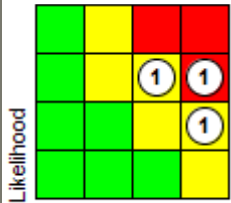
<b>Risk Code</b>	CPR1920 6	<b>Risk Title</b>	Economic Growth & Sustainability	<b>Current Risk Status</b>	
<b>Description of Risk</b>	To ensure that the economic growth and sustainability of the borough is maintained			<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	 <p>Likelihood</p> <p>Severity</p>
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					


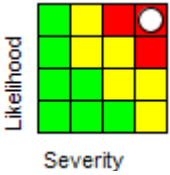
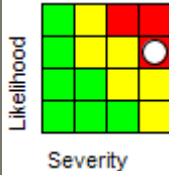
<b>Risk Code</b>	CPR1920 6.1	<b>Risk Title</b>	Regeneration	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Regeneration			<b>Assigned To</b>	Andrew Barratt; Matthew Bowers; Anna Miller
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Long term investment Safe and secure estate Support to local businesses Tamworth and Lichfield for business Town centre and tourism development		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>	10-Oct-2018			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	Deprivation Loss of footfall to retail areas Reputational damage				
<b>Vulnerabilities/causes</b>	Lack of investment in the borough No investment in the town centre				
<b>Risk Notes</b>	No Change Continue to offer business grants and signposting to businesses. Investment in town centre site				


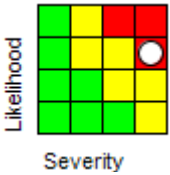
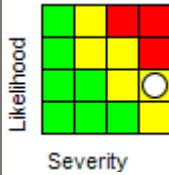
<b>Risk Code</b>	CPR1920 6.2	<b>Risk Title</b>	Housing Needs	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Housing Needs			<b>Assigned To</b>	Rob Barnes; Tina Mustafa; Joanne Sands
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Homelessness strategy under review. Evidence base being updated HRA Business lan updated and Investment plan agreed Third Sector support and early help development Investment and partnership to deliver new affordable homes New Allocations Policy Allocations Policy under review - developed project Plan Rough sleeping Assessment Housing Strategy commissioning	<b>Current Risk Score</b>	9	
<b>Gross Severity</b>	3		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	4		<b>Current Likelihood</b>	3	
<b>Gross Risk Review Date</b>	10-Oct-2018		<b>Last Risk Review Date</b>	29-Jan-2020	
<b>Consequences</b>	Impact of housing need and homelessness on households Additional demand for Council services Additional demand on 3rd Sector Statutory agencies Overcrowding and wellbeing impact of poor housing				
<b>Vulnerabilities/causes</b>	Lack of accessible homes Lack of affordable homes Poor conditions in the Private Sector Increased homelessness				
<b>Risk Notes</b>	Assistant Director - Neighbourhoods on MHCLG working group of Government review HRA 2017. Key corporate projects - Housing Strategy, Homelessness & Allocations review 2019/20. HQN engaged to update evidence base, principles for consultation and plans to adopt revised strategies 2020/21. No changes required Reviewed by TM adequate controls still in place. system updated by RB as TM experiencing access issues				


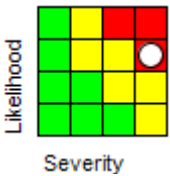
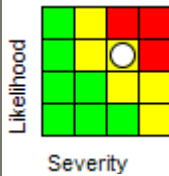
<b>Risk Code</b>	CPR1920 6.3	<b>Risk Title</b>	Economic Changes	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Economic Changes			<b>Assigned To</b>	Andrew Barratt; Matthew Bowers; Anna Miller
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Support to local businesses Business and economic partnership Business growth programme Growth hub Start up business grants for small business Tamworth enterprise centre		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	4		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	3	
<b>Gross Risk Review Date</b>	10-Oct-2018		<b>Last Risk Review Date</b>	30-Jan-2020	
<b>Consequences</b>	No external funding to aid economy and growth Economic prosperity declines Increased demand for social housing Increased costs to council services due to increased demand				
<b>Vulnerabilities/causes</b>	Failure to recognise economic changes Sudden economic downturn affecting businesses Loss of major employer in the region Failure to recognise opportunities Rapid increase in inflation Changes in government funding/grants Collapse/decline of property market				
<b>Risk Notes</b>	No Change mindful of Brexit consequences in short and long term. working with partners to promote awareness and consider impacts. offer business grants and signposting to other agencies for support				





<b>Risk Code</b>	CPR1920 7	<b>Risk Title</b>	Information Safeguarding	<b>Current Risk Status</b>	
<b>Description of Risk</b>	To ensure that our data is protected			<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					


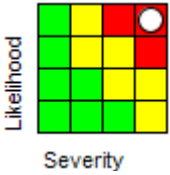
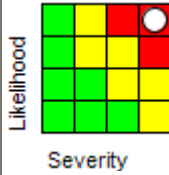
<b>Risk Code</b>	CPR1920 7.1	<b>Risk Title</b>	Data Protection and information Safeguarding	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Data Protection			<b>Assigned To</b>	Anica Goodwin; Zoe Wolicki
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	16	GDPR training Secure password protocol IT physical controls Encryption protocols secure wifi ICO protocol Penetration testing GDPR implemented & ongoing quarterly review & action plan in place Data Protection Officer in place & appropriate backup arrangements Senior management support Comprehensive training plan for staff and members Privacy impact assessments completed for new Projects/implementation/solutions Data sharing protocols PSN compliance Review Access to Systems Building access and security procedures Training review and management of assets		<b>Current Risk Score</b>	12
<b>Gross Severity</b>	4			<b>Current Severity</b>	4
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>	05-Sep-2018			<b>Last Risk Review Date</b>	11-Jan-2020
<b>Consequences</b>	Reputational damage Fine				
<b>Vulnerabilities/causes</b>	Human error Virus/hacking				
<b>Risk Notes</b>					


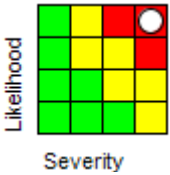
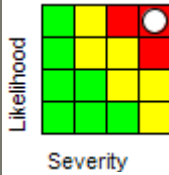
<b>Risk Code</b>	CPR1920 7.2	<b>Risk Title</b>	Cyber Security	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Cyber Security			<b>Assigned To</b>	Anica Goodwin; Zoe Wolicki
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	GDPR compliance and training GCSX PSN compliance Physical security Business continuity plans Penetration testing Firewalls Anti virus software Up to date patching of servers & desktops		<b>Current Risk Score</b>	8
<b>Gross Severity</b>	4			<b>Current Severity</b>	4
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	05-Sep-2018			<b>Last Risk Review Date</b>	11-Jan-2020
<b>Consequences</b>	Fine Reputational damage Potential imprisonment Loss of data Inability to deliver service				
<b>Vulnerabilities/causes</b>	Insecure IT equipment Human error Loss of equipment/data Theft Equipment failure Hacking/viruses				
<b>Risk Notes</b>					

<b>Risk Code</b>	CPR1920 7.3	<b>Risk Title</b>	Business Continuity	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Business Continuity			<b>Assigned To</b>	Rob Barnes; Paul Weston
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Emergency plan in place Business continuity plans in place Insurance cover Advice and guidance on risk management and business continuity Fire prevention controls Physical building controls on place Communication plan Business continuity group Membership of Staffordshire CCU & resilience forum Learning from previous incidents - informing level of preparedness Support from CCU Link Officer Off site plans Multi agency exercises		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	4			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	3
<b>Next Risk Review Date</b>	10-Oct-2018			<b>Last Risk Review Date</b>	29-Jan-2020
<b>Consequences</b>	Services not delivered Damage to reputation Civil contingency act obligations not met Death Destruction of property Damage to the environment Adverse affect on vulnerable groups Public expectations of service delivery not met Increased costs for alternative service delivery				
<b>Vulnerabilities/causes</b>	Lack of integrated emergency arrangement making it difficult to react Failure to test plans Failure to undertake training Plans not activated Plans do not accurately identify the staffing/resources required Implications of industrial action from other service providers eg fire service Lack of staff engagement in BC Group				
<b>Risk Notes</b>	New business continuity group established. Terms of reference being updated. Key business continuity plans under review.				

	Programme for business continuity reviews under way.
	No change from previous assessment. Programme of BC reviews to be implemented and will focus on priority areas.
	No changes as per PW

<b>Risk Code</b>	CPR1920 8	<b>Risk Title</b>	Brexit	<b>Current Risk Status</b>	
<b>Description of Risk</b>	The Impact of Brexit upon the Council			<b>Assigned To</b>	Andrew Barratt; Stefan Garner
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	 <p>Likelihood</p> <p>Severity</p>
<b>Gross Risk Score</b>	16			<b>Current Risk Score</b>	
<b>Gross Severity</b>	4			<b>Current Severity</b>	
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>	28-Mar-2019			<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					

<b>Risk Code</b>	CPR1920 8.1	<b>Risk Title</b>	Financial	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Andrew Barratt; Stefan Garner
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	16	Implications reassessed as part of the budget setting process and quarterly MTFS updates		<b>Current Risk Score</b>	16
<b>Gross Severity</b>	4			<b>Current Severity</b>	4
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	4
<b>Gross Risk Review Date</b>	15-Mar-2019			<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	<p>Reduced level of economic growth and further austerity/prosperity/downturn in the economy  Changes to central government policy  EU grants cease  Reduced base interest rate  NNDR / Council Tax targets not achieved with increased bankruptcy / Liquidations  Government has awarded £51k for EU exit preparations  Contract failure due to Brexit impact on core suppliers</p>				
<b>Vulnerabilities/causes</b>	<p>Uncertainty over the impact of Brexit has increased the financial uncertainty for the UK - reduced levels of economic growth, changes to central government policy, EU grants ceased, reduced interest, employment uncertainty</p>				
<b>Risk Notes</b>	<p>The UK left the EU on the 31/01/2020 and are now in a transitional period until the 31/12/20 during this period we will be able to more accurately assess the implications if any for our area.</p> <p>The current risk is recorded at the maximum risk level as the impact and options to mitigate are currently unknown</p>				

<b>Risk Code</b>	CPR1920 8.2	<b>Risk Title</b>	The Impact of Brexit upon the Council	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Andrew Barratt; Stefan Garner; Paul Weston
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>			
<b>Gross Risk Score</b>	16	<p>Monitoring of the political process  Central log/register issue that may impact as they develop Take opportunity to realise any additional funding made available to mitigate negative impacts  Involvement and updates to Local and Regional Resilience forums.  Risk assessments in place.  Engagement with regional local forums.  Regular reporting to central government.  Dissemination of all information to CMT.  Regular communication updates to business and residents.  Uncertainty still noted by no reduction in risk.  Information from MHCLG shared regularly with appropriate officers.  Legislative impact done for housing related policies i.e, Settlement scheme for housing associations.  Use of growth hub advisors to communicate with businesses.  Use of website to pass on key messages.</p>	<b>Current Risk Matrix</b>		
<b>Gross Severity</b>	4		<b>Current Risk Score</b>	16	
<b>Gross Likelihood</b>	4		<b>Current Severity</b>	4	
<b>Gross Risk Review Date</b>	08-Jul-2019		<b>Current Likelihood</b>	4	
<b>Last Risk Review Date</b>				<b>Last Risk Review Date</b>	30-Jan-2020
<b>Consequences</b>	<p>Potential tightening of the Labour market  Delay in works due to supply delays  Restricted economic growth of the Local Area as the new trading arrangements settle in and business confidence is re-established.</p>				
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>	<p>The UK left the EU on the 31/01/2020 and are now in a transitional period until the 31/12/20 during this period we will be able to more accurately assess the implications if any for our area.</p> <p>The current risk is recorded at the maximum risk level as the impact and options to mitigate are currently unknown</p>				





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## AUDIT & GOVERNANCE COMMITTEE

13 FEBRUARY 2020

### REPORT OF THE HEAD OF AUDIT AND GOVERNANCE & MONITORING OFFICER

#### INTERNAL AUDIT UPDATE REPORT 2019/20 (QUARTER 3)

#### EXEMPT INFORMATION

None.

#### PURPOSE

To provide Audit & Governance Committee with internal audit's progress report for the period to 31 December 2019 (Quarter 3).

#### RECOMMENDATIONS

1. That the Committee considers the attached report (and new format for reporting).

#### EXECUTIVE SUMMARY

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Public Sector Internal Audit Standards).

Internal Audit's role is to provide independent assurance to the Council that systems are in place and are operating effectively.

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This report aims to ensure that Committee members are kept aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of that monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

Internal Audit's newly formatted progress report for Quarter 3 is detailed at **Appendix 1** for members to consider.

## **RESOURCE IMPLICATIONS**

None.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

## **SUSTAINABILITY IMPLICATIONS**

None.

## **BACKGROUND INFORMATION**

None.

## **REPORT AUTHOR**

Rebecca Neill, Head of Audit and Governance & Monitoring Officer

[rebecca-neill@tamworth.gov.uk](mailto:rebecca-neill@tamworth.gov.uk)

Ext: 234

## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**

**Appendix 1** Internal Audit Performance Report (Quarter 3) 2019/20

Internal Audit  
Quarterly Progress Report – Quarter 3 (December 2019)  
FINAL REPORT



## Contents

- 01 Introduction
- 02 Internal audit work undertaken
- 03 Opinion
- 04 Follow Up
- 05 Performance of Internal Audit

### Appendices

- 01 Summary of Internal Audit Work undertaken
- 02 Assurance and Recommendation Classifications (Current)
- 03 Assurance and Recommendation Classifications (Proposed)

In the event of any questions arising from this report please contact Rebecca Neill, Head of Audit & Governance and Monitoring Officer  
[Rebecca-neill@tamworth.gov.uk](mailto:Rebecca-neill@tamworth.gov.uk)

The matters raised in this report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report was produced solely for the use and benefit of Tamworth Borough Council. The Council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification.

## 01 Introduction

### Background

This report summarises internal audit activity and performance for the period to the end of December 2019.

### Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal audit's professional responsibilities for the period ending 31 December 2019 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

### Acknowledgments

We are grateful to the executive directors, assistant directors, heads of service, service managers and other staff throughout the Council for the assistance provided during the period.

## 02 Internal Audit Work Undertaken to Quarter 3

The internal audit plan for 2019/20 was considered and approved by the Audit & Governance Committee at the March 2019 meeting. The plan was for a total of 29 audits.

Two audits (community leisure and project management) were postponed at managers' request, last quarter. No further changes to

the plan have been made this quarter. Performance against the plan is reported in section 05.

Despite a robust recruitment process, we have been unable to appoint to our Principal Auditor vacancy and our Assistant Auditor is currently on maternity leave. It has therefore been necessary to obtain external support from HW Controls & Assurance, to assist in delivery of the remainder of the audit plan for this financial year. Their programme of work is now underway.

The audit findings in respect of each review, together with recommendations for action and the management response are set out in our detailed reports. A summary of the reports we have issued and progress against the plan is included at **Appendix 01**.

A description of the levels of assurance used in assessing the control environment and effectiveness of controls and the priority classification of recommendations that have been used is detailed at **Appendix 02**. To enable clarity going forward, these descriptions have been modified. The proposed new descriptions, which have been endorsed by Corporate Management Team, are at **Appendix 03** for the Committee's consideration.

## 03 Opinion

### Scope of the Internal Audit Opinion

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, the following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

### Internal Audit Opinion

On the basis of audit work undertaken, the Head of Internal Audit & Governance's opinion on the Council's framework of governance, risk management and internal control is reasonable in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

### Specific Issues

No specific issues have been highlighted through the work undertaken by internal audit during the quarter.

### Fraud & Irregularity

No matters of fraud or irregularity have been reported during the quarter. A Fraud awareness day was held for all staff, promoting the

recently refreshed counter fraud and whistleblowing policies on 20 November 2019.

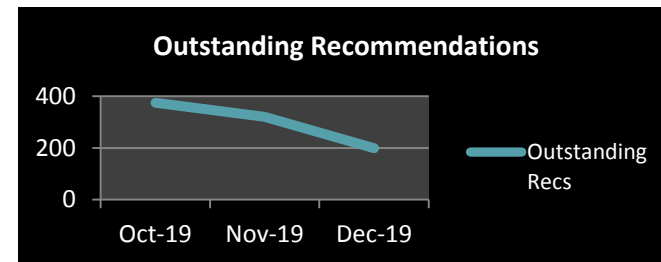
### Consultancy & Advice

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters from time to time. The following pieces of work were undertaken during the period:

- Review of housing rents year end close down processes.
- Assistance on CCTV corporate project board.
- Training delivered (professional boundaries) to sheltered housing scheme managers.

### 04 Follow Up

At the last Audit & Governance Committee, members approved a new approach to audit follow up. Since the last Audit & Governance Committee, managers have been undertaking the planned 'blitz' of outstanding audit recommendations held on the system. Progress is positive and is as below:



At the end of Dec 2019, 101 high and 98 medium priority actions (199 actions in total, low are not tracked) remained on the system. Further work is being undertaken to address remaining actions and the new system for audit follow up commences in Quarter 4 (all high priority actions and those arising from no and limited overall assurance reports will be followed up by audit, managers confirmation applies to the rest).



## 05 PERFORMANCE OF INTERNAL AUDIT

### Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

### Conflicts of interest

There have been no instances during the year which have impacted on our independence that have led us to declare any interest.

### Performance of Internal Audit

### Internal audit quality assurance

To make sure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular meetings of our networking groups, which issue technical and sector updates.

### Performance Measures

Internal audit's main performance measures and the quarter's outturn are as follows:

- To achieve at least 90% of the plan by the end of the financial year - the current out-turn is at 85% (23 commenced / started, out of 27 audits) so in line with the expectation for the period (75%).
- Draft reports issued within 15 working days of completion of fieldwork – current out-turn is 100%.
- Percentage of recommendations accepted by management - current out-turn is 100%.



**Appendix 01: Summary of Internal Audit Work Undertaken**

Audit	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Corporate Business Continuity	Limited	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	15	5	0
Disabled Facilities Grant Assurance Audit	N/A	Certification Opinion.	1	0	0
Housing Repairs Quarter 1	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	0	0
Housing Repairs Quarter 2	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	0	0
Pension Contribution Assurance	N/A	Certification Opinion.	0	0	0
Property Contracts Quarter 1	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	2	0
Property Contracts Quarter 2	Limited	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	3	8	0
Municipal Charities	Transactional	Complete.	0	0	0
Council Tax	Work In Progress				
NNDR	Work In Progress				
Payroll	Work In Progress				
Bank Reconciliation & Cash	Work In Progress				

Audit	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Housing Rents	Work In Progress				
Housing Repairs Q3	Work In Progress				
Housing Repairs Q4	Work In Progress				
Property Contracts Q3	Work In Progress				
Property Contracts Q4	Work In Progress				
Community Safety	Work In Progress				
Income Management	Work In Progress				
Customer Services	Work In Progress				
I Trent Application	Work In Progress				
Cyber Resilience	Work In Progress				
Data Protection	Work In Progress				
Corporate Policy management	Not Started				
Outdoor Events	Not started				
Organisation Transformation	Not started				
Self Service Technology	Not Started				

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
CCTV Further Implementation Review (FIR)	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	3	0
Committee Decisions & Reporting Implementation Review (IR)	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	6	1	0
Efin Application IR	Substantial	The revised audit opinion is that substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating	0	0	0

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
		satisfactorily.			
Housing Regeneration & Affordable Housing IR	No	The revised audit opinion is that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	1	0	0
Housing Services FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	2	0
IT Governance IR	No	The revised audit opinion is that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	6	2	0
Licences FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	0	0
Network Controls FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	4	0
Pentana IR Review	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	6	0
Sheltered Housing IR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	1	0
Street Scene IR	Limited	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	3	5	0

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Tourism & Town Centre IR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	11	0
Tourism & Town Centre FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	5	0
Website FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	1	0

## Appendix 02: Assurance and Recommendation Classifications (Current)

We have used the following levels of assurance and recommendation classifications within our audit reports. Proposed changes to these are at Appendix 03.

Overall opinion	assurance	Definition
<b>Substantial</b>		Audit are pleased to be able to report substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.
<b>Reasonable</b>		Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.
<b>Limited</b>		It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.
<b>No</b>		It is with some concern that Audit has to report no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.

Recommendation Priority	Definition
<b>Red</b>	<p>Red priority recommendations will be made if one of the following criteria is met:</p> <ol style="list-style-type: none"> <li>1. Adversely affects the Annual Governance Statement;</li> <li>2. Results in significant loss of funds or assets;</li> <li>3. May lead to service delivery failures which could adversely affect the Council's reputation;</li> <li>4. Shows non-compliance with statutory requirements, the Council's Constitution, Codes or Policies and or any Cabinet approved initiatives;</li> <li>5. Changes the effectiveness of key controls;</li> <li>6. Significant opportunity exists for real gains in processing efficiency;</li> <li>7. Poor cost controls or potential for significant savings and/or revenue generation;</li> </ol>

8. Significant impact environmentally, socially or economically.  
All other recommendations that do not meet the above criteria will be classed as amber priority recommendations.

**Amber**

All other recommendations that do not meet the above criteria will be classed as amber priority recommendations.

### Appendix 03: Assurance and Recommendation Classifications (Proposed)

The following clarification to the definitions of levels of assurance and recommendation classifications has been proposed and endorsed by the Corporate Management Team and is submitted for the Audit & Governance Committee's consideration.

Overall Assurance Opinion	Definition
<b>Substantial</b>	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
<b>Reasonable</b>	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation's objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the organisation's objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
<b>No</b>	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Recommendation Priority	Definition
<b>High</b>	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
<b>Medium</b>	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
<b>Low (Housekeeping)</b>	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency of further reduce the organisation's exposure to risk.



## AUDIT &amp; GOVERNANCE COMMITTEE

13 FEBRUARY 2020

REPORT OF THE HEAD OF AUDIT AND GOVERNANCE & MONITORING  
OFFICER

## AUDIT COMMITTEE EFFECTIVENESS

## EXEMPT INFORMATION

None.

## PURPOSE

To undertake the annual self-assessment of Audit & Governance Committee effectiveness.

## RECOMMENDATIONS

- 1. That the Committee considers the attached self-assessment checklist and endorses any actions to improve its effectiveness as appropriate.**

## EXECUTIVE SUMMARY

CIPFA have published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance was updated in 2018 and incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018)* (the Position Statement), which sets out CIPFA's views on the role and functions of an Audit Committee.

The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

**Appendix 1** provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans; and inform the annual report. In advance of the Committee, Committee members were sent a 'knowledge and skills' self-assessment to undertake. The results of these returns have been fed into the assessment at Appendix 1. In addition, actions outstanding from the previous year's assessment have been carried forward where still relevant.

## **RESOURCE IMPLICATIONS**

None.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

None.

## **EQUALITIES IMPLICATIONS**

None.

## **SUSTAINABILITY IMPLICATIONS**

None.

## **BACKGROUND INFORMATION**

None.

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**

**Appendix 1** Audit & Governance Committee Self-Assessment of Compliance with Good Practice

## Audit and Governance Committee Self-Assessment of Compliance with Good Practice

Good Practice Questions	Yes	Partly	No	Comments / Actions
<b>Audit committee purpose and governance</b>				
1 Does the Authority have a dedicated audit committee?	Y			At least 7 members with membership aligned with the political balance of the Council. Option to co-opt up to 2 independents (see also 12).
2 Does the audit committee report directly to Full Council?	Y			Committee produces an Annual Report and reports to Full Council via the Chair with the ability to raise any concerns. There is also a right of access to the Leadership Team.
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			Current terms of reference accords with CIPFA guidance.
4 Is the role and purpose of the audit committee understood and accepted across the Authority?	Y			Set out in the Constitution – role and purpose understood by Members, Leadership, Assistant Directors and reporting officers. Members Audit & Governance Committee Training for all members held on 6 November 2019. Set out within annual report of the Audit & Governance Committee to Council.
5 Does the audit committee provide support to the Authority in meeting the requirements of good governance?	Y			Through coverage of all the areas set out in the Terms of Reference.
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			Arrangements in place via Committee production of Annual Report to Full Council.
<b>Functions of the committee</b>				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<input type="checkbox"/> good governance	Y			The terms of reference includes the ability to monitor the effective development and operation of the corporate governance framework in the Council and to recommend to the Cabinet or the Council, as appropriate, the actions necessary to ensure compliance with best practice.
<input type="checkbox"/> assurance framework, including partnerships and collaboration arrangements	Y			The assurance framework forms part of the annual Internal Audit opinion and includes consideration of all assurances sourced from external/ independent sources.
<input type="checkbox"/> internal audit	Y			Detailed provision in the terms of reference for oversight of internal, external audit and financial reporting (accounts).
<input type="checkbox"/> external audit	Y			
<input type="checkbox"/> financial reporting	Y			
<input type="checkbox"/> risk management	Y			The terms of reference includes the ability to monitor the effectiveness of the authority's risk management

				arrangements, including the actions taken to manage risks and to receive regular reports on risk management.
<input type="checkbox"/> value for money or best value	Y			This is covered explicitly through the work completed and assurance provided by external audit. Ensuring value for money also forms an inherent part of the Internal Audit approach.
<input type="checkbox"/> counter fraud and corruption	Y			The ability to monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing are included within the terms of reference.
<input type="checkbox"/> supporting the ethical framework	Y			Matters concerning standards and codes of conduct form an inherent part of the Committee's remit and via its sub-committee. Internal Audit also provide assurance on areas associated with the ethical framework as part of annual Internal Audit Plans.
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			Annual report of the Committee sets out the work undertaken in accordance with the Terms of Reference. Core areas from the CIPFA guidance considered as part of this assessment.
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee has assumed responsibility for some of these areas, including standards. Assurance on treasury management is provided through Internal audit coverage (the Treasury Management Code requires the Council to nominate a Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies - A&G Cttee is the nominated committee). Consideration is also given to governance and risk matters highlighted by other committees such as Overview and Scrutiny.
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			Coverage of core areas is felt to be sufficient.
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Committee has maintained its oversight / advisory role during the period.
<b>Membership and support</b>				
12 Has an effective audit committee structure and composition of the committee been selected? This should include:				
<input type="checkbox"/> separation from the executive	Y		P	See also 16.
<input type="checkbox"/> an appropriate mix of knowledge and skills among the membership				
<input type="checkbox"/> a size of committee that is not unwieldy	Y			
<input type="checkbox"/> consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).			P	<b>Proposed Action: The Committee could consider appointing independent member/s.</b>

13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?	N/A		See 12 above.
14 Does the chair of the committee have appropriate knowledge and skills?	Y		Chair has a background and experience which supports his role on the Committee and has undertaken Member training.
15 Are arrangements in place to support the committee with briefings and training?	Y		<p>Members Audit &amp; Member Standards Committee Training for all members held in September 2019 included a comprehensive overview of all aspects of the remit. A specific treasury management session was held in November 2019.</p> <p>Members were asked to complete a knowledge and skills' self- assessment prior to the Committee. Of the returns received, the following was identified as potential areas to focus training:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Audit Committee - Role and Function</li> <li>• Financial Management &amp; Accounting</li> <li>• Internal / External Audit</li> <li>• Counter Fraud</li> <li>• Treasury</li> </ul> <p>In addition a focus on clearer communications, balancing practicality v theory, strategic thinking and understanding of materiality; and a focus on improvement were identified as areas for potential further development.</p> <p><b>Proposed Action: The Committee is asked to endorse the above areas as a training focus for the next Council year.</b></p>
16 Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		P	See 15 above.
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		Good relationships are in place.
18 Is adequate secretariat and administrative support to the committee provided?	Y		Democratic Services provide support.
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		P	No formal feedback on performance, however, the Committee does get feedback from external audit.
20 Are meetings effective with a good level of discussion and engagement from all the members?	Y		Meetings have a good level of discussion and engagement from all members.
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y		Senior managers have attended recent Audit Committee meetings to present updates for Members and to be challenged on

			specific areas of interest or concern. This practice will continue as appropriate.
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y		Agreed actions and recommendations are followed up at subsequent meetings.
23 Has the committee evaluated whether and how it is adding value to the organisation?	Y		As part of the annual report and this self-assessment process.
24 Does the committee have an action plan to improve any areas of weakness?	Y		Actions have been detailed as part of the annual self-assessment process.
25 Does the committee publish an annual report to account for its performance and explain its work?	Y		The Chair's Annual Report is presented to Full Council.

**PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE –2019-2020**

	<b>Report</b>	<b>Committee Date</b>	<b>Report Of</b>	<b>Comments</b>
1	Role of the Audit Committee	<b>June</b>	Grant Thornton	Presentation/training
2	Audit Committee update	<b>June</b>	Grant Thornton	Regular item
3	Fee Letter	<b>June</b>	Grant Thornton	
4	RIPA Quarterly Report	<b>June</b>	Assistant Director - Partnerships	
5	Internal Audit Customer Satisfaction Survey	<b>June</b>	Head of Audit & Governance	
6	Internal Audit Annual and Quarterly Update	<b>June</b>	Head of Audit & Governance	
7	Public Sector Internal Audit Standards/Quality Assurance and Improvement Programme	<b>June</b>	Head of Audit & Governance	
8	Annual Governance Statement and Code of Corporate Governance	<b>June</b>	Head of Audit & Governance	
9	Counter Fraud Update	<b>June</b>	Head of Audit & Governance	
10	Audit & Governance Committee – Self Assessment – for information only	<b>June</b>	Head of Audit & Governance	

1	Audit Committee update	<b>July</b>	Grant Thornton	Regular item
2	Audit Findings Report	<b>July</b>	Grant Thornton	
3	Management Representation Letter	<b>July</b>	Grant Thornton	
4	Annual Statement of Accounts	<b>July</b>	Executive Director Finance	
5	Risk Management Quarterly Update	<b>July</b>	Assistant Director – Finance	
6	RIPA Quarterly Report	<b>July</b>	Assistant Director - Partnerships	
7	Counter Fraud Update	<b>July</b>	Head of Audit & Governance	
8	Internal Audit Quarterly Update	<b>July</b>	Head of Audit & Governance	
9	Modern Slavery and Human Trafficking Statement	<b>July</b>	Assistant Director - Partnerships	
10	Update from Assistant Director, People	<b>July</b>	Assistant Director, People	
1	Annual Audit Letter	<b>October</b>	Grant Thornton	
2	RIPA Quarterly Update	<b>October</b>	Assistant Director -	



			Partnerships	
3	Internal Audit Quarterly Update	<b>October</b>	Head of Audit & Governance	
4	Risk Management Quarterly Update	<b>October</b>	Assistant Director – Finance	
5	Annual Treasury Outturn	<b>October</b>	Executive Director Finance	
6	Local Government Ombudsman’s Annual Review and Report 2018/19	<b>October</b>	Assistant Director - People	
7	Review of Counter Fraud & Corruption Policy & Whistleblowing Policy	<b>October</b>	Head of Audit & Governance	
8	Counter Fraud Update	<b>October</b>	Head of Audit & Governance	
9	Anti-Money Laundering Policy	<b>October</b>	Head of Audit & Governance	
1	Audit Committee update	<b>February</b>	Grant Thornton	Regular item
2	Fee Increase Letter	<b>February</b>	Grant Thornton	
3	Audit Plan	<b>February</b>	Grant Thornton	
4	RIPA Quarterly Report	<b>February</b>	Assistant Director – Partnerships	

5	Internal Audit Quarterly Update	<b>February</b>	Head of Audit & Governance	
6	Risk Management Quarterly Update	<b>February</b>	Assistant Director – Finance	
7	Audit Committee Effectiveness	<b>February</b>	Head of Audit & Governance	
1	Audit Committee update	<b>March</b>	Grant Thornton	Regular item
2	Auditing Standards	<b>March</b>	Grant Thornton	
3	Informing the Audit Risk Assessment	<b>March</b>	Grant Thornton	
4	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	<b>March</b>	Executive Director Finance	
5	Final Accounts – Action Plan	<b>March</b>	Assistant Director of Finance	
6	Risk Based Verification – exempt item	<b>March</b>	Assistant Director of Finance	
7	Internal Audit Charter and Audit Plan	<b>March</b>	Head of Audit & Governance	
8	Review of the Constitution and Scheme of Delegation for Officers	<b>March</b>	Head of Audit & Governance	

9	Review of Financial Guidance	<b>March</b>	Head of Audit & Governance	
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**The Portfolio Holder for Assets and Finance**

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