



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

22 January 2015

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 29th January, 2015 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. D. ...', written over a circular stamp.

A G E N D A

NON CONFIDENTIAL

- 1 Apologies for Absence
- 2 Minutes of the Previous Meeting (Pages 1 - 4)
- 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 Regulation of Investigatory Powers Act 2000 - Quarterly Report (Pages 5 - 8)**
(Report of the Council Solicitor)
- 5 Certification Report 2013-14 (Pages 9 - 18)**
(Report of Grant Thornton (External Auditor))
- 6 Audit Committee Update -January 2015 (Pages 19 - 34)**
(Report of Grant Thornton (External Auditor))
- 7 Value Statement (Pages 35 - 50)**
(Report of Grant Thornton (External Auditor))
- 8 Update Report on Previously Reported High Priority Recommendations (Pages 51 - 56)**
(Report of the Head of Internal Audit Services)
- 9 Risk Management Update 2014/15 (Pages 57 - 94)**
(Report of the Head of Internal Audit Services)
- 10 Internal Audit Quarterly Report 2014/15 Quarter 3 (Pages 95 - 110)**
(Report of the Head of Internal Audit Services)
- 11 Implementation of ICT Audit Recommendations (Pages 111 - 114)**
(Report of the Director of Technology & Corporate Programmes)
- 12 Audit and Governance Committee Timetable (Pages 115 - 118)**
(Discussion Item)

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: J Chesworth, M Couchman, J Faulkner, M Gant, R Kingstone, J Oates and P Seekings.

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 30th OCTOBER 2014

PRESENT: Councillor M Gant (Chair), Councillors J Chesworth,
M Couchman, J Faulkner, J Oates and P Seekings

Officers John Wheatley (Executive Director Corporate Services),
Stefan Garner (Director of Finance) and Angela
Struthers (Head of Internal Audit Services)

Visitors Joan Barnett (Grant Thornton)

29 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Kingstone

30 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 25th September 2014 were approved and signed as a correct record.

(Moved by Councillor J Chesworth and seconded by Councillor M Couchman)

31 DECLARATIONS OF INTEREST

There were no declarations of Interest.

32 THE ANNUAL AUDIT LETTER

The Report of Grant Thornton (External Auditor) was considered.

RESOLVED: That:

1. the Annual Audit Letter for Tamworth Borough Council be endorsed, and;
2. Joan Barnett gave an update on the Housing Benefit work which, subject to review, showed controls had improved. The final grant certification report is to be brought to the January meeting.

(Moved by Councillor M Gant and seconded by Councillor J Faulkner)

33 INTERNAL AUDIT QUARTERLY REPORT 2014/15 QUARTER 2

The Report of the Head of Internal Audit Services reporting on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 2nd quarter of 2014/15 – to provide members with assurance of the ongoing effective operation of an internal audit function and enable any particularly significant issues to be brought to the Committee's attention was considered.

RESOLVED: That

1. the quarterly report be endorsed;
2. a detailed update be brought to the next meeting on ICT audit recommendations and that the Director Technology and Corporate Programmes be requested to attend, and;
3. for the high priority recommendations outstanding, the appropriate Director be asked to report/explain why progress has not been made in their implementation and report back to the next Committee.

(Moved by Councillor J Chesworth and seconded by Councillor J Faulkner)

34 RISK MANAGEMENT QUARTERLY UPDATE

The Report of the Head of Internal Audit Services reporting on the Risk Management process and progress to date for the current financial year was considered.

RESOLVED: That the Corporate Risk Register be endorsed.

(Moved by Councillor M Gant and seconded by Councillor J Faulkner)

35 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Report of the Solicitor to the Council and Monitoring Officer informing Members of the surveillance carried out under the Regulation of Investigatory Powers Act 2000 was considered.

RESOLVED: That the Quarterly RIPA Monitoring Report be endorsed.

*(Moved by Councillor M Couchman and seconded by
Councillor M Gant)*

36 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the draft timetable

Chair

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AUDIT & GOVERNANCE COMMITTEE

29 JANUARY 2015

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

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.

On 13 December 2012, the Council re-adopted the RIPA policy and agreed that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee.

Recommendation

That Audit and Governance Committee endorse the quarterly RIPA monitoring report.

Executive Summary

The Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training on 6 October 2014 utilised at the Council. The outcome of the inspection was reported to Council on 16 December 2014. The recommendations arising from the inspection have been implemented and reported back to the OSC. The policy has been updated in line with the recommendations of the Commissioner and has been published. Training took place on 14 January 2015 for officers who previously had no RIPA training and for members with refresher training being delivered for those officers previously trained. The feed back from the training has been positive and going forward training for RIPA will be added to the Corporate Training Programme.

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 to respect for his private and family life, his home and his correspondence. There shall be no interference by a public authority with the exercise of this right except such as is 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 nor 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 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 October 2014 to 31 December 2014.

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 and 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 are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

Steps are being undertaken to compile a list of all equipment in use by the Council that could be used in surveillance. The list will ensure that equipment is stored and used properly this avoiding any breaches of the Code of Practice or legislation

Financial year 2014/15

Month	Service	Reason
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No applications

Background papers

None

"If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"

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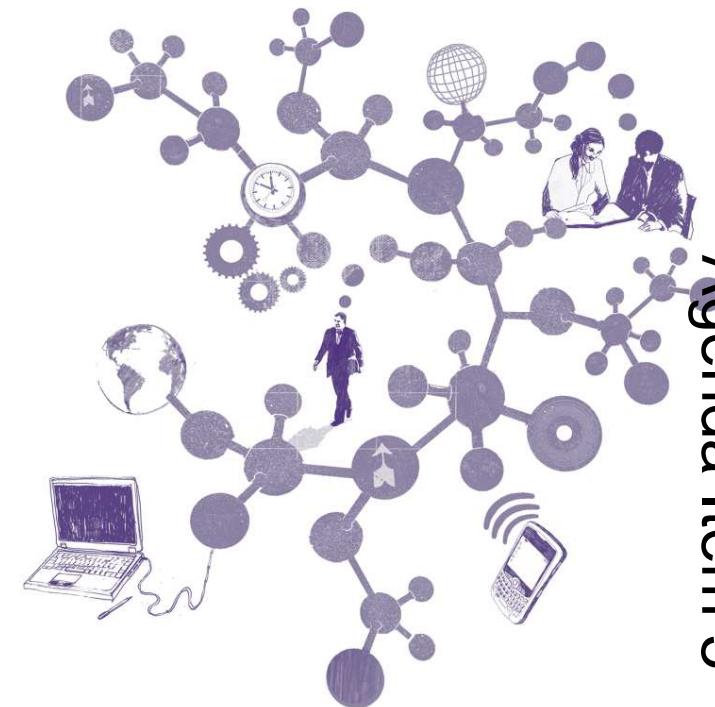
Certification report 2013/14 for Tamworth Borough Council

Year ended 31 March 2014

January 2015

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Agenda Item 5

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Section 1: Summary of findings

01. Summary of findings

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The Council continues to have good arrangements in place for the compilation and submission of its claims and returns.

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by Tamworth Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £23.8 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council on 27 March 2014.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Council continues to have good arrangements in place for the submission and certification of claims and returns	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Housing Benefits claim was amended by £179.00 and subject to qualification. The impact of the qualification is an estimated reduction in subsidy of £7,345. This is less than half of one percent of the value of the claim.	●
Supporting working papers	Detailed working papers were again provided. Officers again responded promptly to our queries. The Benefits Manager undertook detailed testing of cases from the Benefits claim which was then reviewed by us for accuracy.	●

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for Tamworth Borough Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The indicative fees for certification of housing benefit subsidy claims were later reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix B.

Our testing of the housing benefit claim in 2013/14 identified two errors resulting in further ("40+") testing being required on two cells on the return. No further errors were found on completion of the testing of the additional 80 cases. We did not undertake "40+" testing in 2011/12, and therefore this additional work resulted in additional cost.. As a result of this, we are discussing a variation to the scale fee with the Audit Commission of an additional £1,500 to reflect the further work required.

The way forward

The Council should continue with the good arrangements it has in:

- submitting claims and returns
- providing detailed working papers to us
- responding promptly to our queries.

This will reduce the potential risk of penalties for late submission, and potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
January 2015

Appendices

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Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	£21,865,311	Yes	-£179.00	Yes	<p>The qualification arose because we were unable to certify that the claim was fairly stated due to two errors found. We would be required to test every claim to quantify the error and amend the claim. We are therefore required to extrapolate the errors using a formula provided by DWP to estimate the impact on subsidy. The estimated impact is £7,345 which is less than one half of a percent of the total subsidy claimed.</p> <p>These are very insignificant findings compared to the case load and value of errors found compared to total subsidy claimed.</p>
Capital receipts return	£1,944,279	No	n/a	No	N/a

Appendix B: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	17,760	13,932	15,432*	-£2,328	This reflects the removal of the requirement to certify subsidy relating to council tax benefit as this was abolished this year.
Capital receipts return	1,487	568	568	-£919	We were not required to undertake the full programme of detailed testing this year. (Last year the value of the return triggered the need to do full testing; this is required once every three years).
National non domestic rates	600	0	0	-£600	We are no longer required to certify this claim
Total	£19,847	£14,500	£16,000	-£3,847	

- * The original total indicative fee for our certification work was £16,400. The Audit Commission's original indicative fee for the certification of the housing benefits subsidy claim was £15,832. The Audit Commission subsequently revised this to £13,932 as the council tax benefit was abolished. The indicative fee was based on 2011/12 when we were not required to undertake additional ("40+") testing. This year "40+" testing was required in two areas. Therefore a fee variation was required to reflect the additional work required compared to 2011/12. This results in total fee of £15,432. This additional fee is currently awaiting Audit Commission authorisation.



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Tamworth Borough Council Audit and Governance Committee Update

Year ended 31 March 2015

29 January 2015

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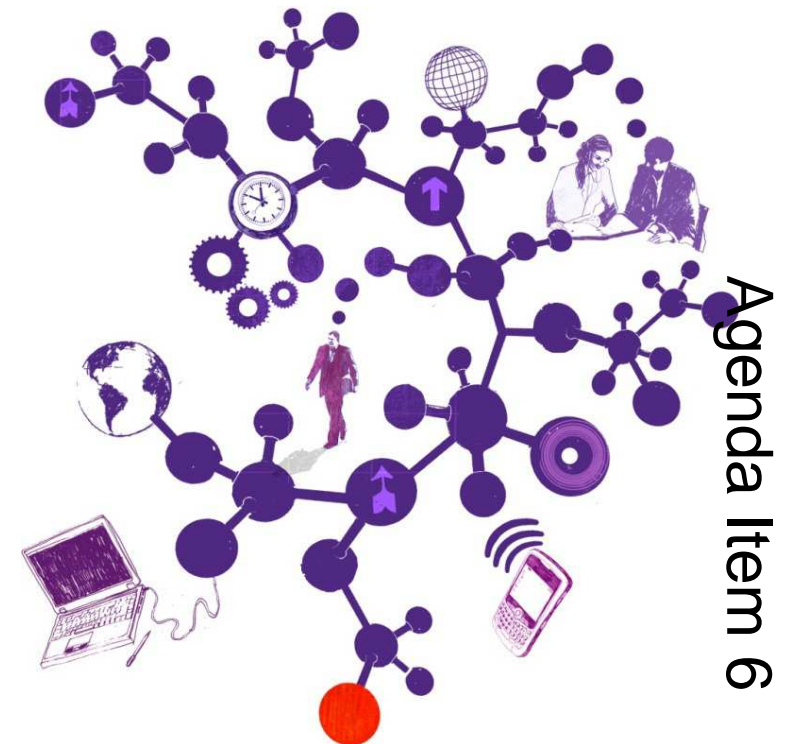
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Agenda Item 6

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

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Introduction

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

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

Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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

Progress at 29 January 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	26 March 2015	In progress	We will present the plan at the meeting being held on 26 March 2015
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	Fieldwork commences 2 February 2015	Not yet commenced	We will include the results of the interim work within the audit plan to be presented at the meeting being held on 26 March 2015
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	Audit to commence July 2015. Opinion on the Council's accounts and Value for Money conclusion due to be issued by 30 September 2015	Not yet commenced	

Progress at 29 January 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Key indicators of financial performance • Strategic financial planning • Financial governance • Financial control • Prioritising resources • Improving efficiency and productivity • Management of natural resources 	<p>On-going until the Value for money conclusion is given in September 2015</p>	<p>On-going</p>	
<p>Other areas of work</p> <p>We are required to certify claims and returns per the directions issued by the Audit Commission's Successor Body (Public Sector Audit Appointments Limited) in conjunction with the central government organisations providing the funding.</p>	<p>In line with the deadlines agreed with the sponsoring bodies</p>	<p>Not yet commenced</p>	

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Group accounting standards

Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over 'other entities'

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Group accounting standards (continued)

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.

local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Challenge questions

- Has your Executive Director (Corporate Services) assessed the potential impact of these standards for the authority's financial statements?

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Challenge questions

- Has your Executive Director (Corporate Services) put in place a plan to address the earlier close date?

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

Kerslake report on Birmingham City Council

Local government guidance

Sir Bob Kerslake published his report, [The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council](#), on 9th December.

Commissioned by the Secretary of State this comes off the back of well publicised failures in Children's Services and the Trojan Horse issue in Birmingham Schools. It includes some tough messages for Birmingham City, but there are issues that resonate with all large local authorities.

The report's recommendations include the following.

Page 32.

- The Council needs an external Improvement Board to show that it is making the changes it needs to effectively serve its population.
- Internal governance needs fundamental change, including the relationship between members and officers, how it plans for the future, a stronger corporate core and a programme of culture change.
- The Council needs more political clarity, moving away from annual thirds elections and reducing the number of members. This includes redesigning the model for representative governance.
- Medium term financial planning needs greater clarity, and the Council cannot assume that it will get any additional Government support.
- In moving from a 20,000 people organisation in 2010 to a 7,000 people one by 2018 the Council needs fit for purpose workforce planning.
- Devolution within the Council and across the City needs simplifying and a greater outcome focus.
- Partnership working needs redefining, with the Council moving away from a 'Big Brother' approach.
- The Council needs to work with the other West Midland MBCs to make the combined authority a reality that delivers jobs and prosperity to the region.

Challenge questions

- Have Tamworth Borough Council considered whether there are lessons or issues from the report that it also needs to action?

Local government financial reporting remains strong

Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11th December.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.



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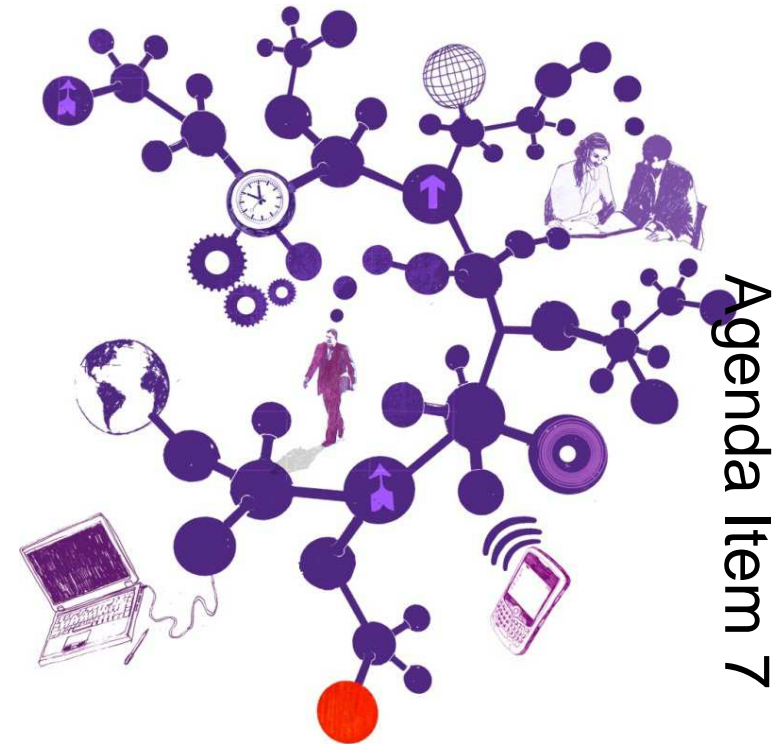
Continuing to deliver value to Tamworth Borough Council

December 2014

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Agenda Item 7

“

Two years on from our appointment as your external auditor, I wanted to take an opportunity to reflect on the relationship we have continued to build with you in this period.

Tamworth Borough Council is a valued client of the firm and I hope we demonstrated this during the audit. We pride ourselves on delivering a high quality service and have set ourselves the goal of being second to none in our client care. To help us achieve this, we propose to carry out an independent client service review with you in the coming year. More informally, I would value any feedback from you or your team on areas where you believe we could improve our service to you.

I thought it would be useful to summarise the services we have provided during the year, and to demonstrate how we feel we have added value to you through the other work we do with you. We have made investment in our relationship with you this year, and have included some thoughts as to how we could build on this in the future.

We think our knowledge of the Council, coupled with our wider experience of the Local Government sector, puts us in a strong position to help you with the challenges you face.

We look forward to the opportunity to demonstrate our desire and enthusiasm to work with you in these challenging times.

”

James Cook
Engagement Lead
for Grant Thornton UK LLP

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The client names quoted within this report are disclosed on a confidential basis. All information in this document is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

How we brought you added value this year

Council leadership

We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health (Tipping Point) and our reports on Pensions Governance, Alternative Delivery Models, Welfare Reform, High Growth Index, Better Care Fund and 2020 Vision.

Audit and Governance Committee

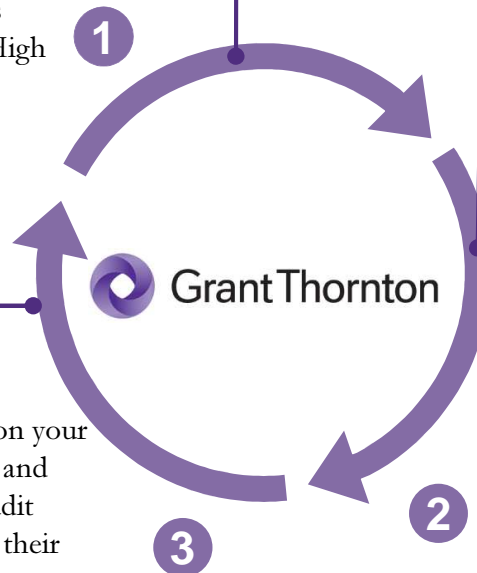
We:

- provided independent external audit commentary and insight on your key issues through senior attendance at every audit committee and shared a LG publication to help members of local authority audit committees understand the financial statements and discharge their responsibilities as they review the accounts
- invested in regular dialogue with the committee to ensure there were no surprises and to maintain a robust and independent stance throughout our audit
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.
- delivered a presentation to councillors on good governance

Council management

We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and other issues including Whole of Government Accounts and grant certification work to ensure you submit accurate figures to central government.
- presentation of audit requirements at your finance accountants closedown workshop reflecting our engagement and partnership working with finance
- shared technical knowledge , provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our annual finance seminar
- invited you to a range of workshops on topical issues affecting local government
- liaised with internal audit to minimise duplication.



Added value this year through our programme of seminars and workshops

We seek to add value to you by organising a range of seminars and workshops on topical issues affecting our Local Government clients. Your senior officers have benefited from the learning at these events throughout the year.

Seminar or Workshop	Attended by Officers	Attended by Members
CIPFA FAN Local Government Accounts Closedown workshop – March 2014	✓	
Local Government Tax Forum – April 2014	✓	
Local Government Legal Risks Seminar – July 2014	✓	
Local Government Member Development Network – July 2014		
Alternative Delivery Models in Local Government	✓	
The Impact of HS2 for Midlands Based Businesses. A Seminar jointly hosted by Grant Thornton, Lloyds Bank and BNP Paribas Real Estate – September 2014		
Local Government Member Development Network – October 2014		
20:20 vision – analysis of place – December 2014		

Supporting corporate governance

Each year, we review good governance in Local Government as part of our wider analysis of UK governance practice. This complements our reviews on corporates in the FTSE 350, the NHS and charities. We aim to help organisations improve their governance by learning from other sectors and their peers and to identify examples of good practice and areas where there is scope for further development.

Our national reviews of Local Government corporate governance include analysis of the financial statements and survey responses. We include insight from similar reviews we undertake at FTSE 350 listed companies, which allows us to promote the highest standards of good governance and public reporting. Some key highlights are set out opposite.

We would be happy to engage with you during the year to benchmark your performance against the national group. In this way, you can benefit from good practice across our national Local Government client base.



Download findings from our Improving Local Government report from March 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>

Our audit includes an annual assessment of the key corporate governance controls using audit software specifically tailored to the local authority sector.

In reviewing your annual governance statement, we assess your arrangements for providing assurance to those responsible for signing the statement.

Your audit committee members are invited to attend our local government network which discusses relevant and current topics.

We share our sector insights to ensure you are fully apprised of sector developments and challenges that may affect your governance or risk management arrangements.

'National tools improve governance arrangements by giving a framework... but most of the work needs to be locally driven and locally responsive'

Survey response



Focus on financial resilience

In the current challenging economic climate, we invest in providing enhanced analysis and reporting on your financial resilience. This includes a RAG rated assessment of where you are performing well and any areas requiring increased attention.

We reported the findings from our 2013/14 financial resilience review to the September 2014 audit committee. Some key highlights from our work are set out opposite. Our latest national report on Local Government financial resilience will be published in December 2014. It draws on the results of our assessment of financial resilience across all of our Local Government bodies in England.

We are also able to benchmark you against your peers to help support continued improvement. We can provide and discuss more detailed comparative data with you and consider what this means for your financial resilience, if that is of interest.



Download findings from our National Financial Resilience report from December 2013:

<http://www.grant-thornton.co.uk/en/Publications/2013/2016-tipping-point-Challenging-the-current-/>



Good performance against your financial targets for the year

Work is ongoing via your Sustainability Strategy to address future financial constraints. Workstreams have been identified to explore further savings opportunities.

Well-engaged Members contributing to strong financial governance.

Good financial control, including effective internal budget monitoring

These findings are as at September 2014, when our Financial Resilience work was reported to the Audit Advisory Committee.

Welfare Reform and Alternative Delivery Models in Local Government



In 2013, we surveyed a sample of 39 clients in the local government sector and 44 in housing associations in England

The report focuses on the governance and management arrangements being put in place nationally across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and the risks on the reform agenda in the wider context of social impact. The key messages include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- The full impact of reform has yet to be felt; there is an element of calm before the storm

In 2013, we surveyed a sample of 70 clients in the local government sector and identified nearly 40 different services they had externalised and provided under an alternative delivery model.

This report

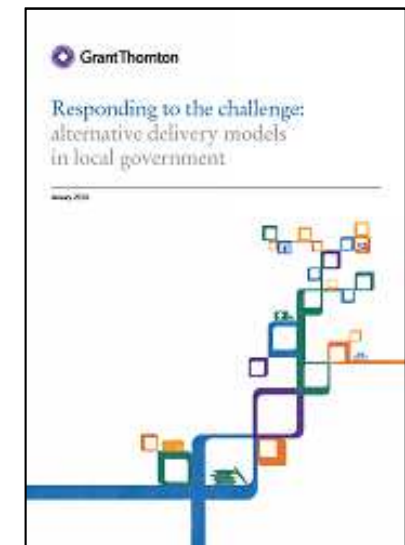
- outlines the main alternative delivery models
- aims to assist other authorities as they develop their options and implement innovation strategies
- considers aspects of risk.

Download findings from our Alternative Delivery Model report from January 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>

Download findings from: our National Welfare Reform report from February 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>



High Growth Index in Local Government



Where growth happens
The high growth index of places

Place Analytics Insight
Autumn 2014



In 2014, we issued a report on where growth happens in the local government sector in England.

The report focuses on the high growth, dynamic growth and growth corridors. The key messages include:

- **High Growth** – Our High Growth Index of places, based on economic and demographic measures, shows the pivotal role played by London in driving growth nationally and the role of cities for driving growth regionally. Outside London, Manchester is the strongest performer, with Birmingham, Milton Keynes, Bristol and Brighton and Hove all ranking in the top five.
- **Dynamic Growth** – Highlighting past areas of growth, however, may not necessarily be an indicator of future growth or sustainability. A dynamism index, ranked by assessing a basket of productivity drivers, indicates the quality of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington.
- **Growth Corridors** – Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors. These are functional, large scale, economic areas which have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high growth and dynamic areas.

Download findings from:
our **Where Growth Happens** report from **Autumn 2014**:

http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf

Our unique credentials

**Biggest
UK CIPFA employer**



Overview

You are an ambitious Council with a vision for regeneration and a sustainable community. We are proud to be associated with you. You are important to us and we are passionate about supporting you to achieve your strategic goals.

As the largest supplier of external audit to local government in the country, we are uniquely placed to work with you and support you in achieving your goals. We understand the political and public sector environment you work in and the challenges and pressures you are facing. We have a genuine insight and understanding into your business and your needs, from our many decades of dedication working in the public sector and our longstanding commitment to local government.

With Grant Thornton, you benefit from the full commitment of an experienced team that has worked together over many years and has a passion for helping you achieve your success.

We believe in Local Government. All our Local Government specialist staff know and understand the unique issues faced by the Local Government bodies. We have the experienced resources available to meet your needs and support you in responding to the challenges you face. Our commitment to you is that we will work with you and help and support management and the Audit Committee in achieving your goals. We believe that with our extensive knowledge of the Council and our highly skilled and experienced local audit team, we are exceptionally well placed to support the Council over the next few critical years.

At a national level, our extensive access to our wider audit practice, our networks with central government, local government and healthcare bodies and

our focus on people as the driving force for quality and innovation set us apart. Grant Thornton benefits you by:

- bringing its commitment to improving public sector financial and service management for the benefit of users
- fielding local experts in the strategic and operational needs of the Council
- sharing best practice, knowledge and up to date information from across local government, drawing on the knowledge gained from our unparalleled market share
- At a local level, we offer you:
 - an audit team which understands the Council, its direction and objectives and the environment in which you operate, identifying areas where we can support you
 - an audit team which is not afraid to deliver difficult messages to you and provide robust challenge to management
 - a proven track record of delivering high quality audit work, working with you in partnership to deliver better services for local people.

We are confident we can continue to meet your requirements for a comprehensive, efficient and effective external audit service. You will benefit from our relationship as you face the challenges of delivering a modern and customer focused service. We look forward to continuing our working relationship with you.

National and local expertise

138

Local Government
audit clients

400+

Dedicated public
sector staff

National credentials

- Through our Audit Commission framework contract, we have been external auditors to Local Government since 1982. Over this time, and based on the quality of our work, we have increased our Local Government audit presence.
- Following the outsourcing of the Audit Commission's in-house audit practice we are proud to be largest external provider of audit services to Local Government, serving 40% of the market.
- We are currently auditors to 138 Local Government authorities, 56 of which are district councils
- We have audit staff on secondment to local authorities, helping our staff learn about local government from the inside out. We also train our staff on the latest developments within Local Government. We also receive staff on secondment from clients. We would be happy to discuss secondment opportunities with you.
- We also deliver a national programme of closedown workshops in partnership with CIPFA FAN; a joint approach which allows the opportunity for delegates to hear both the key accounting issues and the audit considerations for the accounts in one combined event.
- We have delivered a series of Local Government Audit Committee conferences for Members, to encourage better governance in Local Government.

Local focus

- Our Midlands Public Sector Assurance team is made up of over 65 dedicated local government and NHS external audit specialists with extensive skills and experience with local Government. The regional team undertakes external audit services two County Councils, four Unitary Council, five Metropolitan Councils, 19 District Councils and 17 other local government, pension, police and fire authorities.
- We have audited a number of other bodies over the last few years, and are currently auditing eight NHS Trusts, 19 Clinical Commissioning Groups (CCGs) and two Foundation Trusts in the midlands region. We therefore have extensive knowledge of partnership working across health and social care.
- We work flexibly across our assurance and advisory teams. For example, we have a rolling programme of secondments into the advisory team, which gives our auditors the broader perspective that our clients appreciate.
- We also have VAT, employment tax, real estate, infrastructure, governance, performance improvement and anti-fraud experts with significant experience of our current Local Government clients

All of this means that our Local Government clients can be assured of relevant expert knowledge and expertise to support them with current and forthcoming challenges.

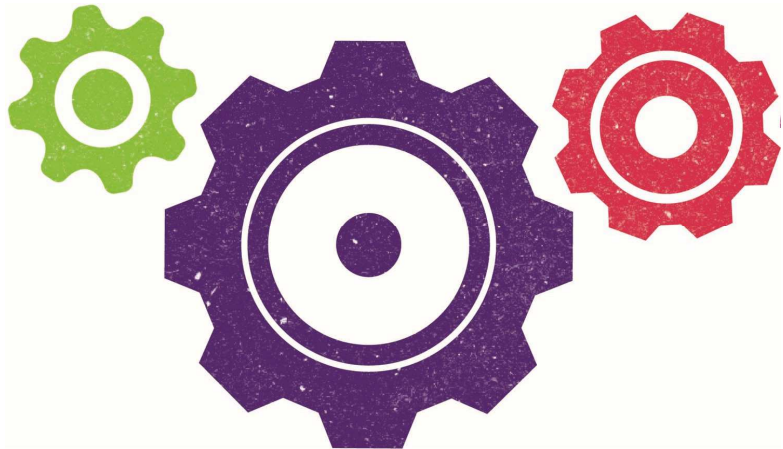
Experience of Local Government issues

We have significant experience of the local government sector, and are aware that this is a challenging period for Local Government.

Challenges include the Welfare reforms, the introduction of joint social care, rising demand for services, demands for higher and more consistent quality of service, the reduction of central government grants, the localisation of funding and increasing financial pressures.

Our experience, both locally and nationally, has enabled us to develop a number of audit and advisory services to support our clients in achieving their objectives. We set out opposite some of our areas of specialism:

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Regulatory requirements

- Value-added assurance services; external audit; internal audit; governance reviews; financial reporting reviews; IFRS reporting; risk management including IT and systems assurance

Governance

- Advice on governance including: assessment of governance effectiveness and the roles, responsibilities and capabilities of individual directors, working with leaders and Members developing strategy

Efficiency agenda

- Operational services reorganisation; turnarounds; skills gap analysis; performance management; service and cost savings reviews; costing analysis and benchmarking; shared service project support; procurement support; treasury and finance department reviews

Managing infrastructure

- PFI work providing: bid evaluation; refinancing; feasibility studies; preparation of business cases; risk analysis and public sector comparator (PSC) development; development of payment mechanisms; financial modelling; and funding competitions

Asset management

- use of assets for regeneration, reviews of efficiency and cost in use; diagnostics of performance of inventory, evaluating and prioritising options and implementing rationalisation of assets

Major investments, mergers and acquisitions

- Investment appraisals; business case support; investment due diligence; due diligence and advisory services

Establishment of property trading arms and companies

- Assisting with procurement of development partners, structuring and establishing development vehicles such as Strategic Partnerships, Local Asset Backed Vehicles, and Joint Venture Companies

Alternative Delivery Models

- Outsourcing; quantitative data analysis and stakeholder interviews, benchmarking results against our database of outsourced partnership activity

Tax advice

- Corporate and international tax; indirect tax; employer solutions

Helping to address your challenges

Area of focus	Your challenges	Examples of how we have helped you and other Local Government bodies
Optimise operations	<ul style="list-style-type: none"> • Effectiveness: In order to meet future challenges, you intend to look at every service to review the outcomes, needs, service models and resources. Your work will focus on what the future outcomes for the borough need to be and how you can maximise these outcomes with the reduced resources that will be available to your organisation. 	<ul style="list-style-type: none"> • We review your arrangements for setting and monitoring your savings plans and assess whether they are realistic and feasible. • We review whether you have appropriate financial management arrangements and plans in place to tackle financial resilience in the longer term. • At other sites, we have facilitated workshops, leading to the generation of a 'long list' of long-term, sustainable savings and service redesign proposals which will feed in to future savings programmes.
Welfare Reform	<ul style="list-style-type: none"> • Welfare Reform – changes to housing benefit and welfare reform continue to increase the rate of homelessness and demand for social housing. Changes include Welfare Benefit cap, under-occupancy adjustment (bedroom limit), Universal Credit and Direct Payments 	<ul style="list-style-type: none"> • Our 2014 Welfare report draws on our experience and that of our clients, over the past year, in order to provide insight into the impact of welfare reform and will be the first in a series of updates that will contribute to understanding of these issues within the sector and provide a platform for sharing experience and good practice.
Realise strategic ambition	<ul style="list-style-type: none"> • Regeneration– your business plan includes Town Centre and housing regeneration schemes. • You are aware of the complexities involved in these projects and the Cabinet will seek appropriate assurances that they will be effectively managed 	<ul style="list-style-type: none"> • We currently act as a commercial and financial advisor to a London Council undertaking a regeneration project which entails the phased demolition of 2,750 council homes and the development of 4,200 mixed tenure homes over a 20 year period, plus the provision of a new health centre, community facilities and retail and office space. We developed a bespoke financial model to assess land assembly costs; appraise individual development sites and strategic infrastructure costs and timing; construct cash flows at a site and programme level; and appraise funding and phasing options. • Introducing clients to 'the CEO Room' – a structured, facilitated space that provides 'a critical thinking environment for business leaders'.

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Your audit team will be happy to further discuss these and other challenges with you, and will involve relevant specialists where this is of value to you.

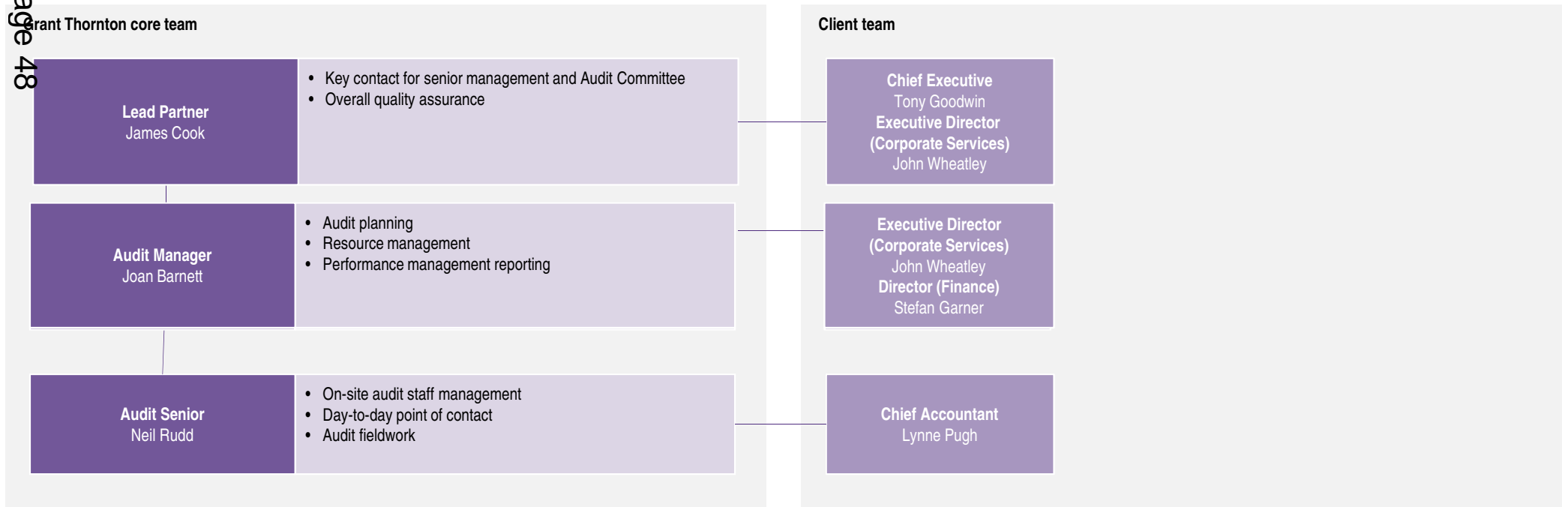
Your client service team

We understand what you expect from us: an approachable, proactive, locally based and highly skilled team with access to a national network of specialists and expertise as required.

The existing team will continue to:

- understand you and your priorities, and provide innovative and constructive advice
- challenge you where necessary to support your continued improvement
- be readily accessible and responsive to your needs but independent and challenging to deliver a rigorous audit
- be connected into a Local Government network
- communicate relevant information to you in a prompt, clear and concise manner

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Our fees

Our fee proposal provides you with transparency and value for money.

Our fees are set by the Audit Commission.

We are committed to openness and transparency in our fee with you – now and in the future. . We know that you want an external audit that continues to offer a transparent fee structure which represents best value for money.

To deliver against your needs our fee includes:

- discounted rates – our position as the largest auditors to local government allows us to offer a discount on our usual rates
- no hidden costs – the fee we propose is the fee we will charge (plus VAT)
- investment in our relationship – the value in the core audit and the additional added value inputs we describe in this document are all included in the fee
- certainty over fee levels year on year – we hold the fee for the duration of the contract, absorbing fee inflation through audit efficiencies
- specialist, qualified staff - 100% of the time spent on the audit will be from qualified or part qualified staff, with over 60% from fully qualified staff, all specialists in working with local government
- expenses are included – saving you the 5%-10% that may typically arise on a contract
- no assumption of additional fee income – our external audit fee includes no assumption around you commissioning additional paid for services from us.



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THURSDAY, 29 JANUARY 2015

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

**UPDATE REPORT ON PREVIOUSLY REPORTED HIGH PRIORITY
RECOMMENDATIONS**

EXEMPT INFORMATION

None

PURPOSE

To report on the current status of the previously reported high priority recommendations not implemented at the previous implementation review.

RECOMMENDATIONS

That the Committee endorses the report.

EXECUTIVE SUMMARY

It was requested by this Committee, at the meeting held on the 30th October 2014, that an update be provided on the status of the high priority recommendations not implemented to this meeting. **Appendix 1** provides current status on those recommendations. Of the nineteen recommendations that were not implemented, 17 have now been implemented or partially implemented. The two recommendations that have not been implemented are dependent on other resources, the detail of which is shown in **Appendix 1**.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services, ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 - Update Report on Previously Reported High Priority Recommendations












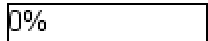






Update Report on Previously Reported High Priority Recommendations








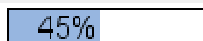
Report Type: Audit Recommendations Report





Report Author: Angela Struthers

Generated on: 12 January 2015

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Progress Bar	Manager Updates Further Manager Comments
1112 DQRM 3.1c Processes to remove old sensitive data			D – TechCP – Archive to be completed annually. Secure process in place as access to archived data will be granted by ICT. Communications regarding archiving to be completed.
112 DQRM 3.2a Scanning Facilities			D – TEChCP – to be completed in line with roll out of EDRMS. Awareness to be completed through NetConsent.
1213 T&S 3.3 Documentation provided annually			D – TCP Claim forms highlight the requirement (as do the PDR forms) for managers to make a declaration. HR do not chase this requirement, which will be built into ESS for ITrent.
1314 Com&Ind06.1 a) Monitoring			D- AE The spreadsheet is reviewed quarterly with finance colleagues and used for budget forecast.
1314 Com&Ind06.1 b) Monitoring			D – AE The spreadsheet is monitored quarterly with finance colleagues and used for budget forecasting.

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Progress Bar	Manager Updates Further Manager Comments
1314 Com&Ind09.3 a) Rent Reviews			D - AE Rent reviews are being completed and where they are not going to be done reasons are recorded.
1314 Com&Ind09.3 b) Rent Reviews			D - AE Rent reviews are being completed or where they aren't going to be done reasons are recorded. This will be an ongoing issue.
1314 ComAdmin9.8 Business Continuity			D - AE Agreed to update annually in June each year new plan in place for 21 November 2014
1314 Legal 01.1 Business Continuity			STTC Now updated will be circulated by 21 November 2014
1314 Legal 08.1 Legal Documents			STTC Legal Services is not the sole user of documents in the safe nor does it have sole access. Assets staff have keys and access too. Agreed action will meet with director Assets and Environment and agree protocols.
1314 Legal 12.1 Risk Treatment Measures			STTC
1314 Legal 14.1 Segregation of Duties			STTC Risk remains income does not come via the post room but form other sources such as tickets for events Staff member dealing with this matter is trustworthy and also aware of the risk
1314 Legal 17.2 Legislation Changes			STTC Task is too onerous for Legal services to accept responsibility for the whole authority as well as continued

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Progress Bar	Manager Updates Further Manager Comments
			<p>operation of the depository</p> <p>Agreed action obtain views of CMT and heads of service on whether depository required/needed. explore alternatives.</p>
1314 Legal 17.3 Updates to CMT			STTC As per previous comment this task it too onerous for legal services alone to undertake will liaise with CMT colleagues as to reporting requirements
1314 Legal 19.1 Risk Register Review			STTC
1314 RIPA 2.2 Identification of court representatives			<p>STTC In 3 years we have not had one application On contacting the court they get no applications from Councils It seems disproportionate therefore to train a pool of people who will never put the practise into use</p> <p>There are enough skills in the trained officers and external support from our trainer and staff at the magistrates court to make a successful application Should the situation ever arise</p> <p>Contact made with Magistrates Court</p>
1314 RIPA 3.1 Policy			STTC Agreed to put policy on NETconsent however the policy requires a few minor changes following the IC visit on 6/10/14 Updated policy will probably be approved

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Progress Bar	Manager Updates Further Manager Comments
			<p>at Council on 16/12/14 then put on NETconsent with few questions to follow. Training to be rolled out to CMT and all Heads of Service.</p>
1415 Com&Ind IR1 Invoice Coding			D - AE All invoices raised through the Environmental Management team and checked prior to issue.
1415 Com&Ind IR2 Notify NNDR Billing & Collections			D - AE As soon as we become aware that a property becomes formally vacant revenues are notified. There will be instances where there are delays as we are not always notified immediately and only become aware of a vacancy when rents become overdue.

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY 29 JANUARY 2015

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

RISK MANAGEMENT UPDATE - 2014/15

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 this report and raises any issues it deems appropriate.

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. 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.

Work is continually completed by Internal Audit with Service Units to ensure that the operational risk register entries are aligned to the corporate risks. This will also identify areas where operational risk registers need to be updated to ensure that operationally, the corporate risks are managed.

The Corporate Risk Register is attached as **Appendix 1** for information.

The Risk Management Action Plan for 2014/15 is attached as **Appendix 2** and shows status to date.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 – Corporate Risk Register

Appendix 2 – Risk Management Action Plan 2014/15

Corporate Risk Register 2015


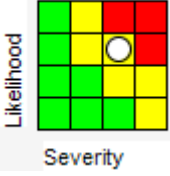
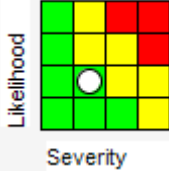
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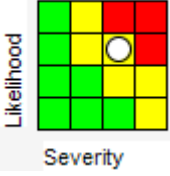
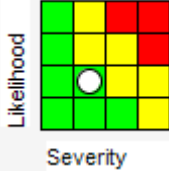
Risk Code	CPR1415_01	Risk Title	Medium Term Financial Planning & Sustainability Strategy	Current Risk Status	
Description of Risk	Loss of Funding and Financial Stability			Assigned To	Stefan Garner; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Sustainability Strategy developed to address longer term funding shortfall identified - detailed workstream deliverables including corporate change programme(3) Budget planning and monitoring (1) Base Budget forecast updated November 2014 - Cabinet 27/11/14 Draft Medium term financial strategy to be prepared January 2015 for Joint Scrutiny Committee review (2) Treasury Management Strategy, annual outturn & strategy approved by Council. regular monitoring (4) WRIEP support for efficiency / procurement (5) Grant income sourced where possible (6) Developing benchmarking process within the authority to evaluate and understand costs/performance/outputs including CIPFA benchmarking, reviewing high spend, annual internal audit review of audit commission benchmarking data (7) Performance setting (8) Procurement section, contracts register, quick quote process / Procurement guidance updated / intranet (9) Business case reviews (10) SCFOG/Networking / Active engagement in central government reform and change agenda (11) Effective use of assets eg Marmion House, agile working project (12) Attendance at professional & Government updates / workshops (13)		Current Risk Score	8
Gross Severity	4			Current Severity	4
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	01-Dec-2014

		<p>Proactive management & monitoring of corporate income levels i.e. council tax, business rates & housing rent (14) Section 151 review of controls within key financial systems (15) Housing Regeneration Project Group established with key sub-groups for specific tasks (16) Council tax support scheme - legal advice, EIAs, sound consultation with public, claimants and other LAs to develop a local scheme based on an agreed Countywide framework (17) support provided for new/existing members from key officers and third parties (SOLACE) Peer Assessment identified clear recognition & communication of financial position to stakeholders Updating of HRA Business Plan Review of Healthier Housing Strategy Review of SPV feasibility Review of Corporate Priorities and adoption of appropriate operating model</p>		
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</p> <p>Consequences</p>	<p>Cuts in front line service provision Quality of service decline Partnership relationships become strained Uncoordinated cuts/ reduction in service provision Financial savings not achieved Miss out on funding opportunities Inability to meet on-going costs Significant impact on the economic health of the local community Budget overspends Minimum reserves not maintained Budgets not balanced Potentially acting illegally Reputation issues Reduced income streams including car parks, golf course, planning, treasury, council tax & business rates</p>			
<p>Vulnerabilities/causes</p>	<p>Changes to political control (local/national) Budget shortfall / funding gap increasing through austerity cuts - 3 year MTFS in place from 2014/15 (longer term shortfalls identified from 2018/19) & identified further cuts after General Election (1,2,3,9,10,12) Increased cost liabilities e.g. water course maintenance, land charges, legacy MMI claims, golf course (1,2,3,9,10,12) Failure to manage budgets (1) Failure to manage investments (4) Missing key business funding opportunities (5, 6) Business Rates retention - uncertainty over appeals, impact on collection levels, S31 grants (& continued Government support) Failure to maximise incentive funding (i.e. new homes bonus, council tax, benefits admin, RTB's one for one replacement) (6) Disabled Facilities Grants - increased demand / costs not in line with grant levels impacting on other funding sources, uncertainty over funding from 2016/17 (6) Recession increase impact on services required (i.e. capacity, finance, recovery levels) (7,8,14) Failure of an existing contractor (9) Technical reform of Council Tax and other welfare reform changes (Universal Credit, Housing Allowances etc) wef 1/4/13 and the potential impact on collection levels/write offs (14, 15)</p>			


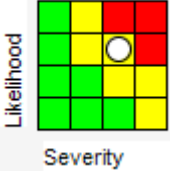
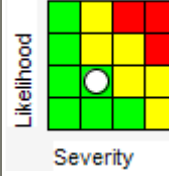
	<p>Business rates retention wef 1/4/13 - local collection levels will directly on the councils budget (14,15) Reduced income corporately due to welfare reform changes (including council tax support scheme) - impact on council tax, rent income etc (14, 15) HRA regeneration projects & impact on business plan / wider regeneration project including town centre, car parks etc (16) Council tax support scheme - legal challenge (17) Issues identified within Base Budget report, Cabinet 27/11/14: a) Potential changes to future New Homes bonus levels following the announcement that the Government will be reviewing the scheme again; b) Future Revenue Support Grant levels following indications as part of the <i>Local Government Finance Settlement 2014-15 and 2015-16</i> issued by the DCLG in January 2014 (which indicated a revenue support grant reduction of 32.8% in 2015/16) – the provisional grant proposals are expected in December 2014 following the Chancellor’s Autumn Statement on 3rd December 2014; c) The impact of Business Rate Reform from 1st April 2013 and the associated forecast business rates receivable in 2014/15 and future years – of which the Council’s budget will receive 40% (subject to 20% levy reduction on ‘excess’ rates payable to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) after deduction of the 50% central share, 9% County Council and 1% Fire & Rescue Authority share; d) The calculation of the level of business rate appeal costs – of which the Council has to fund 40% from its own budgets – a provision of £983k was set aside in 2013/14 (40% of which relates to the Council); e) Future Pension contribution levels - following the triennial review carried out by the Actuaries employed by the Pension Fund - indicative <i>ongoing</i> annual increases in employer’s contributions of c.2% p.a. for the next 3 years have been included. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a.; f) The impact of Pension Auto-Enrolment and the single tier pension from 2016/17 – no additional cost associated with auto enrolment has been included as salary budgets are prepared on a full cost basis (and then reduced by the 5% vacancy allowance). An increase in Employer’s National Insurance contributions of 3.4% p.a. have been included from 2016/17 when the single-tier pension starts as the State Second Pension scheme will close and contracting out will end; g) While the Government announced a pay cap for 2014/15 & 2015/16, there has been a recent consultation on a 2.2% increase (plus other changes) from 1st January 2015. The impact of inflation on pay settlements and other contractual arrangements for future years is less certain; h) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents) of the council; i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management; j) The severity of the recession and the impact it has had and still could have on the Council’s income streams (including the impact of the Local Council Tax Scheme on council tax collection levels); k) Finalisation of the expected outcomes and impact on the Council’s financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the ‘Plan for a Sustainable Future’ overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years - potential savings arising from the Sustainability Plan workstreams (including agile working) have been included – it is anticipated that further review outcomes will be reported as policy changes in the next phase of the budget process; l) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process.</p>
Risk Notes	Possibility of Fire Service taking Industrial action - review risk on a more regular basis - review set to weekly

Risk Code	CPR1415_02	Risk Title	Reputation	Current Risk Status	
Description of Risk	Damage to Reputation			Assigned To	Anica Goodwin; Tony Goodwin; Jane Hackett
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Monitoring Officer Increased use of multi media to consult/communicate Members surgeries Celebrating success State of Tamworth debate PR & Communications Tell Us Scheme Tamworth Listens Standards through Audit & Governance Committee Two Independent Persons and one independent member (Nominations Committee) Members declarations of Interest Ombudsmen report Monitoring of news stories Service delivery standards Contract monitoring Codes of conduct Policies and procedures Service Standards Training for all staff and members in media/press/use of social media Mystery shopper AGM Annual Corporate Plan Updates to all staff from CE Business continuity plan in place to cover vacancy Ongoing monitoring of social media	Current Risk Score	4	
Gross Severity	3		Current Severity	2	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date	20-Mar-2014		Last Risk Review Date	21-Jan-2015	
Consequences	Erosion in trust and confidence Service failure Loss of income Increased cost of working Fall in satisfaction levels				


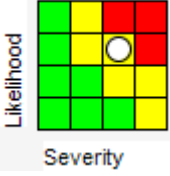
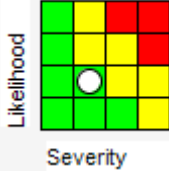
	Loss of public support Claims in tribunal/personal liability Loss of peer group credibility Increased scrutiny by government and auditors
Vulnerabilities/causes	Failure to match social and political expectations Failure to act on feedback Crisis and major incident management failures Failure to deliver minimum standards of service Third party supply chain failure Non-compliance with legislation Unethical practices by officers/members Security breaches by officers/members Personal actions by officers/members Misuse of social media by officers/members
Risk Notes	amendments made by AG

Risk Code	CPR1415_03	Risk Title	Governance & Regulatory Failure	Current Risk Status	
Description of Risk	Failure to achieve adequate Governance Standards and statutory responsibilities			Assigned To	Jane Hackett; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	<p>Regular review & update of Financial guidance (1) Audit & Governance Committee in place (including Standards) (2) Scrutiny Committees in place, including call in & questions at Council (3) Annual Governance Statement process / prepared (4) Whistleblowing Policy and Counter Fraud and Corruption Strategy developed & communicated (5) Money Laundering Policy developed and communicated Section 151 functionality and Monitoring Officer in place / Scheme of Delegation (6) Internal Audit function (7) External Audit assessment / reviews (8) Partnership Guidance Policy (9) Managers Assurance Statements prepared annually (10) Constitution - regular review (11) Code of Conduct for members (12) Relevant policies and procedures / Net Consent for policy management and acceptance (13) Legislation training for officers and members / continual CPD and other training / regular legal updates (14) Development of member training plan / development of e learning solution (15) Insurance policies for regulatory failure - officials indemnity, fidelity guarantee & libel and slander(16) TULG - consultation, openness, accountability, probity (17) Obligations under Environmental Protection Act and Public Health Act (18) PDR process (19) Electoral Process (20) Forward Plan in place with key decisions highlighted, Committee meetings scheduled (21) The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (22) Regular RIPA training for staff and key officers Data Protection awareness for staff</p>	Current Risk Score	4	
Gross Severity	3		Current Severity	2	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	21-Jan-2015	


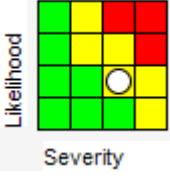
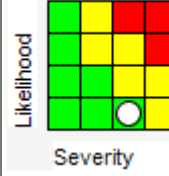
		Closer monitoring of government reforms and changes in statute Regular Statutory Officer meetings		
Consequences		Non-compliance with legal requirements Fraud Poor performance Damage to reputation Prosecution, fines Death or injury to public and/or staff Audit criticism within Annual Audit Letter / accounts qualified Poor inspection comments Legal challenge Ultra vires Financial impact / exposure from poor decisions arising from uninformed decision making process Increased demand for resource support from Members		
Weaknesses/ causes		Lack of training / knowledge - officers and member (14, 15) Lack of documented procedures (1) Lack of commitment from officers and members (6, 12) Failure to understand the importance of key decisions (14, 15) Inadequate governance process in place (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21,22) Lack of accountability (5, 6 ,7, 8, 12, 19, 20) Non compliance with legislation (6 ,14 ,18) Fraud (1, 5, 6) Poor performance (19) Failure to manage or be aware of legal responsibilities/changes to legislation (6, 14, 15) Lack of resources/ funding legal challenge(3) Financial position affecting decision making Loss of key staff / members (20) Inappropriate decision making (6, 14, 15) Changes to political control (20) Failure to provide sufficient recording facilities		
Risk Notes		Localism Act, Welfare Benefit reform,		

Risk Code	CPR1415_04	Risk Title	Partnership Working and Supply Chain Challenges	Current Risk Status	
Description of Risk	Failure in partnership working, shared services or supply chain			Assigned To	Andrew Barratt; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Procurement section, contracts register, quick quote process / Procurement guidance updated / intranet Partnership Governance Policy and training on the policy in place - refreshed in 2012 Partnership arrangements in place, eg contracts, shared service agreements Effective contract/partnership monitoring - revised TSP working well Business Continuity plans in place Comprehensive review of corporate business continuity with representation across all directorates. Policy, terms of reference and testing schedule drafted with expected sign off by Business Continuity Group 24/6/13 Risks identified and managed Constitutions in place for some partnerships TBC Business Continuity Group Adequate terms of reference Adherence to contracts register Increased use of Commissioning model Appropriate controls in place for provider/commissioner split Planned move to Public Sector Commissioning Procurement Strategy	Current Risk Score	4	
Gross Severity	3		Current Severity	2	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date				Last Risk Review Date	01-Dec-2014
Consequences	Services not delivered Damage to reputation Loss of knowledge, intellectual property and other assets Loss of quality service Criticism from external auditors/assessors Customer dissatisfaction Lack of resources Workforce opposition High exit costs Costs not reduced Efficiencies not gained Waste not eliminated				


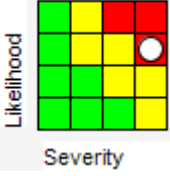
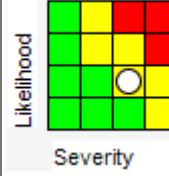
	Regulations not met Increase in accidents
Vulnerabilities/causes	<p>Failure to meet service delivery expectations Partner has financial failure Supplier incident eg data loss, governance issue Service delivery collapses during wide spread major incident Third party supply chain failure Partner under performs Failure to assess and manage the risks arising from the use of thrid parties Failure to set and manage contractual conditions and performance targets Failure to get management support Staff turnover increases Poor, incomplete knowledge transfer Scope of change too narrow/too broad Benefits not realised Political change of policy</p>
Risk Notes	Partnerships in place - waste, health & safety, Economic Development, Buidling Control, Strategic Partnership, Housing Repairs, IT service desk

Risk Code	CPR1415_05	Risk Title	Emergency & Crisis Response Threats	Current Risk Status	
Description of Risk	Failure to manage an external or internal emergency/disaster situation			Assigned To	Andrew Barratt; Nicki Burton
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	<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 drafted with expected sign off by Business Continuity Group 24/6/13 (Actual 01/12/14)</p> <p>Active engagement in Exercise MERCURY</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 & 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 actual events i.e. corporate system failure Dec 12</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 (04/12/14)</p>	Current Risk Score	4	
Gross Severity	3		Current Severity	2	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	05-Dec-2014	
Consequences	<p>Services not delivered</p> <p>Damage to reputation</p> <p>Civil Contingency Act requirements not met</p>				


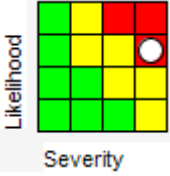
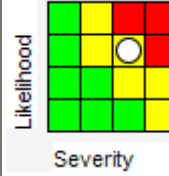
	<p>Death Destruction of property Damage to the environment Adverse affect on vulnerable groups Public expectations of service delivery not met Increased costs for alternative service delivery</p>
Vulnerabilities/causes	<p>Lack of integrated emergency arrangements making it difficult to react quickly 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>
Risk Notes	<p>current risks and scoring matrix still accurate and fit for purpose</p>

Risk Code	CPR1415_06	Risk Title	Economic Changes	Current Risk Status	
Description of Risk	Failure to plan and adapt services to economic changes within the community			Assigned To	Stefan Garner; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6	<p>Link to CPR1415_01 - financial control (1)</p> <p>Strategic Priority - Aspire & Prosper (performance monitored, addressed) (2)</p> <p>Keep up to date with central government communications (3)</p> <p>Adapt to downturn in economy - Tamworth Community Advice Network (TamworthCAN) (3)</p> <p>Economic Bulletin distributed to management - shows regional and local economic statistics (4)</p> <p>Management networks and leadership meetings (5)</p> <p>Support to local businesses - including through local Procurement (quick quote) (6)</p> <p>Think Local (7)</p> <p>Business and Economic Partnership (8)</p> <p>Place Group / Tamworth Strategic Partnership (9)</p> <p>Solutions for Business (10)</p> <p>External funding streams explored (GBSLEP) (11)</p> <p>Medium term financial plan (12)</p> <p>Zero based budgeting approach to Income targets (13)</p> <p>Regular review of business plans (14)</p> <p>Economic Strategy (15)</p> <p>GBSLEP including Business Rate reform / pooling (16)</p> <p>Local Plan (17)</p> <p>Local Investment Plan (18)</p> <p>Local Transport Board (GBSLEP) (19)</p> <p>Housing Regeneration projects / review including wider Town Centre regeneration (20)</p> <p>Plan for Welfare reform - discuss with partner agencies via the TSP (21)</p> <p>Joint working - Economic Development and Finance to develop financial business case (22) -</p> <p>a) Additional monitoring of empty properties (Revenues/Economic Development) to identify actions to promote growth & associated Business rate income;</p> <p>b) regeneration projects such as Town Centre regeneration, Cultural Quarter, Created in Tamworth etc.</p>	Current Risk Score	3	
Gross Severity	3		Current Severity	3	
Gross Likelihood	2		Current Likelihood	1	
Gross Risk Review Date			Last Risk Review Date	01-Dec-2014	


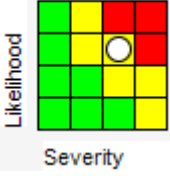
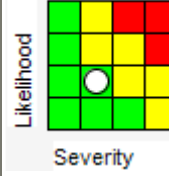
		c) Planning & Strategic Housing for new homes building (to inform New Home Bonus & Council tax forecasts)		
Consequences	<p>Lack of Town Centre development / prosperity No external funding to aid economy and growth Economic prosperity declines Detrimental effect on housing market People leave the borough Increased demand for social housing Impact on Council income Increased costs to Council services due to increased demand Reduced income corporately due to welfare reform changes (including council tax support scheme) - Impact on business rates, council tax, rent income, car parking, planning etc</p>			
Vulnerabilities/causes	<p>Failure to recognise economic changes (1, 2) Sudden economic downturn affecting businesses, jobs, housing etc (2, 3, 6, 8, 9, 15) Loss of major employer in the region (3) Failure to recognise opportunities (11, 15, 16) Rapid increase in inflation (1, 12) Changes in government funding/grants (3, 12) Collapse / decline of the property market (2, 8, 15, 16, 17, 18, 19, 20) Change of government (18, 19) Under achievement of development/investment (15, 16, 17, 18, 19, 20, 22) Low wage economy Physical space for growth in Tamworth is limited</p>			
Risk Notes				

Risk Code	CPR1415_07	Risk Title	Information Management & Information Technology	Current Risk Status	
Description of Risk	Failure to secure and manage data and IT infrastructure			Assigned To	Nicki Burton; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Network security Physical security Security Policy, Information Security Manual Data Protection compliance and training Single point of contact eliminated regarding Data Protection Storage limits being implemented (subject to CMT endorsement) - links to retention schedule & EDRMS, active management & archiving of data not regularly accessed (Report endorsed at CMT Nov 14 to archive not accessed within 5 years to clear disk space) GCSX PSN compliance Environmental controls Established protocols Security of data EDRMS implementation Data limits Business Continuity Plans Disaster Recovery Plan (Actual recovery 04/12/14) Virtual servers Web based systems Home working ISO27001 Back ups Annual penetration tests ISO20000 Improved Business Continuity with reciprocal arrangements at Walsall Enhancements made to Data Retention, Storage Management and Proven Integrity of VMWare Infrastructure	Current Risk Score	6	
Gross Severity	4		Current Severity	3	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	05-Dec-2014	
Consequences	Fine Reputational damage Potential imprisonment				


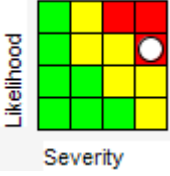
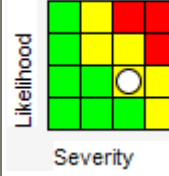
	Physical harm to staff Consequence for members of the public if their personal data lost/stolen Loss of key management information Inability to deliver services Potential loss of income
Vulnerabilities/causes	Insecure IT equipment Human error / loss of personal data Loss of equipment/data Theft Equipment failure Hacking / Viruses Agile working trials / flexible working project Corporate Change Project
Risk Notes	

Risk Code	CPR1415_08	Risk Title	Loss of Community Cohesion	Current Risk Status	
Description of Risk	Failure to achieve community cohesion			Assigned To	Rob Barnes; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	No change to front line services Locality working ASB Policy Partnership working Financial Inclusion Policy Community Engagement- project related and inclusive Corporate consultation database Services proactive in engaging communities Data and intelligence used to inform service planning Community cohesion awareness Capacity building projects & initiatives Impact assessments used Horizon scanning Big Society/Localism impact Stronger Communities Partnership Responsible Authorities Group Development of ASB hub Links with Police Community Cohesion Audit Tamworth Strategic Partnership ASB working group to agree processes to go onto CRM Effective Council wide response to implications of WBR		Current Risk Score	9
Gross Severity	4			Current Severity	3
Gross Likelihood	3			Current Likelihood	3
Gross Risk Review Date				Last Risk Review Date	19-Dec-2014
Consequences	Long term costs Not meeting/understanding users needs Increase in crime and disorder Poor use of funding Increased tensions in the community No community commitment/ownership to the authorities vision Low level of community cohesion Fear of perception of crime Failure to meet demand				
Vulnerabilities/causes	Economic recession Poverty				


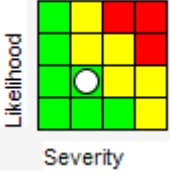
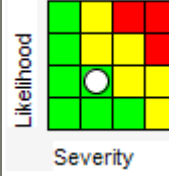
	<p>Welfare reforms Services withdrawn Big Society does not take off Communities become fragmented Increase in ASB Increase in financial deprivation Lack of interest from the public Poor communication Poor engagement mechanisms at corporate and service level Limited understanding of good engagement process Housing and regeneration projects- change mgt'</p>
Risk Notes	


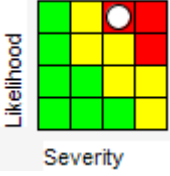
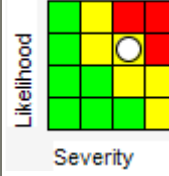
Risk Code	CPR1415_09	Risk Title	Workforce Planning Challenges	Current Risk Status	
Description of Risk	Failure to manage workforce planning challenges			Assigned To	Anica Goodwin; Tony Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Service reviews Regular communication Workforce and succession planning Core brief Staff AGM PDR process to ensure skill development requirements are being addressed HR policies and procedures in place Post entry training to qualify staff in key areas Absence management policy, healthshield and occupational health Market supplement policy for either retention or recruitment of necessary skills Managers review of resource capabilities/capacity for business continuity purposes Relationship with Trade Unions (TULG) Management awareness of risk impact of reduced staffing Corporate change programme Pre employment checks Business continuity plans Introduction of mandatory training		Current Risk Score	4
Gross Severity	3			Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date	20-Mar-2014			Last Risk Review Date	19-Dec-2014
Consequences	Strain on remaining staff Risk to service delivery Industrial action Budget misalignment Increase in fraud Wrong messages sent out Potential increase in employment tribunal cases Increased number of grievances from staff Increase in absenteeism Inability to respond to change agenda Inability to align skill levels to new working methods Unable to recruit staff Impact on reputation				


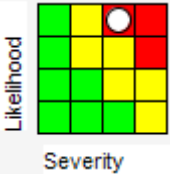
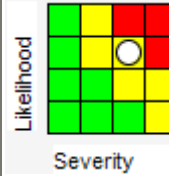
Vulnerabilities/causes	<p>Staff become overloaded Low morale has impact on service delivery Industrial unrest Redundancies lead to additional future costs Failure to communicate effectively Small authority with specialised staff Sickness levels remain too high leaving vulnerable skills gaps Pay and conditions below market conditions for skills required</p>
Risk Notes	<p>reviewed by AG</p>

Risk Code	CPR1415_10	Risk Title	Health & Safety	Current Risk Status	
Description of Risk	Failure to manage Health & Safety			Assigned To	Andrew Barratt; Anica Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Policies in place Training completed Health and Safety groups Risk assessments completed Inspections completed Personal safety equipment provided Lone working policy and practices PVP register Fire alarm tests and evacuation tests Regular update meetings with H&S officers and Director Transformation and Corporate Performance audits Landlord Health and Safety Audit and Action Plan Review of high rise fire risk following changes to regulation Mandatory training matrix and training records maintained for each employee Partnership working HAT Policy	Current Risk Score	6	
Gross Severity	4		Current Severity	3	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date	20-Mar-2014		Last Risk Review Date	01-Dec-2014	
Consequences	Corporate manslaughter Fines Negative publicity Insurance claims Death/injury				
Vulnerabilities/causes	Non-compliance with legislation Lack of health and safety awareness Short cuts/ poor working practices Personal safety equipment not used Risks not identified and or managed Inspections/tests not completed				
Risk Notes	Reviewed by AG H&S team to ensure they keep up to date with legislative changes etc				


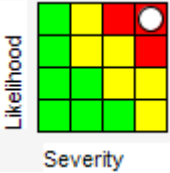
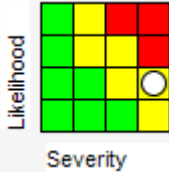
	Risk level still at reported score
	H&S audit carried out highlighting some high priority areas. support action plan to be implemented. Regular updates with SL/JH/AG
	regular updates by AG with JH and SL Updates to CMT

Risk Code	CPR1415_11	Risk Title	Corporate Change	Current Risk Status	
Description of Risk	Failure to manage corporate change			Assigned To	Nicki Burton; Anica Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	4	Programme Plan Pool of trained resources Structured programme Dedicated Programme Manager Strong Governance Strong budget management Demonstrated benefit realisation Clear communications Dedicated Project Manager Active engagement of Corporate Change Board Reporting to CMT & Cabinet One of the active workstreams is to tackle financial deficits Inclusion of Sustainability Plan following Cabinet approval (22/08/2013) End of Tranche Report scheduled for CMT 15/12/14 to look at efficiencies etc in stage one and approve planning for subsequent stages Tranche 1 Corporate Change Programme report Post Implementation Reviews	Current Risk Score	4	
Gross Severity	2		Current Severity	2	
Gross Likelihood	2		Current Likelihood	2	
Gross Risk Review Date	20-Mar-2014		Last Risk Review Date	05-Dec-2014	
Consequences	Return on investment not made Reputation Failure to implement agile working environment Savings are not made Budget not balanced Programme becomes overloaded Value for money not achieved				
Vulnerabilities/causes	Weak management/ leadership / direction Weak governance No executive management support Insufficient corporate skills and capacity Failure to retain staff				
Risk Notes	reviewed by AG				


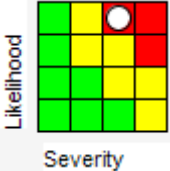
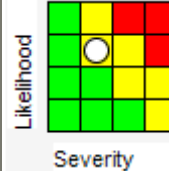
Risk Code	CPR1415_12	Risk Title	Safeguarding Children & Vulnerable Adults	Current Risk Status	
Description of Risk	Failure to safeguard children and vulnerable adults			Assigned To	Jane Hackett; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Safeguarding policy adopted Member training implemented Clear procedures for reporting and dealing with disclosure Annual section 11 audit - 2012 and 2013 completed Appropriate risk assessments to identify vulnerability in customers/residents Senior leadership commitment with designated officers Policy implemented with training for appropriate staff Safe recruitment process Supervision of staff, contractors and volunteers Included in tender process Tamworth Vulnerability Partnership HAT Policy CRM development	Current Risk Score	9	
Gross Severity	3		Current Severity	3	
Gross Likelihood	4		Current Likelihood	3	
Pass Risk Review Date	16-Jan-2012		Last Risk Review Date	04-Dec-2014	
Consequences	Death, serious injury Legal challenge for lack of compliance with legislation Loss of reputation Financial costs of review and insurance claims Prosecution Increase in inspection Increase in demand More severe cases				
Vulnerabilities/causes	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 Partner agencies not delivering services Lack of appropriate services Lack of reporting incidents considered trivial Other organisation's not delivering the service - gaps in service provision for adults in need Reduction in partners services to the vulnerable				


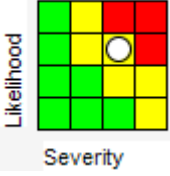
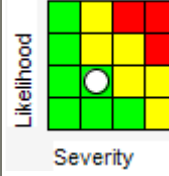
Risk Code	CPR1415_13	Risk Title	Golf Course project -stage 2 selection of a sustainable future option	Current Risk Status	
Description of Risk	Cabinet selected to redevelop the Golf Course for housing following the in-depth options appraisal. Further to this, Cabinet approved the closure of the course in October 2014. The project to redevelop the site is ongoing and a number of technical studies are being finalised. A draft masterplan will be out for preplanning consultation in late October 2014.			Assigned To	Tony Goodwin; Rob Mitchell; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Project group established External support/advice commissioned Project plan established with key milestones Regular reporting to Cabinet Technical and legal advice sought Regular communications to staff, customers, and with stakeholders Engagement with stakeholders, staff, residents and customers through specific consultation as part of the project Consultation and oversight from key TBC officers Engagement and consultation with Members Implementation plan to be taken to Cabinet post a decision on the preferred option Project management of consultants	Current Risk Score	9	
Gross Severity	3		Current Severity	3	
Gross Likelihood	4		Current Likelihood	3	
Gross Risk Review Date			Last Risk Review Date	04-Dec-2014	
Consequences	Revenue costs Capital costs Reputation				
Vulnerabilities/causes	Financial impact - for MTFS Lack of capital funds to invest Reputation / negative press Selection of a sustainable option required Opposition group A range of evidence and views have been gathered- some of which, when taken out of context can support options which are not viable if they are considered holistically alongside the other information For some customers and residents the potential preferred options are fundamentally unpopular despite the evidence which might support them Not securing planning permission Sale not agreed				
Risk Notes	The previous risk relating to the external service provider has been managed and the Council is now required to manage the service in house for two years until March 2015. An options appraisal is underway to determine what the Council will do with the Course post April 2015. A long list of options is being assessed and				

will be reduced to a short list in October 2013 subject to a Cabinet report. A final selection from the remaining shortlist is expected in February 2014.

Risk Code	CPR1415_14	Risk Title	Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements	Current Risk Status	
Description of Risk				Assigned To	Tony Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	16	Risk Treatment Measures Implemented Regular updates Monitoring Dedicated website for Housing benefit changes to inform customers Consultation with customers over CT changes Financial profiling Town centre redevelopment Economic development team	Current Risk Score	8	
Gross Severity	4		Current Severity	4	
Gross Likelihood	4		Current Likelihood	2	
Gross Risk Review Date	09-Nov-2012		Last Risk Review Date	19-Dec-2014	
Consequences	Unable to maintain rent income/increase in rent income Social housing becomes unaffordable Delivery of new housing Realistic housing waiting lists <i>Social unrest - those unable to access social housing</i> Increase in benefit claimants Increase in fraud - Benefits, Business Rates, RTB, Council Tax, tenancy Increase in benefits overpayments Potential economic growth Maximise benefit entitlement & income generation Community run services - not provided, inappropriately run Processes lengthened through challenge CIL - investment in development areas Impact on staff				
Vulnerabilities/causes	Welfare reform - changes to social housing - flexibility in rent setting, short term fixed tenancies, pay to stay, Use of RTB receipts for new housing New Homes Bonus Social housing allocations reform Cap to benefit levels, reduction in local housing allowances, increase in non dependant charge, universal credit Changes to business rates Changes to Council Tax Welfare Rights Fairer Charging Community right to challenge Community right to bid				

	Changes to Planning system Community Infrastructure Levy National Home Swap Scheme
Risk Notes	

Risk Code	CPR1415_15	Risk Title	Impact of changes to political control	Current Risk Status	
Description of Risk				Assigned To	Tony Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	12	Keep up to date with changes Officers politically neutral Appropriate key officer briefings (Executive Board) Member induction and training programme for new and existing members Use of SOLACE management support to develop awareness/understanding re new councillors etc. Policy underpinned by robust contractual arrangements	Current Risk Matrix		
Gross Severity	3		Current Risk Score	6	
Gross Likelihood	4		Current Severity	2	
Gross Risk Review Date			Current Likelihood	3	
			Last Risk Review Date	17-Oct-2014	
Consequences	Financing streams may change Services being delivered could change Decision making becomes lengthy/doesn't happen/changes				
Vulnerabilities/causes	Changes to political leadership - local/national Hung council/government Political balance on decision making committees				
Risk Notes					

Risk Code	CPR1415_16	Risk Title	Elections	Current Risk Status	
Description of Risk	Parliamentary & Local Elections 2015			Assigned To	Jane Hackett; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Management arrangements to share resources Resource planning Staff training Site visits Dedicated inspector Same IT system used Procedure notes to be reviewed and updated Protocols for count		Current Risk Score	4
Gross Severity	3			Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date	05-Dec-2014			Last Risk Review Date	05-Dec-2014
Consequences	Loss of reputation The wrong person could be declared Potential judicial review Criticism Personal liability Potential court action Disenfranchising of voters				
Vulnerabilities/causes	Parliamentary elections - complexity regarding shared boundary areas Not enough staffing resources Ballot papers delivered to the wrong count IER last registration date closer to the Elections Postal vote forms closing date close to the Elections Printer software could be incompatible across cross boundaries Different dates set for close of nominations for parliamentary and local elections Postal votes forms not completed correctly Ballot paper contamination (includes postal votes) Ballot papers not delivered Staff illness Staff capacity				
Risk Notes					



Risk Management Action Plan 2014/15

Report Type: Actions Report

Report Author: Angela Struthers

Generated on: 22 December 2014

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM1	Risk Management Policy Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Risk Management Policy Review					
All Notes	Angela Struthers 07-Aug-2014 The Policy will be reviewed by the due date					

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM2	Risk Management Training Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Roll out e-learning risk management module					
All Notes						

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM3	E-learning module Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Review e-learning module to alarm toolkit					
All Notes						

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM4	Linking risks to corporate priorities Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Linking risks to corporate priorities and statements of intent					
All Notes						

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM5	Opportunities Risk Register Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Introduce an opportunities risk register					

All Notes	Angela Struthers 07-Aug-2014 This is a development area. A request to the software supplier has been made.
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Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM6	Internal Controls Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Evaluate the option to populate the Internal Controls tab within the Covalent Risk Management system					
All Notes						

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM7	Risk Library Priority		<input type="text" value="100%"/>	01-Apr-2015	14-Oct-2014	Angela Struthers
Description	Increase the Risk Management Library					
All Notes	Angela Struthers 07-Aug-2014 The risk library held on the covalent system now contains project and partnerships risk libraries as these are the areas that will be used by several departments. Other risk libraries are more specific to the service area and will remain as word documents.					

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM8	Health & Safety Risk Registers Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	Promote the use of Covalent Risk Management system to record health & safety risk registers					
All Notes						

Action Code	Action Title	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM9	Other Assurance Sources Priority		<input type="text" value="0%"/>	01-Apr-2015		Angela Struthers
Description	To promote the recording of other assurance sources on the Covalent system					
All Notes						

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

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AUDIT & GOVERNANCE COMMITTEE

29TH January 2015

Report of the Head of Internal Audit Services

INTERNAL AUDIT QUARTERLY REPORT 2014/15 QUARTER 3

EXEMPT INFORMATION

None

PURPOSE

To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 3rd quarter of 2014/15 – to provide members with assurance of the ongoing effective operation of an internal audit function and enable any particularly significant issues to be brought to the Committee's attention.

RECOMMENDATION

That the Committee considers the attached quarterly report and raises any issue it deems appropriate.

EXECUTIVE SUMMARY

The Accounts and Audit Regulations 2011 (as amended) require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the internal control, risk management and governance framework within the organisation, and their outcomes.

One of the sources of assurance featured in the AGS is the professional opinion of the Head of Internal Audit Services on the outcome of service reviews. Professional good practice recommends that this opinion be given periodically throughout the year to inform the Annual Governance Statement. This opinion is given on a quarterly basis to the Audit & Governance Committee.

The Head of Internal Audit Services' quarterly opinion statement for Oct – Dec 2014 (Qtr 3) is set out in the attached document, and the opinion is summarised below.

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment for this quarter is that "reasonable assurance" can be given. Where significant deficiencies in internal control have been formally identified

by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during 2014/15.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

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

Angela Struthers, Head of Internal Audit Services

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 Internal Audit Performance Report 2014/15 Quarter 3

**Appendix 2 Percentage of Management Actions Agreed 2014/15
Quarter 3**

Appendix 3 Implementation of Agreed Management Actions 2014/15

INTERNAL AUDIT ANNUAL REPORT/QUARTERLY REPORT – Q3 - 2014/15

1. INTRODUCTION

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 brief 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".

2. PERFORMANCE AND PROGRESSION AGAINST AUDIT PLAN

The Internal Audit service aims as one of its main Performance Indicators (PI's) to complete work on at least 90% of applicable planned audits by the end of the financial year, producing draft reports on these where possible/necessary. **Appendix 1** shows the progress at the end of quarter 3 of the work completed against the plan and highlights the work completed in the third quarter. At the end of the third quarter, internal audit have commenced 53 areas of work which equates to 61% of the total annual plan (specific reviews) – which at this time includes 21 additional implementation reviews, 2 risk based audits not originally identified and takes into account four areas cancelled (1 additional implementation review and 3 IT audits). Due to the nature of the work outstanding, Internal Audit are confident that they will complete at least 90% of the revised plan. The report has been split to distinguish between audits and implementation reviews.

The service also reports quarterly on the percentage of draft reports issued within 15 working days of the completion of fieldwork. All (100%) of the draft reports issued in this quarter of the year were issued within this deadline.

3. AUDIT REVIEWS COMPLETED QUARTER 3 2014/15

The audits finalised in the 3rd quarter of 2014/15 are shown in **Appendix 2** and this identifies the number of recommendations made. A total of 86 recommendations were made in the third quarter with 84 (98%) of the recommendations being accepted by management.

The service revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. Two implementation reviews were completed during the 3rd quarter of 2014/15. **Appendix 3** details the implementation progress to date for 2014/15 with 93% of the agreed management actions implemented or partially implemented. Internal Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. Only one recommendation had no progress to date and was medium priority.

4. INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 in the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically state that the Head of Internal Audit Services must confirm this to the Audit & Governance Committee at least annually. As performance is reported quarterly, this confirmation will be provided quarterly.

The Head of Internal Audit Services confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.

5. OVERALL CURRENT INTERNAL AUDIT OPINION

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that “reasonable assurance” can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit’s opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the third quarter of the 2014/15 financial year

Angela Struthers,
Head of Internal Audit Services

Internal Audit Performance Report 1415 Quarter 3

Original Plan





Revised Plan









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Audits finalised quarter 3					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.FIN.09 NNDR		Main financial system – interim	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its		







Audits finalised quarter 3

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.HH.01 Housing Rents		Main financial system – interim	objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.		
1415.FIN.06 Creditors		Main financial system – interim	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.		







Audits finalised quarter 3

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.FIN.08 Council Tax		Main financial system – interim	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.		
1415.STTC.04 Right to Buy Sales		System based review	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.		
1415.TCP.13 Time Recording & Absence		System based review	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.		







Audits finalised quarter 3

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.TECH.06 IT Change Control		Information Technology	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.		
1415.CPP.06 Castle Grounds/ Parks and Open Spaces		Risk based review	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.		
1415.FIN.10 Bank Reconciliation & Cash Collection		Main financial system – full	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		

Audits finalised quarter 3









Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.COR.02 Project Management		System based review	satisfactorily. 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.		
1415.FIN.11 Housing & Council Tax Benefits		Main financial system – interim	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.		
1415.FIN.03 Treasury Management Qtr 2		Main financial system – interim	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		

Audits finalised quarter 3

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.FIN.14 VAT		System based review	satisfactorily. 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.		
1415.COR.01 Performance Management		System based review	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.		
1415.AE.01 Cemeteries		Risk based review	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		

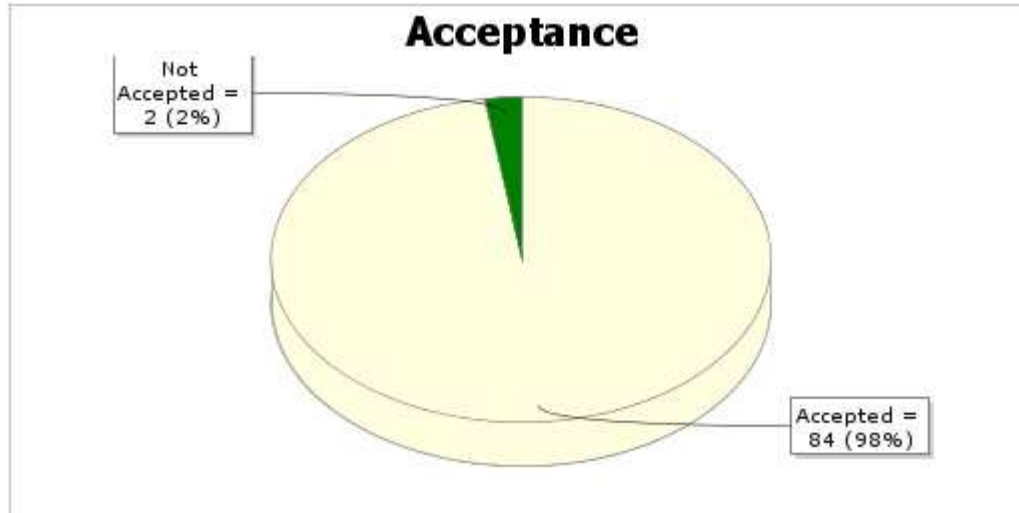
and effectively as controls are in place but operating poorly, or controls in place are inadequate.

Implementation reviews completed quarter 3

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.TCP09FIR Petty Cash Further Implementation Review		Additional Implementation Review	The audit opinion for the initial audit and the implementation review was 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.	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.	  
1415.STTC.05IR Gifts & Hospitality		Implementation Review	The initial audit opinion was 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.	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.	  



Percentage of management actions agreed qtr 3

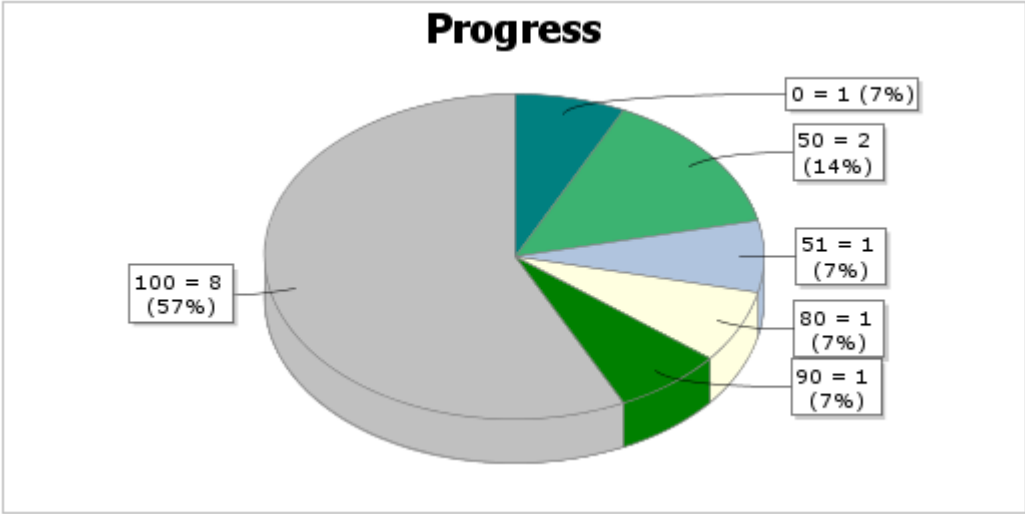


The 2 risks not accepted were medium risk

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Implementation reviews quarter 3 201415

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Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar
1314 PC 01 Petty Cash Imprest Accounts		Medium Priority	0%

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THURSDAY, 29 JANUARY 2015

**REPORT OF THE
DIRECTOR – TECHNOLOGY & CORPORATE PROGRAMMES**

IMPLEMENTATION OF ICT AUDIT RECOMMENDATIONS

EXEMPT INFORMATION

None

PURPOSE

To brief Members of the Audit & Governance Committee on actions taken to date and future planned activities to review and implement outstanding audit recommendations.

RECOMMENDATIONS

That Committee Members note the information and actions contained within this report.

RESOURCE IMPLICATIONS

Resource implications have been considered alongside the requirements of the ICT Business Plan and the corporate technological requirements of the organisation. Timescales of projects and other planned work have been adjusted accordingly.

There are financial implications to a number of the remaining audit recommendations. These will be considered as part of the services ongoing budget planning and monitoring, and as part of wider implementations.

LEGAL/RISK IMPLICATIONS BACKGROUND

There is minimal risk identified with the implementation of this approach. The requirements of ISO20000 – IT Service Management and ISO27001 Information Security Management Standards have been fulfilled and the legislative requirements of the Government's Code of Connection have been fulfilled.

SUSTAINABILITY IMPLICATIONS

The sustainability of this plan, and subsequent activity required to effectively manage audit recommendations has been considered during development.

BACKGROUND INFORMATION

ICT Services is a corporate support service providing the following functions to Tamworth

Borough Council ;

- ICT Services, including desktop, server and application development and maintenance
- Contract Management
- Information Management, including Data Protection and Freedom of Information
- Geographical Information Systems
- Project and Programme Management
- Corporate Business Continuity and Disaster Recovery

Tamworth Borough Council has gone through significant technological change during the last eighteen months. It has seen its server infrastructure and desktop environment virtualised, replacement technology for Members, the implementation of the first stage of agile working, replacement print fleet, replacement corporate radios, replacement website and the development of CRM. This has all been carried out internally, with little or no resource brought in to increase capacity.

Simultaneously, the team has continued to deliver operational functions enabling the availability of corporate systems and applications, while ensuring that their skill sets are at an appropriate level to support the new technological infrastructure. Performance Indicators have been met and commitments to internal customers have been fulfilled.

Additionally, the Director – Technology & Corporate Programmes has spent approximately 5 months of the last year providing support to cover the unplanned absence of key roles linked to corporate projects and fulfilling legislative demand.

In October 2014, the Director – Technology & Corporate Programmes raised the issue of outstanding audit recommendations with the Executive Director Corporate Resources with a potential solution, which was discussed and agreed. Subsequently, this solution was also agreed with the Head of Internal Audit. It was acknowledged that the volume of audits which required input from ICT Services was high. It was also acknowledged that, with the finite resource available, it was difficult to respond to all demands within a timely manner. ICT Services also hold two external accreditations against which they are audited, internally and externally. Additionally, the service must also fulfil the audit demands of the Central Government Code of Connection.

A plan of activities to implement all appropriate outstanding internal audit recommendations, and to review the approach to auditing ICT Services going forward has been compiled. This plan will see a more holistic approach to ICT audits and consolidation where appropriate. This is particularly relevant when audit applications in use across the organisation.

The planned activities and progress to date can be found at Appendix A.

REPORT AUTHOR

Nicki Burton – Director Technology & Corporate Programmes

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix A – Progress Against Planned Activities

APPENDIX A – PROGRESS AGAINST PLANNED ACTIVITIES

Ref	Description	Timescale	Responsible Officer	Comments
1	Reduce number of audits scheduled from November 2014 to March 2015 from 11 down to 4 (externally commissioned)	31/10/2014	D – T&CP HofIA	Completed
2	Close audit recommendations on Covalent, implemented as part of recent technological change	28/11/2014	D – T&CP	Completed
3	Ensure all remaining outstanding audit recommendations are updated appropriately on Covalent	24/12/2014	D – T&CP	Completed
4	Assess current risk to organisation of outstanding organisations in light of changed technical environment	30/01/2015	D – T&CP	Ongoing
5	Agree priority implementation order of remaining outstanding audit recommendations and ensure capacity of appropriate officers	13/02/2015	D – T&CP	Outstanding
6	Compile full repository of ICT related policies with review dates and responsible officers	16/01/2015	SS&DM	Completed
7	Add to ICT Management Team and Standing Agenda Item	27/03/2015	D – T&CP	Ongoing
8	Include in ICT Managers one to one meetings to maintain focus	27/03/2015	D – T&CP	Ongoing
9	Consider future approach to ICT related audits including impact from service area audits	27/03/2015	D – T&CP HofIA	Outstanding

Key
D – T&CP : Director Technology - Corporate Programmes
SS&DM : Service Support and Delivery Manager
HofIA : Head of Internal Audit

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Planned Reports to Audit & Governance Committee (Draft)

	Report	Committee Date	Report of	Comments
1	Internal Audit annual & quarterly update	May	Head of Internal Audit	
2	Risk Management quarterly update	May	Head of Internal Audit	
3	Review of the effectiveness of Internal Control Environment	May	Head of Internal Audit	To include the review of the effectiveness of internal audit, compliance with PSIAS, roles of the CFO and HIAS
4	Counter Fraud update	May	Head of Internal Audit	
5	Role of the Audit Committee	May	Grant Thornton	Presentation/training
1	Draft Annual Statement of Accounts	June	Executive Director Corporate Services	
2	Annual Governance Statement & Code of Corporate Governance	June	Head of Internal Audit	
3	Review of the Constitution & Scheme of Delegation for Officers	June	Solicitor to the Council and Monitoring Officer	
4	Audit & Governance Committee Update	June	Grant Thornton	
5	Fee Letter	June	Grant Thornton	
6	RIPA Quarterly Report	June	Solicitor to the Council and Monitoring Officer	

	Report	Committee Date	Report of	Comments
1	Annual Statement of Accounts	September	Executive Director Corporate Services	
2	Audit Findings Report	September	Grant Thornton	
3	Internal Audit quarterly update	September	Head of Internal Audit	
4	Risk Management quarterly update	September	Head of Internal Audit	
6	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2013/14	September	Executive Director Corporate Services	
7	RIPA Quarterly Report	September	Solicitor to the Council and Monitoring Officer	
8	Local Government Ombudsman's Annual Review and Report 2013/14	September	Solicitor to the Council and Monitoring Officer	
1	Annual Audit Letter 2013/14	October	Grant Thornton	
2	Internal Audit quarterly update	October	Head of Internal Audit	
3	Risk Management quarterly update	October	Head of Internal Audit	
4	Annual Governance Statement update	October	Head of Internal Audit	

	Report	Committee Date	Report of	Comments
5	Members/Standards	October	Solicitor to the Council & Monitoring Officer	
6	Anti Money Laundering Policy	October	Solicitor to the Council & Monitoring Officer	
1	Audit Report on Certification Work 2013/14	January	Grant Thornton	
2	Audit Progress Report	January	Grant Thornton	
3	Internal Audit quarterly update	January	Head of Internal Audit	
4	Risk Management quarterly update	January	Head of Internal Audit	
5	Counter Fraud update	January	Head of Internal Audit	To include review of Counter Fraud Policy and Whistleblowing Policy
6	Review of Financial Guidance	January	Head of Internal Audit	
7	RIPA Quarterly Report	January	Solicitor to the Council and Monitoring Officer	
8	Treasury Management mid year monitoring report	January	Executive Director Corporate Services	
1	Final Accounts 2014/15 – Action Plan	March	Director of Finance	
2	Draft Audit Plan	March	Grant Thornton	
3	Draft Certification Work Plan	March	Grant Thornton	

	Report	Committee Date	Report of	Comments
4	Audit Committee Update	March	Grant Thornton	
5	Auditing Standards	March	Grant Thornton	
6	Internal Audit Charter and Audit Plan	March	Head of Internal Audit	
7	Audit & Governance Committee Self Assessment	March	Head of Internal Audit	
8	RIPA Quarterly Report	March	Solicitor to the Council and Monitoring Officer	
9	Treasury Management Strategy and Prudential Indicators	March	Executive Director Corporate Services	

Portfolio Holder CS - Portfolio Holder for Corporate Services & Assets