

4 December 2018

Committee	Audit
Date	Wednesday, 12 December 2018
Time of Meeting	2:00 pm
Venue	Tewkesbury Borough Council Offices, Severn Room

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND

Agenda

1. ANNOUNCEMENTS

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (staff should proceed to their usual assembly point). Please do not re-enter the building unless instructed to do so.

In the event of a fire any person with a disability should be assisted in leaving the building.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive apologies for absence and advise of any substitutions.

3. DECLARATIONS OF INTEREST

Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.



	Item	Page(s)
4.	MINUTES To approve the Minutes of the meeting held on 19 September 2018.	1 - 7
5.	AUDIT COMMITTEE WORK PROGRAMME To consider the Audit Committee Work Programme.	8 - 14
6.	EXTERNAL AUDITOR'S PROGRESS REPORT To consider the external auditor's report on progress against planned outputs.	15 - 26
7.	COUNTER FRAUD UNIT REPORT To consider the six monthly update from the Counter Fraud Unit.	27 - 32
8.	LOCAL AUTHORITY SERIOUS AND ORGANISED CRIME CHECKLIST To consider the completed Serious and Organised Crime Checklist and the action plan arising from the checklist.	33 - 54
9.	INTERNAL AUDIT MONITORING REPORT To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	55 - 83
10.	RISK MANAGEMENT STRATEGY AND CORPORATE RISK REGISTER To consider the updated Risk Management Strategy and recommend it to the Executive Committee for approval; and to consider the risks and mitigating controls within the corporate risk register.	84 - 112
11.	MONITORING OF SIGNIFICANT GOVERNANCE ISSUES To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	113 - 120

DATE OF NEXT MEETING
WEDNESDAY, 27 MARCH 2019
COUNCILLORS CONSTITUTING COMMITTEE

Councillors: G F Blackwell, K J Cromwell, P A Godwin, B C J Hesketh, S E Hillier-Richardson, H C McLain (Chair) and V D Smith (Vice-Chair)

Substitution Arrangements

The Council has a substitution procedure and any substitutions will be announced at the beginning of the meeting.

Recording of Meetings

In accordance with the Openness of Local Government Bodies Regulations 2014, please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Chairman will take reasonable steps to ensure that any request not to be recorded is complied with.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the public and press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 19 September 2018 commencing
at 2:00 pm**

Present:

Chair
Vice Chair

Councillor H C McLain
Councillor V D Smith

and Councillors:

G F Blackwell, K J Cromwell, B C J Hesketh and S E Hillier-Richardson

also present:

Councillors E J MacTiernan

AUD.19 ANNOUNCEMENTS

- 19.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 19.2 The Chair welcomed the Engagement Manager from Grant Thornton to the meeting.

AUD.20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 20.1 An apology for absence was received from Councillor P A Godwin. There were no substitutions for the meeting.

AUD.21 DECLARATIONS OF INTEREST

- 21.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 21.2 There were no declarations made on this occasion.

AUD.22 MINUTES

- 22.1 The Minutes of the meeting held on 18 July 2018, copies of which had been circulated, were approved as a correct record and signed by the Chair, subject to an amendment at Minute AUD.9.3 to make it clear that the conclusion on the Council's value for money arrangements was an 'except for' conclusion rather than 'acceptable'.

AUD.23 AUDIT COMMITTEE WORK PROGRAMME

- 23.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 14-21, which Members were asked to consider.
- 23.2 The Head of Corporate Services explained that the Counter Fraud Unit had undertaken some partnership working with the serious crime authority to develop an organised crime action plan and checklist which would be considered by the Committee at its meeting in December. Part of the checklist would look at how good the Council's control environment was in terms of combating serious crime. He also confirmed that, at its meeting in March 2019, the Council would receive an update on the progress made in implementing recommendations arising from the independent review of internal audit.
- 23.3 In response to a query regarding the possible renaming of the Committee, the Head of Corporate Services confirmed that this would be considered as part of the Constitution review which it was anticipated would be complete by the end of the year.
- 23.4 Accordingly, it was
RESOLVED That the Audit Committee Work Programme be **NOTED**.

AUD.24 ANNUAL AUDIT LETTER 2017/18

- 24.1 Attention was drawn to Grant Thornton's Annual Audit Letter 2017/18, circulated at Pages No. 22-32. Members were asked to consider the report.
- 24.2 The Engagement Manager from Grant Thornton explained that the Annual Audit Letter summarised the key findings from the work which had been carried out for the year ended March 2018. The Letter was intended to provide the commentary on the results of the external audit work on the Council and external stakeholders and to highlight the issues it wished to draw to the attention of the public. The audit had been carried out in accordance with the National Audit Office Code of Audit Practice. In terms of the key conclusions, the Grant Thornton Engagement Manager confirmed that the Council had the proper arrangements in place to ensure economy, efficiency and effectiveness in the use of resources except for the matter identified in relation to the authority's development of a robust savings plan in order to balance its budgets with sufficient capacity to manage its emerging cost pressures over the duration of the Medium Term Financial Strategy; this meant the Council had been issued an 'except for' conclusion in respect of its value for money arrangements. The work to certify the Council's housing benefit subsidy claim was not yet complete but would be finalised by 30 November 2018 and the results of that would be reported to the Committee as part of the Annual Certification Letter in December. The Annual Audit Letter certified the completion of the audit of the Council's accounts.
- 24.3 During the discussion which ensued, a Member questioned how the Council would address the 'except for' conclusion on its value for money arrangements. In response, the Head of Finance and Asset Management explained that the Transform Working Group would be considering the Medium Term Financial Strategy and, thereafter, the Council's budget. He was planning that this would be considered on a rolling two year programme to get ahead of the cycle and enable the Council to provide the external auditor's with the information required for the value for money conclusion at the right time. In respect of the 'except for' conclusion, the Grant Thornton Engagement Manager explained that Grant Thornton looked after around 40% of the local government market and an increasing number of local authorities were in a similar position to Tewkesbury

Borough Council; however, she was pleased that Officers had a plan to address it.

24.4 Accordingly, it was

RESOLVED That the Grant Thornton Annual Audit Letter 2017/18 be
NOTED.

AUD.25 ANNUAL HEALTH AND SAFETY REPORT

25.1 The report of the Head of Community Services, circulated at Pages No. 33-50, set out a summary of the activities carried out to secure health and safety compliance in the financial year 2017/18. Members were asked to consider the Council's health and safety report.

25.2 The Committee was advised that the health and safety report was presented on an annual basis. The Council's health and safety management system included the key elements of the Health and Safety Executive's guidance document HSG65; a review of the checklist, which scored against the management system, was completed twice a year and the overall score in 2017 was 81% whereas, for this year, the score had increased to 90% and through the action plan it was anticipated that the Council could improve even further. Referring to Page No. 46, a Member noted that 40 accidents/incidents had been reported and she questioned whether this was considered to be a high number. In response, the Environmental Safety Officer explained that the number had reduced each quarter and the Environmental Health Manager confirmed that the reporting of incidents and near misses was vastly improving which meant issues that arose could be acted upon and rectified to stop them reoccurring. This was also reflected in Ubico's accident/incident statistics whereby the reporting had improved and the number of actual incidents had declined.

25.3 A Member referred to incidents involving refuse lorries and questioned whether there was a need for the widening of roads to be discussed with Planning colleagues. In response, the Environmental Health Manager explained that there was always a need for Environmental Health to input to the planning process but this was across the service rather than just refuse collection i.e. depot, grounds maintenance and street cleansing. He also offered reassurance that each near miss was recorded and, as a result, an action was generated to prompt the reassessment of rounds etc. Another Member questioned whether near misses by contractors were also reported and acted upon by the Council. In response, the Environmental Health Manager advised that, in respect of the Joint Waste Partnership, the Joint Waste Team monitored the day to day operational business but the Council maintained a responsibility to ensure all issues were picked up and acted upon. Members expressed concern about the number of near misses and accidents/incidents which were being recorded and the Environmental Safety Officer sought to offer reassurance that that this was due to improved monitoring and the extensive amount of work Officers had done with Ubico to get to that position. The whole purpose of reporting was to understand what near misses were being experienced and allow analysis so that action could be taken to prevent accidents. In addition, the Head of Corporate Services confirmed that there were a number of days in the Internal Audit Plan to assess Ubico's health and safety arrangements so Members could be assured that Internal Audit would be looking at it and a report would be submitted to the Committee in due course. A Member asked whether it would be possible to receive data from quarter one and quarter two to show how the incidents were reducing. In response, the Environmental Safety Officer confirmed that this would be possible.

25.4 Accordingly, it was

RESOLVED That the Annual Health and Safety Report be **NOTED.**

AUD.26 INTERNAL AUDIT PLAN MONITORING REPORT

- 26.1 The report of the Head of Corporate Services, circulated at Pages No. 51-66, provided the Committee with the findings of the individual audit assignments undertaken for the period April to August 2018 along with the status of internal audit recommendations followed-up in quarter two. Members were asked to consider the audit work completed and the assurance given on the adequacy of the internal controls operating in the systems audited.
- 26.2 The Head of Corporate Services explained that Appendix 1 set out the audit opinion for each individual audit assignment completed. Appendix 2 provided details of previous audit recommendations that had been followed-up and, using a red, amber, green (RAG) system, identified whether the recommendations had been implemented or not. He also clarified that all recommendations which were due for follow-up had been followed-up. The information had been provided in a new format which had been developed following a discussion with Members via a Member workshop; it was felt the Internal Audit process now gave a clearer focus on risk which had been a recommendation from the Internal Audit peer review. It also clearly set out the recommendations, priorities and implementation dates.
- 26.3 In terms of the garden waste audit, the Head of Corporate Services explained that it had resulted in two 'limited' opinions and two 'satisfactory' opinions but he was keen that this did not detract from the successful implementation of the project; lessons learnt would be taken forward and it was expected that the income would amount to around £800,000 by the end of the current year. In terms of the limited opinion, Members were advised that this was due to the fact that the collection and storage of customers' data did not comply with the General Data Protection Regulation (GDPR) as there was no retention schedule in place and a data sharing agreement was required between the Council and Ubico; this would be complete by October 2018. In addition, there were a couple of operational issues relating to stock control and the emptying of bins that were not displaying stickers and therefore were not members of the scheme. In terms of stock control, the issue was that the stickers held in stock were of monetary value and therefore should be securely held and a stock control system in place – this had now been rectified. In terms of operational issues, the collection of bins had been tested by putting unstickered bins in ten locations across the Borough; unfortunately, in five out of ten cases, the unstickered bin was emptied which showed there was work to do with Ubico to ensure crews understood they should not collect bins with no stickers. There was also a need for improved reconciliation against the ledger and a proper refund process to be established. In terms of fees, this was delegated to Officers and would be considered through the budget setting process with consideration of evidence to show the justification for any increases. Moving forward ownership of the service needed to be established and discussions on how to resource phase two were being held with the Management Team.
- 26.4 Referring to the scheme of delegation, a Member questioned whether this could be changed as she was of the view that Members needed to have a say in what decisions were, and were not, delegated to Officers. In response, the Head of Democratic Services explained that this was something which was under review and would be considered by Members in due course. In terms of the stickers for the garden waste service, a Member questioned whether Officers were addressing the problem with the colours of the stickers being bleached by the sun. In response, the Interim Corporate Services Manager explained that the team was aware of the issues and had already started the process of finding the best way forward to address them. Other Councils had been approached to understand how their stickers/suppliers differed from those used by the Borough Council and it was hoped the quality of the stickers could be improved as well as the price being reduced. The Member felt the real test of the new scheme would be the roll-over

year and whether customers were retained and new ones gained. In response, the Interim Corporate Services Manager explained that the customer base had already increased by 3,000 and now the Council had a single sign-up date the review letters would be much easier to produce. In addition, customers were now used to the new process so they would find it easier to sign-up again which should mean those customers would be retained. The new system was not as resource intensive as the old process of renewals throughout the year but it would be more work than the Customer Services Team could handle so discussions were ongoing in that regard. In terms of costs of the project, the Committee was advised these were estimated as much of the officer time was not quantifiable. There were printer costs and graphics set-up costs which could be used to offset some costs but it should also be borne in mind that there were efficiency savings from the larger mailing run as most of the work was now front loaded at the beginning of the year. In response to a query regarding a new customer who wished to sign up later in the year, the Interim Corporate Services Manager advised that the Council no longer did pro-rata payments, but in the month of September the cost to sign up was reduced by half as a special discount; this meant the scheme was seasonal and there was some concession for members joining later in the year. Another Member questioned what happened when people shared bins; whether there was a digital solution for the sticker issues; and if a word other than 'licence' could be used to describe the stickers as she felt it was intimidating to customers. In response, she was advised that the word 'licence' was only used internally - to customers it was known as a sticker scheme. In terms of the use of stickers, this was felt to be the easiest way for the collection crews to see that a customer had paid and therefore their bin should be collected; there was currently no ability for the crews to scan bins etc. to know if it should be collected. Over 69% of customers had signed-up online so it was felt the system was now much more user-friendly; in addition, there would be a minimal amount for customers to do to renew the scheme as 80% of the customer base would receive an email which asked them just to tick a box to let the Council know they wanted to continue. In terms of the collections made in error when the scheme was audited, the Interim Corporate Services Manager explained that there had been a change in Ubico's operational supervisor who was keen to work with the Council to ensure those issues were addressed and it was anticipated there would come a point where no bins were collected which did not display a sticker.

- 26.5 In terms of the audit of Council Tax, the empty homes premium had been introduced and was being applied in accordance with the policy. The policy to issue penalty charge notices was yet to be implemented as it had been approved prior to the Revenues and Benefits Manager taking up her post and she was concerned about the resources needed to implement the scheme. In terms of operational risks, audit work had been undertaken around liabilities being correctly identified and applied and a good level of control had been found. The single persons discount was one of the largest and the audit team had identified a recommendation around the disregards; that recommendation had been accepted and would be implemented at the end of June 2019 rather than 2018 as set out in the report. In respect of the Disabled Facilities Grants audit, the Council had been given an extra £112,000 and the scheme had been audited to ensure the money had been spent for the purposes intended – there was one recommendation from the audit which identified the need to evidence the completion of works at Severn Vale properties rather than accept a verbal assurance. In response to a query regarding the extra funding, the Environmental Health Manager explained that the money had to be spent relatively quickly so the rules on what it could be used for had been relaxed meaning it could be used for items such as ramps.

- 26.6 Referring to the audit on the General Data Protection Regulation, the Head of Corporate Services explained that, whilst data retention schedules were in place for each service area, there was some inconsistency and there was a corporate approach ongoing to address this and ensure the functions in all services were adequately covered - he was confident this would be achieved by the end of November. The ultimate aim would be to amalgamate all of the retention schedules into one document which was the reason they needed to be consistent. During the discussion which ensued, a Member questioned when Councillors would be provided with footers for their emails to ensure they were compliant with the General Data Protection Regulation. He understood this had been addressed in other authorities and felt Tewkesbury Borough Council needed to ensure it was keeping up. In response, the Head of Democratic Services advised that she was aware that work on this matter was being undertaken and she would follow that up after the meeting. Members asked that a definitive timescale be obtained and that they be advised accordingly.
- 26.7 Referring to Appendix 2, the Head of Corporate Services explained that, of the outstanding audit recommendations, 12 had been implemented; seven had been partially implemented; and nine had not been implemented. In terms of those partially implemented, Members were advised that there were some issues with data retention in relation to commercial properties and this would be updated and completed by the end of quarter two; it was felt there was scope for the bulky waste service to be more commercial but the review of that service would now be undertaken as part of the wider waste project; the ICT environmental controls would be picked up within the remit of the new ICT Operations Manager and new dates for implementation would be agreed; the Key Performance Indicators (KPIs) in respect of Ubico had been discussed at the Corporate Governance Group and there were days allocated in the second half of the audit plan to revisit the audit of Ubico and provide Members with a clear picture on where the Council was with the client monitoring of Ubico; in terms of the licensing audit there was an action plan arising but the service was currently part of the review of Community Services and that work had taken priority. In terms of the ICT requirements for Councillors, the implementation date for the project had been amended in line with the new Council term from May 2019.
- 26.8 During the discussion which ensued there was concern expressed about the Ubico client monitoring and the fact that implementation dates kept getting changed. The Head of Corporate Services agreed that this was an issue and reassured Members that the Head of Community Services was picking up issues and dealing with them as and when they arose – there were two recommendations around KPIs and those had been discussed at length by the Overview and Scrutiny Committee; once the new KPIs were in place it was intended they would be audited to check they were accurate and being monitored correctly. In terms of the IT within the Public Services Centre building, Members felt the Wi-Fi and mobile issues needed to be addressed and that this must be a priority, especially in respect of the Growth Hub. The Vice-Chair proposed, and it was seconded, that action be taken as a priority to ensure the technology within the Growth Hub was effective.
- 26.9 Accordingly, it was
- RESOLVED**
1. That the audit work completed, and the assurance given on the adequacy of internal controls operating in the systems audited, be **NOTED**.
 2. That action be taken as a priority to ensure the technology within the Growth Hub is effective.

AUD.27 INTERNAL AUDIT SIX MONTH PLAN 2018/19

- 27.1 The report of the Head of Corporate Services, circulated at Pages No. 67-73, set out the Internal Audit Six Month Plan 2018/19 which Members were asked to approve.
- 27.2 The Head of Corporate Services explained that the Public Sector Internal Audit Standards Ref 2010 (Planning) required that the Chief Audit Executive be responsible for development of a risk based plan. Ref 2030 (Resource Management) required that the Chief Audit Executive also ensured internal audit resources were appropriate, sufficient and effectively deployed to achieve the plan. In November 2017, an external assessment of internal audit activity had been undertaken and recommendations made to improve the internal audit process. A workshop had been held with Audit Committee Members to consider those recommendations and the action plan in detail and, as part of the implementation of that plan, the Members at the workshop had agreed to the development of a six-month audit plan. The setting of the six-monthly plan enabled a more flexible approach to be undertaken to audit planning, rather than a more rigid annual plan, which recognised the changing environment in which the Council operated.
- 27.3 The first six-month plan (April to September) had been agreed by the Committee in March 2018 and the status of those planned audits was set out at Appendix 2 to the report. A number of audits were in progress at the time of writing the report but would be completed by the end of the period. There would be an outstanding audit in relation to ICT and a draft risk assessment for that service had been undertaken which, when finalised in October, would help inform the areas to be audited; days would be carried forward to the second half of the plan to address this. Based on the work in the first six months, 15 days of audit work would be taken forward to the proposed plan for October to March. During that plan period, set out at Appendix 1 to the report, it was intended that audits would be undertaken on the General Data Protection Regulation; the project management framework; the serious crime framework; the National Non Domestic Rates (NNDR) subsidy claim; Ubico client monitoring; ICT; Section 106 and Community Infrastructure Levy payments; and Ubico health and safety. Days were also set aside for Internal Audit quality assurance and improvement; consultancy and advice and follow-up reviews.
- 27.4 The Head of Corporate Services explained that a thought he had for the future was the introduction of audit days for 'Member choices' with the idea that Members could ask the Internal Audit team to look at certain areas; he would need to consider carefully how this could be managed before he was able to understand whether it was a realistic option but he undertook to update Members in due course.
- 27.5 Accordingly, it was
- RESOLVED** That the Internal Audit Six Month Plan 2018/19 (October-March), as detailed at Appendix 1 to the report, be
- APPROVED.**

The meeting closed at 3:20 pm

AUDIT COMMITTEE WORK PROGRAMME

Addition to 12 December 2018

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Deletion from 12 December 2018

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Committee Date 27 March 2019

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Certification Year End Letter March 2018	To consider the certification year-end letter March 2018.	External Auditors.	No.
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditor's Audit Plan 2018/19	To consider the external auditors' Audit Plan 2018/19.	External Auditors.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the 2017/18 closedown.	Finance Manager.	No.
Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts	To approve the critical accounting judgements that will be used in completing the 2017/18 annual accounts and to note the key sources of estimation uncertainty.	Finance Manager.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.

NB – Changes from previous work programme highlighted in bold

Committee Date 27 March 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Internal Audit Six Month Plan 2019/20	To approve the Internal Audit Six Month Plan 2019/20 (Apr-Sept).	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.
Annual Update on Council's Safeguarding Arrangements	Annual report to give assurance as to the level of the Council's compliance with its safeguarding duty. (To include Gloucestershire Safeguarding Children Board Section 11 Self-Assessment)	Head of Community Services.	No.
Internal Audit Peer Review Update	To receive an update on the progress made in implementing the recommendations arising from the independent review of Internal Audit.	Head of Corporate Services.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

Committee Date: July 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Counter-Fraud Unit Report	To consider the annual update on the work of the Counter Fraud Team.	Head of Finance and Asset Management / Counter Fraud Manager.	No.
External Auditor's Audit Findings	To consider the external auditors' Audit Findings 2018/19.	External Auditors.	No.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2019.	Head of Finance and Asset Management	No.
Statement of Accounts 2018/19	To approve the Statement of Accounts 2018/19.	Head of Finance and Asset Management.	No.
External Auditor's Fee Letters 2019/20	To consider the external auditors' fee letter in relation to the audit work to be undertaken during 2019/20.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.

Committee Date: July 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Internal Audit Annual Report 2018/19	To consider the Internal Audit Annual Report 2018/19 and the assurance from the work undertaken during the year on the level of internal control within the systems audited during the year.	Head of Corporate Services.	No.
Annual Governance Statement 2018/19	To approve the Annual Governance Statement 2018/19.	Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

Committee Date: September 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Annual Audit Letter 2018/19	To consider the external auditors' Audit Letter 2018/19.	External Auditors.	No – Brought forward in line with new deadlines for the Statement of Accounts.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Head of Community Services.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Internal Audit Six Month Plan 2019/20	To approve the Internal Audit Six Month Plan 2019/20 (Oct-Mar).	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

Committee Date: December 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditor's Certification Year End Letter March 2019	To consider the certification year-end letter March 2019.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.
Counter Fraud Unit Update	To consider the six monthly update from the Counter Fraud Unit.	Head of Finance and Asset Management / Counter Fraud Manager.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

OTHER ITEMS			
Agenda Item	Overview of Agenda Item	Lead Officer	Comments

Audit Progress Report and Sector Update

Tewkesbury Borough Council
Year ending 31 March 2019

12 December 2018



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Introduction



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This paper provides the Audit 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 as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

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

Progress at December 2018

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion and certificate of audit closure was issued on the 27 July 2018.

We issued:

- An unqualified opinion on the Council's financial statements; and
- A qualified (except for) value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter, summarising the outcomes of our audit was presented at the September Audit Committee.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit. As a firm we are in the process of introducing a new audit methodology. We are in discussions with officers regarding the changes required under this approach and will factor this into our planning process for 2018-19.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The results of the certification work will be reported to officers in our certification letter in January 2019.

Meetings

We met with Finance Officers in November as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in November to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is the Financial Reporting 2018-19 Code Update Workshop at our Bristol Office on the 7 February 2019.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	March 2019	Not yet due
2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming our audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	March 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

2

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.

CIPFA Consultation

Challenge question:

Has your Head of Finance and Asset Management briefed members on the Council's response to the Financial Resilience Index consultation?



Institute of Fiscal Studies: Impact of 'Fair Funding Review'

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils' spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG's funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of 'spending needs' and 'needs indicators', and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils' revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granththornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	12 December 2018
Subject:	Counter Fraud Unit Report
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	1

Executive Summary:

The purpose of the report is to provide assurance over the counter fraud activities of the Council.

Work plans for 2018/19 are presented to the Audit Committee detailing progress and results for consideration and comment as the body charged with governance in this area.

The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually; for Tewkesbury Borough Council this will be at the July and December meetings.

Recommendation:

To CONSIDER the six monthly update from the Counter Fraud Unit.

Reasons for Recommendation:

The Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.

In administering its responsibilities, this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor.

The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.

Resource Implications:

The report details financial savings generated by the Counter Fraud Unit.

Legal Implications:

In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

The Counter Fraud Unit adheres to the appropriate legislation when conducting work on behalf of the Council and other partners.

Risk Management Implications:

The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area.

Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.

If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

Performance Management Follow-up:

Regular updates are provided by the Counter Fraud Manager to the Head of Finance and Asset Management and the Head of Corporate Services. Biannual reports in relation to counter fraud work will be made to the Audit Committee.

Internal Audit and the Counter Fraud Unit have a formalised protocol and now meet quarterly to review the current work plan and assess any areas of risk.

Policy documentation will be presented when required to the Management Team.

Environmental Implications:

Not applicable.

1.0 INTRODUCTION/BACKGROUND

- 1.1** The Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.2** Work plans for 2018/2019 have been agreed with the Chief Finance Officers and Corporate Leadership / Management Teams and work is underway. The Audit Committee, as the body charged with governance in this area, is presented with a copy of the work plan for information.
- 1.3** The Unit is working directly on behalf of all the Gloucestershire Authorities and West Oxfordshire District Council.
- 1.4** Regular updates are provided by the Counter Fraud Manager to the Chief Finance Officer. Internal Audit and the Counter Fraud Unit have a formalised protocol and now meet quarterly to review the current work plan and assess any areas of risk.
- 1.5** Policy documentation will be presented when required to the Management Team.
- 1.6** The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually, for Tewkesbury Borough Council this will be at the July and December meetings.

2.0 WOK PROGRAMME 2018/19 AND RESULTS

- 2.1** The work plan for 2018/19 has been developed with a focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2017 – 2022. The team will be concentrating on promoting integrity across the public sector and reducing corruption in public procurement.
- 2.2** The Counter Fraud Unit has continued to add value in areas associated with risk and a copy of the work plan is attached at **Appendix 1**.
- 2.3** More specifically over the period July 2018 to date, the team have supported the Council in the following areas:
- 2.3.1** Full review of the Housing List.
- Verification of applications within Emergency Band (41 applications), Gold Band (109 applications) and Silver Band (587 applications). 277 applications have been referred for removal or review, results are pending.
 - Whilst undertaking this, the Counter Fraud Unit also processed the related National Fraud Initiative anomalies which resulted in 44 applications being removed and one banding change from the waiting list.
 - Each cancelled application represents a property which can be reallocated to another eligible family. For each reallocation, a figure of £10,000 per annum can be identified as a loss avoidance figure because there is no need for temporary accommodation to be utilised. In addition, the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.
- 2.3.2** From September 2018, the Counter Fraud Unit has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and is the single point of contact for Department for Work and Pensions Housing Benefit investigations.
- 2.3.3** Full review of the Rating List.
- The Rating List is compiled by the Valuation Office Agency (VOA), but Tewkesbury Borough Council has a statutory duty to provide the Listing Officer with any information required to assist in the compilation and maintenance of the Rating List. The Revenues and Benefits Manager has commissioned this piece of work as she considers there is additional income from business rates which will be identified through undertaking a full review of the Rating List. The work undertaken by the Counter Fraud Unit supports the Revenues Inspection Officers who have been concentrating on Council Tax in order to maximise income from Council Tax and New Homes Bonus.
 - To date, 949 hereditaments have been visited and the Counter Fraud Unit has referred 90 cases back to the Revenues Team which has reviewed the information and made adjustments to business rates accounts where it has been necessary to do so. This has been done in 58 cases so far with outcomes as follows:

Already amended	3
Awaiting further action	21
Awaiting further information	1
Referred, but liability correct or no further action required	9
Couldn't locate	1
Minor address change	5
New liability identified	16
Referred to VOA	2

- In the cases where a new liability has been identified, it is estimated this will result in accelerated income of **£76,246**. This is not necessarily additional income but its identification means that it will be billed sooner than would otherwise be the case. Some of new liabilities identified may receive small business rate relief which in itself is a positive outcome as Tewkesbury Borough Council receives Section 31 grant for this and it also provides valuable financial support to the business community.
- It is anticipated that some of the cases Tewkesbury Borough Council refer to the Valuation Office Agency will result in previously unidentified income and an update on this will be provided.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 Work plans for 2018/19 have been agreed with the Head of Finance and Asset Management and the Head of Corporate Services.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Counter Fraud and Anti-Corruption Policy.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 This is a positive example of joint working across the County. The existence of counter fraud activity acts as a deterrent to the abuse of public funds which impacts positively on the economy and local demographic.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The service is a shared one across the county and as such overheads and management costs are also shared equally meaning there is increased value for money.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Counter Fraud and Anti-Corruption Policy approved at Executive Committee in October 2016.

Background Papers: Report to Council January 2017; Counter Fraud Unit Business Case.

Contact Officer: Counter Fraud Manager Tel: 01285 623356

Appendices: Appendix 1 – Work Plan 2018/19

Number of days to be provided - 217 Tewkesbury Borough Council

Department / Area	Task	Member Update	
Corporate / Strategy	Delivery of two reports for Audit (and Risk) Committee	July / December	
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff (tbc)	Pending Decision	
Corporate / Strategy	Serious and Organised Crime: Coordination of the provision of work for Gloucestershire Constabulary	Meeting to be arranged with Crimestoppers, TBC Officers and Police Force Leads	
Corporate / Strategy	Completion and follow up of Home Office Serious and Organised Crime Checklist	Draft issued and presented to Management Team. Work Plan pending	
Corporate / Strategy	Completion of Home Office Bribery and Corruption Assessment Template	Q3	
Corporate / Strategy	Development of work with Planning Enforcement / Public Protection Enforcement	Meetings held	
Corporate / Strategy	Staff Fraud Awareness Sessions	Completed	
Planning / Public Protection	Enforcement Officer Training	Q3/Q4	
Housing	Review of supported living services / care in rented accommodation	-	
Housing	Review of the Housing List and related National Fraud Initiative data matches	Completed - NFI results received / Housing List results pending	
HR	Drafting / consultation / implementation of HR / CFU Internal Investigation Protocol	Final draft issued to HR	
HR	Review of Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Q4	
HR	Review of HR Recruitment and Vetting Policy and Procedures	Q4	
ICT / Revenues and Benefits	Earthlight / GIS Support: Rate Avoidance / Council Tax Evasion	-	
Policy	Drafting / consultation / adoption of Corporate Enforcement Policy	Draft issued, consultation period	
Policy	Drafting / consultation / adoption of Money Laundering Policy	-	
Policy	Drafting / consultation / adoption of Debt Recovery Policy	-	
Revenues	Assistance if required re empty property visits	-	
Revenues and Benefits	Coordination of joint working initiative with Department for Work and Pensions for future joint investigation of Housing Benefit and Council Tax Reduction Scheme	Roll out November 2018; DWP Implementation Meetings being held	
Internal Audit / HR	Review of the Gifts and Hospitality Policy and Procedure	Q3	
Department		Member Update	
Extraordinary Cases: Investigation / Sanction / Prosecution	Q1	2 opened (Environmental Health) / 1 closed (Environmental Health)	
	Q2	1 closed (Environmental Health)	
	Q3		
	Q4		
Revenues and Benefits: Investigation Cases - Rate Avoidance / Council Tax Evasion	Q1	0	
	Q2	1 case opened	
	Q3		
	Q4		
Housing - Investigation Cases - Fraudulent Housing / Homeless Applications	Q1	0	
	Q2	0	
	Q3		
	Q4		
HR - Internal investigation relating to serious and / or gross misconduct	Q1	1 case opened	
	Q2	1 case closed - No formal action	
	Q3		
	Q4		
CTRS Investigation/ Sanction / Prosecution	Q1	0	
	Q2	6	
	Q3		
	Q4		
Debt: Tracing and Recovery Support	Q1	1	
	Q2	0	
	Q3		
	Q4		
Revenues and Benefits: Full Review of the rating list		949 visits to date	
Referrals processed - DWP (SPoC) Role / DWP Administrative Penalty Review	Q1	0	
	Q2	2 - DWP	
	Q3		
	Q4		

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	12 December 2018
Subject:	Local Authority Serious and Organised Crime Checklist
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	3

Executive Summary:

The Government's Serious and Organised Crime Strategy published in 2013 reported the threat that serious and organised crime poses to national security and that it costs the UK more than £24 billion a year. Examples of this type of crime include drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. In response to this, the Home Office undertook some pilot work on the threat that serious and organised crime poses to publicly procured services in local authorities and how to respond to that threat. A subsequent report estimated that, of the £2.1 billion of local government fraud in 2013, £876 million related to procurement fraud. In relation to procurement, the pilot indicates that the areas most at risk were waste services, taxi/transport services and low value spending (generally payments in the hundreds of pounds and in schools for property maintenance services). Local authority taxi contracts were identified as being at particular risk. The main focus of those contracts is to provide transport for some of the most vulnerable members of society, and criminal groups can use taxis to gain access to the vulnerable.

One of the recommendations arising from the pilot work is for authorities to liaise with the Police as well as other multi-agency partnership groups in order to identify the greatest areas of risk. The Gloucestershire County Fraud Unit (CFU) provides this strategic liaison on behalf the council, supported by the Head of Community. As part of the report, the Home Office also produced a Serious and Organised Crime Checklist that enables local authorities to assess their serious and organised crime risks within their organisation. The checklist for Tewkesbury Borough Council was completed by senior officers across various services and the Gloucestershire CFU. The checklist was considered by Corporate Management Team and approved as a balanced assessment of the Council's control environment. The checklist is generic, used across all authorities and therefore the completion of the checklist is a proportionate response given the size of the council and the activities it undertakes. On this basis and given that the risk areas identified in the pilot are not direct activities undertaken by this Council then in terms of being susceptible to such crime, the Council is considered low risk. However, the Council needs to remain vigilant and an action plan has been developed to maintain awareness to any potential threat.

Recommendation:

To CONSIDER the completed Serious and Organised Crime Checklist and the action plan arising from the checklist.

Reasons for Recommendation:

As a Committee tasked with assurance, it is important the arrangements to ensure the Council's control environment are reported and that there is confidence in those arrangements to mitigate any detrimental impact on the Council's activities.

Resource Implications:

None arising directly from this report.

Legal Implications:

None arising directly from this report.

Risk Management Implications:

If the Council's internal control environment is not robust, there is a risk that the Council could be susceptible to serious and organised crime leading to a significant financial and reputational impact.

Performance Management Follow-up:

Assurance as to the robustness of the Council's internal control environment will be provided to the Audit Committee through the work of Internal Audit and the Gloucestershire Counter Fraud Unit.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Local authority procurement is at risk of infiltration from serious and organised crime groups. The National Crime Agency (NCA) warns of the attractions of public procurement systems to organised criminals. Public sector procurement is vulnerable because there are multiple opportunities to exploit it fraudulently. In order to better understand the nature and scale of the threat in England, joint pilot work was undertaken by local authorities and police forces in seven areas to examine the threat and strengthen protective measures.
- 1.2** Ten links between publically procured services and organised crime were identified by the pilot areas. These links indicated that the sectors most at risk were waste, taxi/transport and lower level spend. The work in the pilot areas produced a range of relatively simple and resource light actions that can help tackle this threat and reduce vulnerability. These include:
- Using the serious and organised crime checklist.
 - Conducting a serious and organised crime audit.
 - Collaborative action between local authorities, police and local multi-agency partnerships.

2.0 SERIOUS AND ORGANISED CRIME CHECKLIST

- 2.1** The checklist enables local authorities to assess the serious and organised crime risks within their organisation. The checklist for Tewkesbury Borough Council was completed by senior officers across various services and the Gloucestershire Counter Fraud Unit. The checklist was considered by Corporate Leadership Team and approved as a balanced assessment of the Council's control environment. The checklist is generic, used across all authorities, and therefore the completion of the checklist is a proportionate response given the size of the Council and the activities it undertakes.
- 2.2** The checklist is broken down across five themes with each theme underpinned by a number of questions. Each question is assessed as either 'good', 'acceptable' or 'needs improvement'. The five themes are:
- Awareness, strategy, guidance and training.
 - Risk management.
 - Communication and information/intelligence sharing.
 - Whistleblowing.
 - Assurance.
- 2.3** The risk areas identified in the pilot are not direct activities undertaken by this Council, therefore, in terms of being susceptible to such crime, the Council is considered low risk. However, the Council needs to remain vigilant and an action plan has been developed to maintain awareness to any potential threat. Only one area has been assessed as 'needs improvement' - this relates to general awareness training for those staff involved in purchasing. The action plan does, however, look to strengthen other areas. The checklist can be found at Appendix 1 and the action plan at Appendix 2.

3.0 SERIOUS AND ORGANISED CRIME AUDIT

- 3.1** A suggested framework provides the methodology that allows internal audit teams to identify potential vulnerabilities in relation to serious and organised crime. The framework provides overarching questions that form the basis of any audit. The questions cover activities such as:
- Strategy and awareness.
 - Procurement.
 - Human Resources.
 - Gifts and Hospitality.
 - Whistleblowing.
 - Licensing.

The Internal Audit team and the Counter Fraud Unit will review these activities and days have been allocated within their respective work plans to commence this work. Agreement on which team is carrying out the individual audits will be agreed in advance so as to avoid duplication. As with all audit work, findings will be reported to Audit Committee. This will give assurance as to whether controls are working effectively and will also quality assure the integrity of the checklist. The audit framework can be found in Appendix 3.

4.0 OTHER OPTIONS CONSIDERED

- 4.1** None.

5.0 CONSULTATION

5.1 Completion of the checklist was undertaken by various senior officers and the Counter Fraud Unit and considered by the Corporate Leadership Team.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Anti-Fraud and Corruption Policy.
Whistleblowing Policy.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 Internal Audit contributes to value for money through its improvement work.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11 .1 None.

Background Papers: None

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Appendices: Appendix 1 – Serious and Organised Crime Checklist
Appendix 2 – Action Plan arising from checklist
Appendix 3 – Serious and Organised Crime Audit Framework

LOCAL AUTHORITY SERIOUS AND ORGANISED CRIME CHECKLIST

The Threat

Local Authority (LA) procurement is at risk of infiltration from serious and organised crime and organised crime groups could be benefitting from public sector contracts. In 2013 it was estimated that £2.1 billion of fraud was perpetrated against local government ([National Fraud Authority Annual Fraud Indicator 2013](#)).

Serious and organised crime is a threat to our national security and the Government's [Serious and Organised Crime Strategy](#) published in 2013 reported that it costs the UK more than £24 billion a year. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Organised crime groups may seek to benefit from public services in different ways, including to raise money through fraudulent activity and to use businesses / services used by LAs to launder criminal proceeds. In this way public money can be lost to LAs and can ultimately fund other illegal activity.

Responding to the Threat

Assessing the risk from serious and organised crime and corruption is essential in allowing you to identify areas of concern within your business, potential vulnerabilities and to take action to strengthen processes and structures that safeguard public money.

How to use this Serious and Organised Crime Checklist

The checklist is intended to be used as an internal, self-assessment tool by the Chief Executive and the senior management team to provide a high level overview of the serious and organised crime risks that relate to your business. It can be carried out quickly with relevant heads of departments to make a high level, but balanced assessment of your exposure to the risks and in response develop an improvement plan for managing that risk, as well as capturing areas of good practice to replicate more widely across the LA and with neighbouring LAs.

Serious and Organised Crime Checklist

GOVERNANCE AND STRATEGY					
1. Awareness, Strategy, Guidance and Training					
	Question	Response / Action taken	Assessment of current arrangements		
a.	How aware are the senior management team and Elected Members of the Government's 2013 Serious and Organised Crime Strategy , the LGA's guide Tackling Serious and Organised Crime – A Local Response and DCLG's, Fighting Fraud and Corruption Locally Strategy ?	Overview of serious crime provided to corporate management team by CFU manager in August 2018. Member seminar held October 2018 including cyber security presentation from Barclays representative. General fraud awareness training has been provided by the CFU to all staff. Checklist to be presented at Audit Committee. Specific work with Gloucestershire Constabulary which is SOC specific to be included within the 2018/2019 CFU plan and will subsequently be publicised.	Good	Acceptable	Needs improvement
b.	Do you have a dedicated serious and organised crime Single Point of Contact in place and are they able to liaise to good effect with local police?	Yes, the CFU Manager attends quarterly SOCSP meetings. Effectiveness of relationship is developing.	Good	Acceptable	Needs improvement
c.	Do you have an Anti-Fraud and Corruption Strategy and how effective is it?	Strategy presented at Audit Committee and then approved by Executive Committee on 12 October 2016. Covered in fraud awareness training mentioned above.	Good	Acceptable	Needs improvement
d.	Is your Code of Conduct compliant with the seven Nolan principles and how robust are arrangements to investigate all allegations of breaches?	The principles are listed in the Counter Fraud and Anti-Corruption Policy. Every two years all staff are required to sign a code of conduct. This also forms part of induction supported with regular reminders. All breaches investigated in line with policy.	Good	Acceptable	Needs improvement

e.	How effectively do you maintain your public register of Members pecuniary interests?	On the first working day of each month members are reminded via email of the need to ensure that their register of interests is up to date. Additionally a further annual reminder is sent individually to members attaching a copy of their current Register of Interests together with an amendment form to be completed should any changes be necessary.	Good	Acceptable	Needs improvement
f.	How well do you raise awareness of the threat that serious and organised crime poses to LAs and its services	See 1a above. Internal audit and CFU will also undertake a review of the relevant internal control environment which is crucial to mitigating the risk of serious crime e.g recruitment, procurement CFU Attend quarterly SOCSP meetings, onward communications to be improved.	Good	Acceptable	Needs improvement
2. Risk Management					
a.	How far have the risks posed by serious and organised crime and corruption been reflected within relevant risk registers?	A new corporate risk register is in development. The risks posed by serious and organised crime are deemed to be low. As the register will be a live document this risk can be re-evaluated. The work of internal audit and CFU as identified within 1f. above will provide greater assurance than simply recording a risk within a risk register.	Good	Acceptable	Needs improvement
b.	How effectively do you mitigate and manage the serious and organised crime risks identified?	Difficult to engage effectiveness at the present time. The outcome of the proposed internal audit/CFU work will provide assurance. As stated, current conclusion is that risk to TBC is low.	Good	Acceptable	Needs improvement
c.	How confident are you that you could deal with / recover from a scenario involving loss or reputational harm as a result of serious and organised crime?	May depend upon the nature of the loss e.g was it an external perpetrator or internal e.g. if it was an employee this may have more of an impact regarding morale and the risk may have been within our control. Either way, proactive communication strategy would aid recovery. Counter Fraud Unit would manage investigation /	Good	Acceptable	Needs improvement

		disciplinary / prosecutions with Police.			
d.	How aware are your staff of the risks of cybercrime and that they know how to respond effectively to those risks.	Cyber security session formed part of recent staff briefings. Facilitated by Barclays Bank, this was very positively received. ICT services over the past 12 months have also undertaken phishing exercises which have raised awareness throughout the council. A cyber security action plan is also being developed to strengthen arrangements.	Good	Acceptable	Needs improvement
3. Communication and Information / Intelligence Sharing					
a.	How effective are your arrangements for both internal and external data sharing?	NFI – legislative GDPR programme The Counter Fraud Unit has a number of procedures and data sharing agreements in place.	Good	Acceptable	Needs improvement
b.	Do you and / or your serious and organised crime Single Point of Contact have regular meetings with the local police to discuss the sharing of information / intelligence? How constructive are these meetings?	No but specifics would be easily sought. This could also be raised at the quarterly SOCSP meetings.	Good	Acceptable	Needs improvement
c.	How effective are your arrangements for sharing information and intelligence with your local police force?	Excellent SPOC in Gloucestershire.	Good	Acceptable	Needs improvement
d.	How active a participant are you in the local serious and organised crime multi-agency partnership and do you attend / contribute regularly?	CFU attend quarterly meetings, permanently supporting. Direct work provision to Gloucestershire Constabulary within the 2018/2019 work plan.	Good	Acceptable	Needs improvement
4. Whistleblowing					
a.	How effective are your whistle-blowing arrangements?	There is an approved Whistleblowing Policy. Training undertaken by the CFU included a section on whistleblowing. To date, no whistleblowing allegations have been received though this in itself does not demonstrate effectiveness. More promotion could be done.	Good	Acceptable	Needs improvement
b.	Is guidance on reporting easily accessible for staff and is it straight-forward to follow?	Reporting procedure is clear within the policy.	Good	Acceptable	Needs improvement

5. Assurance					
a.	How confident are you that you are able to provide assurance to your Elected Members that you and your management team are aware of, and are managing, the risks posed by serious and organised crime?	The CMT awareness session together with the member seminar and the completion of this self-assessment is a good starting point. Implementation of any actions arising will enhance this as will the proposed work of IA. This will be supported with reporting to Audit Committee.	Good	Acceptable	Needs improvement
b.	Do your Internal and External Audit teams play an appropriate and useful role in this assurance process?	Both are able to provide assurance but only if their work is targeted at the specific risks posed by serious crime. Quarterly meetings are held between internal audit and CFU.	Good	Acceptable	Needs improvement
Operational Controls					
1. Licensing (alcohol, taxi and other)					
a.	How confident are you that your LA has not granted a licence to an individual or organisation linked to serious and organised crime in the last 12 months? On what basis have you reached this conclusion?	Taxi licenses have Disclosure Barring Service (DBS) checks for existing and previous convictions. All licenses and policies are in keeping national guidance.	Good	Acceptable	Needs improvement
2. Planning / Development management					
a.	How confident are you that no planning or development management decision made by your LA over the last 12 months has been exploited by organisations with links to organised criminals? On what basis have you reached this conclusion?	All planning decisions are made in accordance with statutory regulation guidance. CFU through their intelligence liaison with other agencies have the potential to flag any potential issues.	Good	Acceptable	Needs improvement
3. Social Housing					
a.	How confident are you that no property used for social housing is being used by, or sub-let to, an individual or organisation with links to serious and organised crime (e.g. drugs, prostitution, sub-letting, people trafficking, counterfeiting)?	n/a	Good	Acceptable	Needs improvement
b.	How confident are you able to be that those providing maintenance and repair services for social housing have no links to serious and organised crime?	n/a	Good	Acceptable	Needs improvement

4. Procurement					
a.	Are all your procurement, contract management and due diligence procedures robust and fully implemented? Are they regularly reviewed?	Procurement strategy and documentation as well as Contract Procedure Rules reviewed regularly and fully updated in 2016. Comprehensive documentation and support in place to ensure compliance. Due diligence includes company checks and request for references on larger procurements.	Good	Acceptable	Needs improvement
b.	Are effective policies or protocols in place to ensure that supplier checks are carried out in higher risk supplier sectors during procurement?	Due diligence checks are consistent throughout the buying sectors. The council also uses a number of frameworks for its purchasing where supplier checks are undertaken by the framework holder.	Good	Acceptable	Needs improvement
c.	How confident are you that your LA is not at risk of purchasing goods or services from organisations with links to serious and organised crime? How have you reached this conclusion?	Limited procurement in areas of high risk and use of frameworks for high value procurement limit the council's potential exposure.	Good	Acceptable	Needs improvement
d.	Are your records of supplier details reliably maintained and are they checked and verified sufficiently?	Finance system is central point for supplier records and finance team have robust processes in place for verifying details.	Good	Acceptable	Needs improvement
e.	Are you confident that your staff with purchasing responsibilities are aware of the risks of transacting with an organisation linked to serious and organised crime?	Limited. SOC awareness is limited with purchasing officers and further training and awareness is required.	Good	Acceptable	Needs improvement
f.	Are you confident that staff with purchasing responsibilities know how to raise any potential concerns about organisations with which your LA transacts?	Fraud awareness training for all staff included arrangements for referral. Internal web page being developed.	Good	Acceptable	Needs improvement

Insider Threat					
a.	How far do you think your LA could be at risk from employees who have links to serious and organised crime?	Employment checks carried out in accordance with legislation and where appropriate DBS checks undertaken for specific roles	Good	Acceptable	Needs improvement
b.	How confident are you that you have effective and fully publicised processes in place for the following mechanisms aimed at minimising the 'Insider threat'? <ul style="list-style-type: none"> - Officer / Member vetting (on recruitment and at intervals thereafter) - Officer / Member external interests register - Gifts and hospitality register 	Members are elected – there are RPA disqualification criteria but they are not vetted. Members external interests are recorded as required by the Localism Act 2011. Updated annually and recorded. Policy in place.	Good	Acceptable	Needs improvement
c.	Is there clear and effective accountability for the correct operation of these processes?	Yes.	Good	Acceptable	Needs improvement
d.	How easily can a member of your staff, or another LA stakeholder (e.g. member of the public, supplier, etc.) report suspected or alleged malpractice to you? Are reporting processes clearly set out and publically available?	Can be reported in accordance with Whistleblowing policy, anti fraud & corruption, complaints framework or even through the 'report it' system. May need to be communicated more effectively.	Good	Acceptable	Needs improvement

Serious and Organised Crime Checklist – Action Plan

Checklist Reference	Action	Responsible Officer (s)	Implementation Date
Awareness, strategy, guidance and training (1)	Counter Fraud Unit (CFU) to provide further awareness training tailored to relevant officers e.g. enforcement, visiting, frontline officers.	Counter Fraud Unit	March 2019
Awareness, strategy, guidance and training (1)	Review of Anti-Fraud and Corruption Strategy to ensure it remains relevant and effective.	Internal Audit/Corporate Governance Group	June 2019
Awareness, strategy, guidance and training (1)	CFU to continue to develop partnership working with related agencies, in particular the Police. Updates on effectiveness of joint working and general serious crime activities to be included in standard six monthly report to Audit Committee.	CFU/Head of Community (TBC lead for new Community Safety Partnership)	June 2019
Risk Management (2)	Review of cyber security arrangements.	Head of Corporate Services/ICT Operations Manager	March 2019
Whistleblowing (4)	Review the whistleblowing policy and effectiveness of whistleblowing arrangements.	Internal Audit/Corporate Governance Group	June 2019
Assurance – operational controls (procurement) (5)	Tailored training to be provided to those staff responsible for purchasing responsibilities.	CFU/Head of Finance and Asset Management	March 2019

Checklist Reference	Action	Responsible Officer (s)	Implementation Date
Assurance – operational controls (general) (5)	Days to be allocated within 2019/20 internal audit plan and CFU work programme to review operational internal control environment e.g. HR vetting, procurement, gifts and hospitality.	Internal Audit/CFU	March 2020

LOCAL AUTHORITY SERIOUS ORGANISED CRIME INTERNAL AUDIT

A framework for Internal Audit and Finance Managers

THE THREAT

Local Authority (LA) procurement is at risk of infiltration from serious and organised crime and organised crime groups could be benefitting from public sector contracts. In 2013 it was estimated that £2.1 billion of fraud was perpetrated against local government ([National Fraud Authority Annual Fraud Indicator 2013](#)).

Serious and organised crime is a threat to our national security and the Government's [Serious and Organised Crime Strategy](#) published in 2013 reported that it **costs the UK more than £24 billion a year**. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime.

RESPONDING TO THE THREAT

Conducting a Serious and Organised Crime Audit into areas most vulnerable / attractive to serious and organised crime can help to identify where LAs are most at risk and to assess where changes and improvements can be implemented to shut down opportunities for serious and organised crime involvement and reduce financial losses.

HOW TO USE THIS AUDIT AND AUDIT SCOPE

The Serious and Organised Crime Audit is a methodology that allows LA Internal Audit teams to scrutinise business operations to establish where there may be vulnerabilities to serious and organised crime.

We recommend initially working with police to identify areas most vulnerable within your LA and then for Internal Audit to carry out an audit based on the process set out below. 'Potential Areas for Serious and Organised Crime Audit' (Annex 1) lists typical LA work areas and those highlighted in bold are areas potentially at greater risk (based on Police Scotland's business exploitation list and Home Office Organised Crime Procurement Pilots) though these may vary from LA to LA.

Suggested questions that could form the basis of an audit are captured in the section entitled 'Audit Questions' found later in this document and you may also want to develop your own. However, the overarching questions you will want to consider are:-

- Is there a lack of awareness of serious and organised crime risks that can lead to actual or potential harm to the LA or the community which it serves? How can awareness be improved?
- Are there appropriate links with law enforcement bodies, other relevant partners and internally to ensure opportunities are not missed to act upon intelligence and to take robust steps early on to address actual or potential serious and organised crime risks? Can multi-agency partnerships be used more or to better effect?
- Are serious and organised crime risks considered in key, high risk dealings and transactions, including procurement, to safeguard against financial or reputational loss? Are appropriate money laundering mechanisms in place? Are licencing procedures robust, clear and consistently followed?
- Are serious and organised crime risks considered as part of the recruitment and employment process, to avoid the potential for insider threat or corruption?

AUDIT PROCESS**STEP 1 – Agree scope**

The auditor to meet with local police (and/or multi-agency partnership members) to map vulnerable areas within LA business. The auditor should also meet with the Chief Executive and heads of Finance, Procurement, Fraud, HR etc. to assess and agree audit areas, processes and strategies to be audited (see Annex 2 for suggested policies and processes).

STEP 2 – Audit questions

In the next section there are suggested audit questions to guide examination of business areas you are likely to want to audit (though each LA will have different priorities and you may have your own questions). The auditor should discuss the questions with the relevant leads for each work area being audited, in order to develop a picture of risks and weaknesses in current processes.

STEP 3 – Deep dives

Carrying out deep dive (or dip sampling) investigations into key current processes to check that they are fit for purpose and being followed. Having a process in place is not enough if it is not regularly reviewed and not routinely followed.) Annex 2 sets out key plans, policies and procedures that should be in place in most LAs.

STEP 3 – Take action

Use the responses to the questions and the outcomes of any deep dive investigations to reassess the risks and weaknesses in each area. Consider how the audit report can be used to recommend improvements and whether partners (police and other) should be involved to support strengthening of LA measures, for example, information sharing and targeted checks.

AUDIT QUESTIONS

1. Strategic and Corporate teams

Raising awareness of serious and organised crime

- Are staff and senior managers within the LA aware of the Government's [Serious and Organised Crime Strategy](#) published in 2013, the Local Government Association's [Tackling Serious and Organised Crime – A Local Response](#) and the [Fighting Fraud and Corruption Locally Strategy](#) – the new counter fraud and corruption strategy for local government published in March 2016?
- What changes, if any, have been made within the LA in response to these strategies? Is response to the risks of serious and organised crime included in corporate and strategic plans and policies (including the whistleblowing policy)?
- Have these plans been recently reviewed? Are they being followed? Is a deep dive needed to check?
- Are staff aware of the seven 'Nolan' principles of standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership and are arrangements in place for investigating allegations that these are not being complied with?

Risk Management

- Do you have a fraud risk register? How often is it reviewed by the LA audit and risk committee?
- Does the fraud risk or wider risk register include serious and organised crime considerations? Are mitigating actions being carried out and is the impact of these actions being managed and monitored?
- Have you assessed the risk to the LA from cybercrime and taken measures to protect LA systems from it?

Involvement with local multi-agency partnerships

- Are you part of a multi-agency partnership or other local partnership aimed at working with police and other agencies to tackle the threat of serious and organised crime? If not, are there reasons that one does not exist locally?
- Does the LA send an appropriate representative to the local partnership meetings and how often are these held / does the LA representative attend?
- Is output shared appropriately within the LA and are actions owned / acted upon?

Sharing information and intelligence with the police, other law enforcement and neighbouring Local Authorities

- How do you share information with the local police and other enforcement agencies? Are formal processes in place and is there an Information Sharing Protocol? If so has this been reviewed? Is it being regularly used?
- What information do you share with the police and what information do the police share with you? Is there more information the police hold that might be useful and vice versa?
- Do you routinely share information with neighbouring LAs? How do you do this? What information do you share?
- What processes are in place to ensure key information is shared internally (for instance between the licensing Authority and Children's Services)? Are these processes followed?

2. Procurement

(Especially for potentially 'at risk' sectors such as taxis, waste, housing, construction and security)

- When did you last review your procurement processes? Are processes being properly followed? Would a deep dive of a recent procurement help provide assurance?
- What information are those tendering for LA contracts required to submit? (e.g. details of convictions / company owners etc.) In what stage of the tender is this information requested?
- How is the accuracy of information provided in tender documentation confirmed? Is there a process for this? Is it routinely followed?
- Are checks on suppliers (and subcontractors) carried out at the procurement stage and during the life of larger contracts?
- Do contracts allow for supplier audits including unannounced visits?
- Is there any information sharing with local police prior to awarding contracts (i.e. at the tender evaluation stage)?
- How does the procurement process protect procurement staff from getting undue pressure applied to them? Is there adequate segregation of duties?
- Do you have any additional measures in place for procurements of services for vulnerable adults / children – vetting checks for instance for social housing providers or home to school taxi contracts?

3. HR

(see [CPNI advice](#) for more information on insider threat)

Vetting Checks

- What key checks are undertaken on the suitability and appropriateness of applicants prior to their appointment (e.g. identity, qualification, reference checks)?
- Who is responsible for undertaking these vetting checks? Are they always carried out?

- What evidence is obtained to confirm the performance of these checks and where is this evidence retained?
- Are there any differences in relation to the vetting approach adopted for Senior Officers, new starters and internal transfers etc.?
- Are the key vetting requirements clearly set out in the Recruitment and Selection Policy?
- Are any posts (for example those in areas with potential exposure to serious and organised crime activity) subject to a higher level of vetting?

Disclosure and Barring Service Checks

- Is a policy in place detailing any LA posts requiring a DBS check? If so, what process was followed to identify the posts which should be included and excluded from the checks? Are these posts kept under review?
- How often must DBS checks be undertaken by staff? Is there a system to monitor when a check is due? Does this work?

Secondary Employment and Declarations of Interest

- What arrangements are in place for monitoring and authorising secondary employment?
- Are registers maintained detailing staff and Members with secondary employment and how often are these updated?
- Is there a declaration of interests register for councillors and senior managers and are these periodically reviewed? (See para 4.50 of the [UK Anti-Corruption Plan](#) which outlines the rules requiring Councillors to register and declare certain pecuniary interests – failure to comply can lead to a criminal conviction, a fine up to £5,000 and a prohibition on holding the role of Councillor for up to five years).

Gifts and Hospitality

- Are all staff fully aware of the gifts and hospitality rules and the need to complete the register? How has this information been communicated?
- How often is your gifts and hospitality register updated?
- How is the register checked and monitored for accuracy?

Whistleblowing

(See [Government whistleblowing advice](#) for more information)

- Do you have a Whistleblowing / Confidential Reporting Policy in place and has it been adequately disseminated to all staff, Members and the public?
- Who is responsible for investigating all concerns raised and what reporting arrangements are in place?

- How often has the Whistleblowing / Confidential Reporting Policy been invoked over the last 2 years?
- Have you recently reviewed the Whistleblowing arrangements to ensure they are fit for purpose and effective?

Training

- Is a training programme in place to advise staff and Members of the indicators that they should look for to facilitate identification of officers working under duress or potential corruption?

4. Finance

Anti-money laundering

- What arrangements are in place to identify / monitor unusual or suspicious activity? For example:
 - Are reports prepared from available sources detailing the frequency with which each client makes cash payments and the value of such payments?
 - What parameters / limits are in place for these reports?
 - What action is taken to investigate high values or unusual patterns within the reports?
 - What types of (and frequency of) reports are provided internally to Senior Managers?
- Do you have serious and organised crime reporting arrangements in place and if so are they being followed? Who is responsible for compiling and authorising Suspicious Activity Reports, and how many have been prepared and submitted?
- Have all relevant staff been provided with clear instruction and training on the process to be followed when large amounts of cash are received from a Client? Are these processes being followed.

5. Legislative and regulatory functions (Licensing)

General

- When were your licensing processes last updated?
- Have licensing staff responsible for reviewing licensing applications been subject to DBS or other checks?
- What processes are in place to protect licensing staff from getting pressure applied to them?

Licensing, including Taxi and Private Hire Car Operator and Driver Licences

(See [LGA taxi licensing guidance for members](#) for more information)

- How many licensing staff are involved in the application evaluation process? Is there adequate segregation of duties?
- How long is each type of licence valid for?
- What information must applicants provide on the application form (e.g. names of all company directors, conviction details etc)? Is all this information verified?
- What vetting checks are undertaken on the application? (e.g. identity checks, convictions check with police and DBS, vehicle / premises checks) Are these always carried out? Do you have adequate information sharing arrangements with police to ensure you have all relevant information on individuals and companies before granting a licence?
- How is the relevance/significance of a conviction determined? Do you have an agreed policy in place? Is this always followed?
- What applications can be approved by licensing staff (using their Delegated Authorities) and which applications are required to go to Committee for approval? Is this appropriate?
- What arrangements are in place to monitor compliance with the terms and conditions of the licences after they have been awarded and what enforcement powers does the LA have? In what circumstances would a licence be revoked? How often does that happen?
- What steps are followed when a licence is renewed? Is it automatic or does the applicant reapply – are convictions etc. rechecked with the police?
- Do you have processes in place to capture and keep all complaints made against a licenced driver or operator? Are all reports acted upon? Are the records monitored for patterns or frequency and used to inform future licensing decisions?

6. **Housing**

- Do you carry out vetting checks (including checking against other internal data sets) on those contracted by the LA to provide shelter / social housing to ensure there are no serious and organised crime (or other criminal) links as part of the procurement process? What information are property owners required to submit?
- How do you know who all the owners are – is there an ownership check? Is this reviewed periodically to ensure the same owners are in place and the property hasn't changed hands?
- Are properties visited and checked on a regular basis? Are checks made that the registered tenants are those living in the property?
- What system is in place for concerns to be raised about the property and to investigate and report on such concerns?
- How are right to buy applications monitored to ensure there is no serious and organised crime / criminal involvement?

POTENTIAL AREAS FOR SERIOUS AND ORGANISED CRIME AUDIT

Below is an overview of some of the services generally offered by Local Authorities in England and Wales. Those services in bold are areas which may be more at risk than others (based on the Scottish Business Exploitation Risk list and outcomes of Home Office OC procurement pilots) The areas each LA chooses to audit will of course vary from LA to LA and depend on local knowledge and discussions with local police.

COMMUNITY SERVICES	CORPORATE AND NEIGHBOURHOOD SERVICES	DEVELOPMENT SERVICES	EDUCATION SERVICES	FINANCE SERVICES	SOCIAL WORK SERVICES
Asset Management	Building Maintenance	Building Design	Pre-five Education and Care	Accountancy	Criminal Justice
Business Support	Catering / School meals	Building Standards	Primary Education	Internal Audit	Family Support
Cemeteries	Cleaning	Consumer Protection	Secondary Education	Payroll / Pensions	Home Care
Community Education	Communications	Development Planning	Home to School transport	Revenues	Housing with Care
Cultural Services	Corporate Policy	Environmental Protection		Treasury and Investment	Residential care
Parks and Recreation	Estates Management	Workplace food / safety			Vulnerable Adults
Sport and Leisure	Facilities Management	Licensing			Vulnerable Children
	Fleet Services	Risk Management			Welfare Benefits
	Grounds Maintenance	Roads Design			
	Housing / Homelessness	Roads Maintenance			
	HR	Transport Planning			
	ICT	Waste Strategy			
	Procurement				
	Refuse Collection				
	Street Cleaning				
	Waste Disposal				

KEY PLANS, POLICIES AND PROCEDURES TO CONSIDER IN RELATION TO SERIOUS AND ORGANISED CRIME

(there are likely to be other plans and strategies not captured here)

Asset Disposal Procedures	Business Planning
Code of Conduct	Contract Management procedures
Corporate Plan	Data Protection Guidelines & Policy
Declarations of Interests register	E-mail & Internet Usage Policy
Financial Planning	Gift and hospitality register
Individual Service Plans	Information Sharing Protocols
IT Security Policy	Licensing Guidelines
Lone Working Policy	Money Laundering Procedures
Procurement Policy (including letting of Home to school transport contracts)	Recruitment Policy (including vetting)
Risk Management	Secondary Employment Guidance
Strategic Planning	Whistleblowing procedures

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	12 December 2018
Subject:	Internal Audit Monitoring Report
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	3

Executive Summary:

The monitoring report provides the Audit Committee with the findings of the individual audit assignments undertaken for the period September to November 2018 and the status of internal audit recommendations that have been followed-up within the period. Appendix 1 is the internal audit opinion for each individual audit assignment completed in the period. Appendix 2 provides details of previous audit recommendations that have been followed-up and, by using a Red, Amber, Green (RAG) key, identifies whether the recommendations have been implemented or not. All recommendations that were due for follow-up, have been followed-up. Appendix 3 provides an overview on the status of the Internal Audit Plan.

Recommendation:

To CONSIDER the internal audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.

Reasons for Recommendation:

As confirmed from the internal audit peer assessment completed during 2017/18 the work of internal audit is in broad compliance with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. This includes reporting on internal audit's activity relative to its plan.

Resource Implications:

None arising directly from this report.

Legal Implications:

By monitoring the implementation of their recommendations, internal audit assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If there are delays in response to the acceptance/implementation of internal audit recommendations then this potentially increases the risk of fraud, error, inefficiency or areas of non-compliance remaining within the systems audited.

Performance Management Follow-up:

All recommendations made by internal audit are followed-up within appropriate timescales to give assurance they have been implemented. In response to recommendations made following the independent review of internal audit, the final report template has been amended. All recommendations made from an audit can now be clearly visualised within the final report itself.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Internal audit work to a six-monthly audit plan. Six monthly plans were approved by Audit Committee on 28 March and 19 September 2018. This monitoring report summarises the work of the Internal Audit team for the period September to November 2018. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Head of Corporate Services) reports formally to the 'board' (Audit Committee) on the work of internal audit.

2.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD

- 2.1** In relation to the individual audits within the approved plans, the findings of those audits completed during the period September to November can be found in Appendix 1. This provides commentary on the activity audited, risk identification, the level of control in place to mitigate that risk, the overall audit opinion and any related recommendations.
- 2.2** When reporting, a 'split' opinion can be given. This means an individual opinion is given for each risk category identified. This approach enables internal audit to identify to management specific areas of control that are operating or not. Assurance opinions are categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. With regards to the opinions issued, overall the majority are of at least a satisfactory level of control except for a 'limited' opinion around operational risks relating to the vehicle fleet audit.

3.0 FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

- 3.1** All audit recommendations that were due to be followed up in the period have been followed-up. This provides the Committee with an overview of the breadth of work undertaken and allows Members to monitor the implementation of the audit recommendations. The list of these recommendations and their status can be found in Appendix 2. Of the 15 recommendations followed-up during the period, six have been implemented, three partially implemented and six are yet to be implemented. Of the recommendations not yet implemented, none are categorised as 'high' though a number have been outstanding for a length of time.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to comment on the draft report and complete a client survey at the end of the audit.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Internal Audit Charter and Internal Audit Annual Plan.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 Internal Audit contributes to value for money through its improvement work.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: None

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Appendices: Appendix 1 – 2018/19 audit work (September – November)
Appendix 2 – Audit recommendations followed-up (Qtr 3)
Appendix 3 – Audit Plan Status

List of audits Completed as Part of the 2018-19 Audit Plan

Audits

Audit:

FINANCIALS E-ORDERING 2018-19

Introduction:

This audit is completed as part of the 2018/19 Internal Audit Plan. Prior to the introduction of the Civica purchasing module in October 2017, paper purchase orders were used on an ad-hoc basis and therefore did not correctly record the council's level of commitments at year end. The implementation of the purchasing module has allowed the payment of invoices to be more efficient and created greater accuracy in the recording of liabilities, assisting in budget management and reducing the margin for error. The use of e-ordering also supports the council's digital agenda. This audit will obtain assurance as to the adequacy of the controls and process for purchase ordering and the extent to which risks in this area are managed.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Economic & Financial EF1: Unauthorised payments to organisations. EF2: Purchases of goods and services are not authorised appropriately, payments are not accurately accounted for, and levels of commitment are not recorded	Satisfactory	<p>An authorised signatory list is maintained of employees able to certify purchase orders and invoices. These authorisation levels have been accurately set within the Civica purchasing module against each individual's profile.</p> <p>All purchase orders (PO's) must now be raised electronically through the purchasing module. Audit testing concluded that of 17 invoices sampled, 16 had a PO raised prior to payment. 7 of these 16 purchase orders were raised after receipt of the invoice, therefore not giving a true picture of commitments. Detailed training has been provided to teams and guidance is available on the intranet, however, in order to further assist in reducing the number of instances where this occurs, it is recommended that a proactive approach be taken to identify instances where purchase orders have been raised after the receipt of invoice [R1]. All invoices sampled had been</p>	<p>EF2- R1 <u>Recommendation priority: Medium</u> <u>Implementation date: July 2019</u> <u>Responsible Officer: Finance Manager</u></p> <p>A proactive approach should be taken to identify instances where purchase orders have been raised after the receipt of invoice. Outcomes should be escalated to management where appropriate.</p> <p>EF2- R2 <u>Recommendation priority: Medium</u> <u>Implementation date: March 2019</u></p>

<p>leading to inefficient processing. Financial information is not retained in accordance with the services privacy statement.</p> <p>EF3: Financial losses arising from fraud or error.</p> <p>EF4: Financial losses arising from error or inappropriate activity.</p> <p>EF5: Significant variances not identified and investigated.</p>	<p>appropriately authorised and correctly coded within the General Ledger, including the allocation of VAT.</p> <p>Payment requests may be raised for exceptions where no PO or invoice is involved e.g. HMRC, grant payments etc. The sample testing identified that Disabled Facilities Grant (DFG) payments are now made through these payment requests. However, there is currently no record of commitment maintained by the service. To allow for effective monitoring, once a DFG has been approved a record of commitment should be made [R2].</p> <p>Departments are now required to set up their own suppliers including bank details etc with supporting evidence. These require validation and authorisation from a member of the finance team prior to any payments being made. The same process applies to any amendments to supplier details, therefore mitigating the risk of fraud. Audit testing confirmed that this process takes place.</p> <p>The 'pay creditors' privacy statement makes reference to bank details being kept for 1 year after the last payment date; they are currently being kept in excess of this. In order to comply with the privacy statement, all creditors to whom a payment has not been made 1 year after the last payment date should be identified and associated bank details redacted and deleted [R3].</p> <p>Of the invoices sampled there was an adequate separation of duties; the audit did however identify that as Financial Services process invoices for payment, there is potential for non-segregation of duties within this team i.e. the same officer could raise a PO, goods receipt and process payment without checks or validation from any other officer. The risk of this is considered low; verbal assurance was obtained that there is an expectation within the team that two officers are always involved in the process; the opportunity for this to occur is also limited to payments to genuine suppliers. However, as there is</p>	<p><u>Responsible Officer: Environmental Health Manager</u></p> <p>To allow for effective budget monitoring; once a DFG has been approved a record of commitment should be made.</p> <p><u>EF3- R3</u></p> <p><u>Recommendation priority: Medium</u></p> <p><u>Implementation date: July 2019</u></p> <p><u>Responsible Officer: Finance Manager</u></p> <p>In order to comply with the 'pay creditors' privacy statement, all creditors to whom a payment has not been made 1 year after the last payment date should be identified and associated bank details be redacted and deleted. This should be carried out on an annual basis.</p> <p><u>EF4- R4</u></p> <p><u>Recommendation priority: Low</u></p> <p><u>Implementation date: August 2019</u></p> <p><u>Responsible Officer: Finance Manager</u></p> <p>In order to mitigate the risk of possible non-segregation of duties in the ordering, receiving and payment process in respect of financial services, a monthly report of all purchase orders raised within the department should be reviewed and signed off by the Finance Manager to confirm that these payments are genuine.</p>
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		<p>no ability within the system to identify if the same officer is involved in the ordering, receiving and payment process, it is recommended that a monthly report of all purchase orders raised within Financial Services be reviewed and signed off by the Finance Manager to confirm that these payments are genuine [R4].</p> <p>Accurate balancing statements between creditors and the general ledger are prepared on a monthly basis and are reviewed by a senior officer.</p>	
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Audit:**NEW INCOME SYSTEM 2018-19****Introduction:**

Adelante is an income management system which was introduced in 2018. The system manages payments taken by card, cash and performs bank reconciliations on payments received through the bank. This audit is completed as part of the 2018/19 audit plan.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Legislative and Policy Compliance (LPC) LPC1: The processing of card payments through Adelante do not comply with the Payment Card Industry Data Security Standards LPC2: The retention of customer data in relation to payment transactions does not comply to General Data Protection Regulations	Satisfactory	Through the presentation of annual certifications, there is a good level of assurance that Adelante are complying with the Payment Card Industry Data Security Standards (PCI-DSS). Compliance to the standards by the council is currently limited concerning phone payments and face to face transactions. These issues are being reviewed and during the audit process it was noted that consideration is being given to the physical environment in which payment card transactions are processed, the number of individuals who are authorised to take payments and the undertaking that an annual certification of compliance to the standards is performed (R1) . In respect of the General Data Protection Regulations (GDPR), the decision making roles concerning the retention of card data needs to be clearly defined between Adelante and the Council. Financial Services have published a 'Cash Management Privacy Statement' which informs the public on what information is collected and who it is shared with. These aspects of the statement do need to be expanded in order to inform the public of the retention of card details and the sharing of card data with Adelante's partners (R2) .	LPC1-R1: <u>Recommendation priority:</u> Medium <u>Implementation date:</u> End December 2019 <u>Responsible Officer:</u> Head of Corporate Services & Head of Finance and Asset Management The Council should comply with the Payment Card Industry Data Security Standards and in this respect should give consideration to:- -the transaction process relating to phone payments, -payments taken at the reception desk -the physical environment in which card transactions are handled -Undertaking a PCI-DSS compliance certification - staff members taking payments when working from home

			<p>LPC2- R2:</p> <p><u>Recommendation priority: Medium</u></p> <p><u>Implementation date: End March 2019</u></p> <p><u>Responsible Officer: Corporate Accountant</u></p> <p>A review of the retention of card details held by Adelante against the general data protection regulations should give consideration to the following:-</p> <ol style="list-style-type: none"> 1) Identification of data controller responsibilities/decision making and the inclusion of retention of card data within the Financial Services retention schedule. 2) The Cash Management Privacy Statement needs to be updated to reflect the following:- <ul style="list-style-type: none"> -Full PAN card details are retained -card holder data is retained after authorisation -card data is held by a third party called NETPLAN.
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<p>Economic & Financial</p> <p>EF1: There is no documentary evidence to support income transactions</p> <p>EF2: Access to Adelante is not controlled and refunds issued are not authorised.</p> <p>EF3: Income transactions by card and cash are not received into the bank in a timely manner, are for the incorrect amount and/or have been posted to an incorrect general ledger code.</p> <p>EF4: Income transactions by 'paypoint' are not received into the bank in a timely manner, are for the income amount and/or have been posted to an incorrect general</p>	Good	<p>A review of the information recorded within the Adelante payment system confirmed that appropriate information is retained, and that this is sufficient to trace payment transactions. Access to Adelante is controlled through the finance team who are able to add/remove users. The list of users should be reviewed on a monthly basis against starters and leaver information supplied by HR, however a review of the list of users found a small number of users who no longer require access or had left the council employ. The Corporate Accountant gave assurance that the procedure notes would be updated to ensure that the list of users is reviewed at the same time as other finance systems.</p> <p>A review of the authorisation parameters confirmed that 52 of the 82 staff with access to Adelante are able to execute refunds and system controls are in place to mitigate the risk of fraud e.g. staff cannot access/amend card payment details when making refunds. Checking a sample of refunds confirmed that these were done so for a legitimate reason, and were promptly and accurately accounted. The testing of payment transactions within Adelante confirmed that funding parameters had been set up correctly. Payment transactions (including direct debit and paypoint) and associated VAT had been allocated to the appropriate general ledger code for the correct amount and each transaction could be traced to the relevant services. Furthermore, payment transactions were found to have been receipted within the bank promptly and on average: 3 days for cash, 4 days for card and 6 days for cheques. In respect of all bank receipts, these were reconciled within the Adelante system on a prompt basis, averaging 1 to 2 days. A review of the process for matching unidentified transactions confirmed that they are promptly reviewed and reallocated where appropriate. A review of both the electronic and the hard copy reconciliation folders confirmed that reconciliation occurs between the bank and Adelante on a monthly basis.</p>	There are no recommendations.
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ledger code EF5: Sums banked are not checked.			
<p>Audit:</p> <p>BUSINESS RATES 2018/19</p> <p>Introduction:</p> <p>This audit is completed as part of the 2018/19 audit plan. National Non-Domestic Rates (from now on business rates, BR) are paid by occupiers and owners of commercial and industrial property to the local authority, but at a rate set by central Government. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This gives council's an incentive to promote economic growth and to support businesses within their area. There are a number of exemptions and discounts that can be offered to properties, including unoccupied or empty properties, partly occupied properties, small business rates relief and exemptions for charities.</p> <p>A report from Northgate confirmed an opening liability for 2018 of £47,638,516.28, with the following reliefs and exemptions; mandatory reliefs of £1,378,121.54, discretionary reliefs of £82,062.34, small business relief of £2,934,297.18, transitional relief of £972,526.72, and exemptions of £468,907.93.</p>			
Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Legislative and Policy Compliance (LPC)</p> <p>LPC 1: Non-compliance with the appropriate legislation in the administration and collection of BR.</p>	Good	<p>Changes to key legislation are notified to the Council via email from the Ministry of Housing, Communities and Local Government (MHCLG), for example notification of the annual multipliers and new relief schemes such as Pub Relief. The Area Revenues Officer (ARO) responsible for business rates demonstrated a good level of understanding of the relevant legislation and its application to accounts. Later testing confirmed that administration and collection of business rates was done so in compliance with the legislation.</p>	There are no recommendations.

<p>Operational (OP)</p> <p>OP1: Manual upload of new/revaluations of properties results in differences between the VOA data and that on Northgate.</p>	<p>Satisfactory</p>	<p>The ARO indicated that key processes for identifying new business rated properties are through the visiting officers and notifications through the planning department. The current focus for visiting officers is council tax properties in order to maximise the new homes bonus entitlement. However, a review of business properties is expected to be completed in 2018/19 as part of the full rating list review which is being carried out by the Counter Fraud Unit in 2018/19. The remit for the full rating list review includes confirming occupation, checking the physical property for any extensions and other changes, potential for identifying properties not on the rating list and identifying businesses that may (or may not) be eligible for a relief.</p> <p>Rateable valuations (RV) on business properties are determined by the Valuation Office (VOA) and audit testing confirmed that a regular reconciliation of RV data in 2018/19 between this office and the Council has occurred. VOA amendments to rating details are manually entered into Northgate and sample testing confirmed the accuracy of these changes and also confirmed that liability on accounts had been correctly raised. The rating list was revalued in 2017 and from April that year transitional relief certificates are being issued by the VOA. The council has received 17 of these schedules, 5 of these show a change between the RV value within the rating list and the RV value stated on the transitional relief certificate. A recommendation has been made for the Area Revenues Officer to review the transitional certificates received for the 2017 Rating List and apply these to the appropriate accounts (R1). Transitional certificates received from the VOA in future should be applied to the account at the same time as the alteration to the Rating List is processed.</p>	<p>OP1- R1</p> <p><u>Recommendation priority:</u></p> <p>Medium</p> <p><u>Implementation date:</u></p> <p>End February 2019</p> <p><u>Responsible Officer:</u></p> <p>Area Revenues Officer (CJ)</p> <p><u>Recommendation Details:</u></p> <p>A review of the transitional certificates should be completed and the accounts on Northgate updated as appropriate. Transitional certificates received from the VOA in future should be applied to accounts at the time the alteration to the Rating List is processed.</p>
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<p>Social, Political and Ethical (SPE)</p> <p>SPE1: A conflict of interest is in effect between account holders/ customers and those who complete recovery action/ take payments.</p> <p>SPE2: The council is not transparent regarding the support that can be offered to businesses.</p>	Good	<p>There is a good level of assurance that the council is transparent in regards to the support offered to business and this was demonstrated through a review of the council's website information which provides guidance on mandatory reliefs, Hardship Relief, Public House Relief and Supporting Small Businesses Relief.</p> <p>In respect of processing business rate activities there is potential for conflict of interest claims, as changes to business rates accounts are predominantly dealt with by one officer. Although it would be possible to restrict access to accounts, this limits the effectiveness of processing business rates changes. The Revenues and Benefits Manager felt the overall risk of such claims was low but in order to mitigate potential claims it was agreed that spot checks of the officer's activities within Northgate would be undertaken (R2)</p>	<p>SPE1: R2</p> <p><u>Recommendation priority:</u></p> <p>Low</p> <p><u>Implementation date:</u></p> <p>End February 2019</p> <p><u>Responsible Officer:</u></p> <p>Revenues Team Leader</p> <p><u>Recommendation Details:</u></p> <p>A spot check of the Area Revenues Officer business rate activities within Northgate is undertaken on a regular basis and recorded.</p>
<p>Economic and Financial (EF)</p> <p>EF1: Loss of income through failure to collect rates.</p>	Good	<p>A review of a sample of accounts found that discounts/exemptions had been accurately applied, payments receipted and refunds issued. The Northgate system promptly identifies accounts which are in arrears. Notifications such as summons, reminders etc are sent out to the account holder in line with recovery processes and are identified within Northgate as enforcement stages. The sampling of accounts confirmed that recovery action is undertaken and such action included the setting up of special payment arrangements. There have been delays in recovery action on some of the accounts sampled due to limited resources, however the Area Revenues Officer role will now be limited purely to business rates (rather than other revenues tasks) which will increase the time available to complete recovery procedures.</p>	<p>There are no recommendations.</p>

Technology (T) T1: Manually entered exemptions and parameters have not been entered into the system correctly.	Good	A review of the Northgate system parameters (including the small business rate and standard rate multipliers) which had been entered as part of the annual billing process for 2018/19, were found to have been accurately recorded within the system. A supervisory review of the parameters is completed by the Revenues and Benefits Manager, and a sample of accounts are manually recalculated to confirm the system calculations are accurate; 74 were checked for 2018/19.	There are no recommendations.
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Audit:**VEHICLE FLEET MANAGEMENT 2018/19****Introduction:**

The council acquired a fleet of waste vehicles in 2017 in response to the expiry of the CP Davidson contract on 31st March 2017. A variation to the contract between Ubico and the Council was authorised and the resulting "Hire Agreement" lays out a number of conditions. This audit will look to obtain assurance that the fleet is managed in accordance with the hire agreement. The audit will also review the budget allocation and monitoring of expenditure in respect of fleet maintenance and equipment.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Operational (O) O1: Vehicles for waste collection services are not available through lack of maintenance/parts, loss of vehicle or the vehicle being used by other partners to the detriment of the council's own service. O2: Safety inspection and maintenance records are not being maintained in accordance with the vehicles operator's licence.	Limited	O1&O2: Operational risks are being mitigated in relation to vehicle upkeep, garaging, and insurance. Adequate maintenance records are retained on each vehicle for the prescribed period and these records also provide assurance that routine inspections are being performed. In respect of upkeep, it was found that parts specifically ordered for repairs could be traced to work carried out on the council's vehicles. Consideration needs to be given to the collation of data concerning ordinary repairs (eg changing light bulbs), tyre replacement and their associated costs as this is contractually required to be reported within the Ubico annual service report (R1). There is currently no stock control system in place in relation to the depot's bulk order purchases and consumables, however, consideration is being given to introducing a stock management system (R2). At the time of audit, a draft specification had been proposed and this should be carried forward. A process needs to be established to identify trends in causes for rechargeable repairs such as driver error - the spreadsheet used to record rechargeable parts from the job sheets could be enhanced to capture this data (R3). It was noted during the audit that of 95 inspection sheets	O1: R1 <u>Recommendation Priority: Low</u> <u>Implementation date: May 2019</u> <u>Responsible Officer: UBICO and Tewkesbury Borough Council</u> In compliance with the hire agreement clause D1, the format of the annual service report should be agreed between the council and UBICO representatives. This should be compiled for the current financial year and provided to the council promptly after year end. The annual report should be supported by quarterly updates provided to the ESPB. Additional Action: Repair and tyre data including costs to be reported quarterly to ESPB.

<p>O3: The contractual requirements concerning accident reporting are not being met.</p> <p>O4: Monitoring arrangements are not in place to assist in providing assurance that the vehicle fleet is being maintained.</p>	<p>reviewed, 35 made comment on the cleanliness of the vehicles, in some cases the vehicle was “too dirty to fully inspect”. During the course of finalising the audit report, processes have been adjusted to monitor condition of the vehicles, including spot checks and strengthening the cleaning regime.</p> <p>In respect of vehicle usage, vehicles owned by the council were being utilised for the collection of the council’s general, recycling, garden and commercial waste. Vehicle usage arrangements in relation to food waste and street cleansing noted the following exceptions:-</p> <ul style="list-style-type: none"> Food waste – Due to its unsuitability, Oscar 3 - a 7.5 tonne food vehicle (which was an additional approved purchase) is being used by Stroud council. A replacement vehicle is being hired for food waste collection - the cost of which is being met by Stroud. There is currently no formal agreement to support this arrangement. The depreciation of this 7.5 tonne vehicle needs to be considered and the Joint Waste Team Officer (JWTO) has requested this matter to be reviewed (R4). Street cleansing – a specialised vehicle (Lima 1) owned by the council was being used in both Tewkesbury and Cheltenham districts between September 2017 and April 2018. In accordance with the terms of the contract, formal reporting of the usage of this vehicle should have taken place. Furthermore, the cost implications for each council sharing this vehicle during this period should be considered. (R5). <p>O3:</p> <p>In respect of Part J of the vehicle hire contract between the council and Ubico, it was found that appropriate accident information is retained at the Ubico Cheltenham depot. The number of personal, vehicle and property accidents and near</p>	<p>O1:</p> <p>R2</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: April 2019</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>A stock management system should be developed in respect of parts ordered.</p> <p>Additional Action:</p> <p>Updates on the project to implement a stock management system should be provided at Q3 and Q4 ESPB meeting.</p> <p>O1:</p> <p>R3</p> <p><u>Recommendation Priority: Low</u></p> <p><u>Implementation date: March 2019</u></p> <p><u>Responsible Officer: Head of Community Services</u></p> <p>Repair data should identify any trends in causes for repairs, particularly driver error in order to identify any training issues.</p> <p>O1:</p> <p>R4</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: end November 2018</u></p> <p><u>Responsible Officer: Head of Community Services</u></p> <p>A value for money decision needs to be</p>
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		<p>misses are reported to the monthly client monitoring meetings and also the quarterly Environmental Services Partnership Board meetings. There needs to be more specific information provided in order to fully comply with the vehicle hire contract conditions (i.e. full accident report, plan, details of persons and insurers involved). Furthermore the frequency of which accident data is notified to the council should be in line with the contract. This states full reports to be issued within 7 days for physical injury and monthly for non-physical injury (R6).</p> <p>O4:</p> <p>The vehicle hire contract between Ubico and the council does not contain reference to performance indicators (PIs). Recent ESPB minutes confirm that a suite of new performance indicators for Ubico is to be implemented. These will include vehicle related PIs: retention of the 'Driver Vehicle Standard Agency (DVSA)' green rating [this covers maintenance and servicing of vehicles]; monthly number of overweight and hire vehicles. The imminent reporting of these PI's together with the inclusion of repair and tyre replacement data within the Ubico annual service report will improve monitoring arrangements (R7).</p> <p>It is noted that the resource for a fleet monitoring officer is currently not available within TBC and this limits the ability to comprehensively monitor this part of the contract. Given the value of the assets, "Fleet" should become a standing agenda item to be discussed at the ESPB meetings, in line with the information reported on in the annual service report (see R7).</p> <p>An annual valuation/life value should be obtained and reported to TBC to provide assurance the vehicles are being effectively maintained to meet the expected life of the fleet, or to allow the council to budget for alternatives should this not be the case.</p>	<p>made on the continued retention of Oscar 3 and its current hire by Stroud. If the arrangement continues, a formal agreement needs to be established.</p> <p>O1:</p> <p>R5</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: TO BE CONFIRMED</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>When TBC vehicles are used by other partners/parties, the council should be notified promptly. The partner should be charged a hire fee in line with the agreed daily rate, set by the Head of Community Services. Quarterly reports should be provided to the Council detailing the usage and income received.</p> <p>O3:</p> <p>R6</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: end September 2018</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>The reporting of RIDDOR accidents to TBC should be undertaken within 24 hours of the reportable incident.</p> <p>O4:</p> <p>R7</p> <p><u>Recommendation Priority: Low</u></p>
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			<p><u>Implementation date: end December 2018</u></p> <p><u>Responsible Officer: UBICO and TBC</u></p> <p>To enhance vehicle contract monitoring, the new suite of PI's should be reported to ESPB. "Fleet" should be incorporated as a standard agenda item in ESPB meetings.</p>
<p>Economic and Financial (EF)</p> <p>EF1: A budget for vehicles has not been allocated, or where a budget is in place this is not being monitored.</p> <p>EF2: Expenditure allocated against the budget is not related to the council's vehicles</p>	Satisfactory	<p>EF1:</p> <p>The audit found that the budget in respect of vehicle maintenance is incorporated within the operational service recharge budgets at Ubico and is noted within the council's budget under general operational service headings such as grounds maintenance, street cleansing etc. Monitoring of the Ubico budget is included within the monthly ESPB meetings.</p> <p>EF2:</p> <p>Budget data is extracted from the finance system maintained by Publica on behalf of Ubico. As part of the audit testing, an initial sample of council vehicle 2017/18 expenditure was traced from the vehicle job sheets and order forms to the finance system. In 9 out of the 10 cases sampled, expenditure totalling £2686 had been incorrectly allocated to Cheltenham Borough Council. It was subsequently identified that the misallocation was known and procedures within Ubico had been amended to mitigate future miscoding errors. Additional testing of 2018/19 expenditure corroborated this. Verbal assurance has been provided by Ubico that the miscoding has been rectified, and reasonable assurance has been obtained that parts will be correctly coded in future.</p>	

CORPORATE IMPROVEMENT WORK

HR

As part of corporate improvement the booking of annual leave was reviewed by sampling HR section leave records. In order to ensure consistency this testing will be rolled out throughout the Council. The sampling has identified a number of corporate issues around:-

The type of leave information required to be recorded

The flexi-time scheme and working hours of part-timers and the accuracy of the electronic spreadsheet used to record hours.

Training agreements and the adequacy of the information captured in order to demonstrate compliance with the agreement conditions. The agreement should also provide managers with an estimation of the staff time involved.

Recommendations associated with the above issues are currently in the process of being finalised.

Recommendations Rating

Priority:		Definition:
1	High	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
2	Medium	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To be resolved within a 6-9 month timescale.
3	Low	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

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Level of control:	Definition:	Guidance:
Good	Significant assurance- There is a sound system of control, and the controls are being consistently applied. Limited scope for improving existing arrangements. Significant action unlikely to be required.	No audit recommendations or no more than 3 low priority (3) recommendations.
Satisfactory	Reasonable assurance- There is a sound system of control, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- Lapses in the framework of control in a number of areas, and/or evidence of significant non-compliance.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
Unsatisfactory	Inadequate assurance- The system of control is weak, and/or there is evidence of significant non-compliance, which exposes the council to the risk of significant error or unauthorised activity.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.

Outstanding Audit Recommendations

	Recommendation reviewed and found not implemented
	Recommendation reviewed and found to be partially implemented
	Recommendation reviewed and found to be implemented

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Homeless 2014-15 74	To demonstrate best value, a procurement exercise in relation to the storage of personal belongings for homelessness persons should be undertaken	L	Housing Services Manager	Apr-16. Dec-17. Sept-18. March 19.	Nov-18		A service specification and pricing evaluation has been drafted by Internal Audit through corporate improvement days. On discussion with the Housing Manager it was stated that this recommendation is yet to be taken further due to work load and other work pressures. Revised implementation date agreed.	18-19 q3
Risk Management 2014-15	Refresher training should be provided for staff and members who have an involvement with the risk management framework.	L	Head of Corporate Services	Sep-16. Jun-17. Mar-18. May 18. Sept-18	Nov-18		Risk sessions for members and senior management took place in June and September 2018.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Local Transparency Agenda Follow-Up 2015/16	Data published in respect of local authority land should be reviewed to ensure compliance to the Local Transparency Code 2015.	L	Asset Manager	Mar-16. Sep-17. Jun-18. Sept 18.	Nov-18		Data is now published in accordance with the Local Transparency Code.	18-19 q3
Business Continuity 2016/17 75	The Corporate BCP (CBCP) should be reviewed and updated accordingly.	M	Head of Corporate Services	July-17. Sep-18. Jan-19.	Nov-18		The management cohort within corporate services is now fully resourced to move this forward. The implementation date reflects the date within the Annual Governance Statement. Initial work has commenced on the update of the plan.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT Environmental Controls 2016/17 76	There should be organisational awareness of the open access arrangements within the Public Services Centre between the hours of 9am to 5pm; in order to manage the associated security and data protection risks.	M	Asset Manager in conjunction with Deputy Chief Executive	Mar-17. Dec-17. Aug-18.	Nov-18		There is 'open access' arrangements in place between public service partners except for access to the police, ICT server room and top floor tenants. Management team at their meeting on 12 November 2018 confirmed they are satisfied with these arrangements as they meet the ethos of partnership working. Awareness to GDPR compliance helps mitigate potential data protection issues.	18-19 q3
Information Governance 2016/17	Information published on the council's website should be reviewed in line with the Local Government Transparency Code.	M	Head of Finance and Asset Management , HR Manager & Head of Corporate Services	1. Sep-17. 2. Sep-17. 3. Jul-17. Mar-18. Jun-18. Aug-18	Nov-18		All relevant data is now published on the council's website.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Recycling 2016/17 77	Further consideration should be given to establishing a recycling data protocol between the JWT, UBICO and TBC to identify expected audit and contract performance monitoring exercises and escalation procedures in the possible event of non-payment of recycling credits.	L	Head of Community Services in collaboration with JWT	Sep-17. Sep-18. Apr-19.	Nov-18		A recycling data protocol has been drafted and we are in consultation with the other parties to get this agreed and finalised. New implementation date agreed.	18-19 q3
TIC 2016-17	The agreement between TBC and Winchcombe Town Trust should be located and updated to outline the conditions and rental fee for the lease of the room used for Winchcombe TIC.	L	TIC Manager and Economic and Community Development Manager	Aug-17. Sep-18. Feb-19.	Nov-18		The Economic and Community Development Manager has had a discussion with the Winchcombe Trust and has requested a copy of the agreement. Revised implementation date agreed.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Council Tax Recovery 2017-18	An order form should be completed for the enforcement agent's contract, including appropriate performance and monitoring measures.	M	Revenues and Benefits Manager in collaboration with One Legal	Sep-18. Dec-18.	Nov-18		Discussion had with The Revenues and Benefits Manager who stated that it had been an over optimistic implementation date. Revised implementation date agreed.	18-19 q3
Council Tax Recovery 2017-18 78	The council's collection policy should be reviewed to ensure that the policy remains relevant, robust and any changes to legislation have been included.	L	Revenues and Benefits Manager	Sep-18. Dec-18.	Nov-18		Discussion had with The Revenues and Benefits Manager who stated that it had been an over optimistic implementation date. Revised implementation date agreed.	18-19 q3
Council Tax Write Offs 2017-18	The process for raising and authorising write offs should be reviewed to ensure that the Section 151 Officer is receiving accurate values for write off.	M	Revenues and Benefits Manager in consultation with the Revenues Team Leader	Sep-18	Nov-18		A process is now in place whereby the value of write offs are reviewed prior to authorisation by the Section 151 Officer.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Disabled Facilities Grants 2017/18 69	Regular monitoring of DFG claims should be undertaken to ensure they are approved in a timely manner.	L	Environmental Health Manager	Oct-17. July-18. Feb-19.	Nov-18		Once the revised Environmental Health structure is fully resourced, the intention is for a monthly report of unapproved grants to be reviewed and actioned by officers (within their geographical areas). Revised procedures will also be developed to reflect this. Revised implementation date agreed.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
FOI Monitoring 2017/18 80	Consideration should be given to reviewing the functionality of the FOI system.	L	Web Application and Digital Developer in collaboration with the Corporate Services Manager	Mar-18. Sep-18	Nov-18		Previously, the council did not have in place a robust system for responding to and monitoring FOI requests. An in-house digital solution was implemented that provides an 'end to end' process including management reporting. The system was implemented two years ago. An early audit confirmed the integrity of the system and recommended it would be prudent to review once fully established. A review has been carried out by corporate services and concludes it is still fit for purpose. An exercise to mitigate the number of FOI received is underway with service areas.	18-19 q3

Appendix 2

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Licensing Audit 2017-18	A review of the animal boarding application process should be undertaken.	L	Environmental Health Manager	Sep-18. Apr-19.	Nov-18		New legislation came into force in October 2018 and work is currently being carried out to review the application process in light of this. The website has been updated and fees will be reviewed in preparation for 1 April 2019. Revised implementation date agreed.	18-19 q3
Licensing Audit 2017-18	An online facility for the public to report licensable complaints should be provided.	L	Environmental Health Manager	Jun-18. Nov-19.	Nov-18		This will be considered as part of the broader CRM project. An initial report from the consultant is due by the end of the financial year. Revised implementation date agreed.	18-19 q3

INTERNAL AUDIT PLAN PROFILE 2018-2019

APRIL - SEPTEMBER

AUDIT	COMMENTS ON PROGRESS OF AUDIT	DATE OF AUDIT COMMITTEE THAT FINAL REPORT WAS SUBMITTED
1 General data protection regulations	Complete	19-Sep-18
2 Financials e-ordering	Complete	12-Dec-18
3 New income system	Complete	12-Dec-18
4 Garden waste	Complete	19-Sep-18
5 ICT	ICT expertise required	
6 Council Tax - liability, discounts, exemptions	Complete	19-Sep-18
7 Business rates - reliefs and exemptions	Complete	12-Dec-18
8 Disabled facility grant - additional funding certification	Complete	19-Sep-18

Corporate Improvement

Homeless storage contract	Stage 1-Draft contract & evaluation matrix sent for review by client
Trade Waste Outstanding Audit Recommendation Review	Complete

Internal audit quality assurance and improvement

Workshop prep and presentation	Complete
Document Changes	Complete

Consultancy & Advice

S106, Cheque and GDPR Advice	Complete
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Follow-up Reviews

Quarter 1 Follow Ups	Complete
Quarter 2 Follow Ups	Complete

Audit work brought forward

UBICO - Fleet management 2017-18	Complete	12-Dec-18
Public Services Centre 2017-18	Complete	18-Jul-18
HB 2017-18	Complete	18-Jul-18

INTERNAL AUDIT PLAN PROFILE 2018-2019

OCTOBER - MARCH

	AUDIT	COMMENTS ON PROGRESS OF AUDIT
9	Ubico Client Monitoring	in progress
10	ICT	audit to be contracted out
11	Section 106/CIL	secondment from Finance team
12	Ubico Health and Safety	
13	General Data Protection Regulations	
14	Project Management Framework	
15	Serious Crime Framework	in progress
16	TBC	

Corporate Improvement *HR leave/flexi*

audit report at draft

Internal audit quality assurance and improvement

Consultancy & Advice (incl corporate group representation)

Follow-up Reviews

quarter 3 follow ups
quarter 4 follow ups

complete

Audit work brought forward *ICT*

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	12 December 2018
Subject:	Risk Management Strategy and Corporate Risk Register
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	2

Executive Summary:

Tewkesbury Borough Council has a risk management framework and this is set out in the updated Risk Management Strategy. Risk management is an intrinsic element of good, effective management and should not be seen as a 'bolt on'. The strategy sets out the risk management approach around the identification, analysis, prioritisation and management of risk. The degree of formality of the Council's risk management arrangements are set out in the strategy. The strategy proposes capturing key corporate risks through a corporate risk register supported by individual risk registers for key projects. The scoring matrix within the strategy provides guidance on scoring those risks.

Recommendation:

- 1. To CONSIDER the updated Risk Management Strategy and to RECOMMEND TO THE EXECUTIVE COMMITTEE that it be APPROVED.**
- 2. To CONSIDER the risks and mitigating controls within the corporate risk register.**

Reasons for Recommendation:

Risk management is an integral part of the Council's overall governance framework. In addition to formalising the Council's approach to risk management and the scoring of risks, the strategy helps to raise risk awareness generally.

Resource Implications:

None arising directly from this report.

Legal Implications:

None arising directly from this report.

Risk Management Implications:

If the Council does not have in place a corporate risk register then it cannot demonstrate that corporate risks are formally considered, scored and managed.

Performance Management Follow-up:

The corporate risk register will be considered at each Audit Committee and prior to this by Corporate Management Team on a monthly basis.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** The Risk Management Strategy, attached at Appendix 1, formalises the Council's risk management arrangements. The strategy sets out the risk management approach around the identification, analysis, prioritisation and management of risk. The strategy proposes capturing key corporate risks through a new corporate risk register supported by individual risk registers for key projects. The scoring matrix within the strategy provides guidance on scoring those risks.

2.0 RISK MANAGEMENT STRATEGY

- 2.1** The strategy has been written to provide guidance on how corporate risks and project risks can be evaluated and scored on a consistent basis. The strategy also helps to raise general awareness around risk management, as do the recent risk management workshops held for Members.
- 2.2** The strategy, being focused upon corporate risk and project risk, is an approach proportionate to the size and needs of the Council and therefore does not make an industry of risk management. The strategy simply reconfirms the Council's risk management arrangements. At the heart of the strategy is the re-institution of the corporate risk register. The consideration of risk is already part of the Council's business thinking and decision making. For example, all Committee reports have a 'risk implications' box and key risks for making or not making a certain decision are always clearly detailed within the main body of the report. At a service level, the consideration of risk can be demonstrated in many ways. For example, internal audit has a risk based Internal Audit Plan, environmental health undertake food safety inspections on a risk basis and finance have undertaken a full risk analysis to support commercial property investments.
- 2.3** In terms of project risk, there is an internal officer project programme board where all key corporate projects are monitored. All projects are supported with relevant project documentation including a 'live' project risk register for the duration of the project.
- 2.4** In terms of risk appetite, the Council has a constructive approach to risk, taking it on a case by case basis. Ultimately, any decision made should be for the benefit of our residents. The Council is risk aware, so able to consider risks in a positive way, particularly given the need to consider transformation and commercial related decisions.

3.0 CORPORATE RISK REGISTER

3.1 The register is a useful tool to demonstrate in a concise manner that corporate risks are being considered and managed. The headings within the register and the scoring of risk are all detailed within the risk management strategy. Succinctly, the scoring is based around three stages;

- Gross risk score (the inherent risk without any mitigating controls in place)
- Current risk score (the assessed risk after the application of controls)
- Target risk score (proposed risk score by applying future controls, if the current risk score is deemed to be too high)

3.2 The format of the register is one which is commonly used throughout local government. There is no statutory requirement to have a register in place but is seen as good practice. It also helps the Audit Committee fulfil its risk management responsibilities. Internal Audit will support the Audit Committee in gaining assurance that the risks are being effectively managed. Days will be allocated within future Internal Audit Plans to review the register and give assurance to the Committee in terms of:

- whether the register is complete and if any risks are missing
- the controls detailed in the register – are they actually in place and working effectively?
- future actions – is there assurance they will be implemented within appropriate timescales?

3.3 The presence of a risk register is often requested from external bodies such as the Council's external auditors, peer review teams and the Council's insurers. The register will be a live document and considered by Corporate Leadership Team on a monthly basis and at each Audit Committee.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 None.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Risk Management Strategy.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 Mitigation of risk will help the Council achieve its objectives.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11 .1 None.

Background Papers: None

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Appendices: Appendix 1 – Risk Management Strategy
Appendix 2 – Corporate Risk Register

risk management strategy



December 2018

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Introduction	1
Risk management approach	2
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Introduction

The purpose of this strategy is to establish a framework for the effective management of risk. This will ensure risk management is embedded within the council's systems and processes and make a real contribution to the achievement of the objectives of the council. In a corporate context, where the job of managers is to deploy and direct the resources they have been allocated so as to achieve agreed objectives, risk management is simply an intrinsic element of good, effective management.

The objectives of this strategy are to:

- Define what risk management is about and what drives risk management within the council;
- Set out the benefits of risk management and the strategic approach to risk management;
- Outline how the strategy will be implemented; and
- Identify the relevant roles and responsibilities for risk management.

Risk management is a key element of the council's overall governance and assurance framework.

What is risk management?

Risk can be defined as the possibility of something happening, or not happening, that would have an impact on the council's ability to meet its objectives. The purpose of risk management is to manage the barriers to achieving these objectives. Risk management can be defined as the process of identification, analysis, prioritisation, management and monitoring of risks, and any resulting actions, which would reduce the likelihood or impact of risk occurring. Risk management is not a new

responsibility. It is simply the formalisation of what is already normal business practice. Risk management should not be a process that stifles innovation and prevents opportunism but rather one in which risks can, and should be taken, providing they are actively managed and justified.

Local and national drivers

There are a number of factors that drive risk management.

Business improvement

Effective risk management enables the council to identify, prioritise, and manage barriers in the achievement of strategic objectives. The dynamic nature of Local Government and the ongoing challenges it faces means more councils need to be risk aware rather than risk averse. The focus should be on the action taken to manage the risk, not simply reducing the risk status in accordance with an agreed risk appetite. Risk management will also support the council in taking and managing significant risks to increase confidence and ability to successfully deliver innovative and challenging projects.

Corporate governance

Risk management is a key element of the council's governance and assurance framework. The council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015: -

"A relevant body must ensure that it has a sound system of internal control which;

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the authority is effective; and
- (c) Includes effective arrangements for the management of risk."

This is further emphasised within the CIPFA document 'Delivering Good Governance in Local Government' (2016). This document advises upon six key principles around governance, one of which is 'managing risks and performance through robust internal control and strong public financial management'.

Civil Contingencies Act 2004

This act places a duty on councils to assess the risk of an emergency occurring and to maintain plans to ensure the council is able to perform its functions. This is a strand of risk management and the council discharges this duty through separate business continuity arrangements and its emergency plan.

Risk management approach



Risk identification

The main question here is what degree of formality needs to be employed for identifying and reporting on risk. Risk management need not be an industry and the approach should be proportionate to the size and needs of the council. On this basis, the key risks that the council could be exposed to will be captured through a corporate risk register and all key projects monitored through the project management framework will be supported with individual risk registers.

Corporate risk can be defined as an occurrence, if it came to fruition would impact significantly on one or more of the following;

- the ability to deliver corporate priorities
- fulfil a statutory duty
- comply with legislation or council policy
- loss or damage to council assets, information or reputation
- the council's financial position
- affects a multitude of services

Project risk is exposure that arises from taking on a particular task. Risk can be internal or external related and can jeopardise the delivery of the key aims of the project. This could lead to but not limited to, financial or reputational risk.

To ensure a comprehensive approach is taken to identifying potential risks it is important to consider the whole spectrum of the council's business. This should include corporate priorities as detailed within the council plan as well as underlying risks of a political, economic, technological, environmental or social (PESTLE) nature.

With regards to **operational risk**, each Head of Service, should seek assurance from their

Operational Managers that relevant operational objectives will be achieved and the risks associated with those objectives are effectively managed. This is business as usual activity and therefore risk should be managed through regular management dialogue such as team meetings and 1-2-1 meetings. There may be occasions however, where an operational type risk may need escalating for inclusion on the corporate risk register if for example, there is potential of a significant reputational impact.

Risk assessment

The purpose of risk analysis is to separate the major from the minor and to consider the consequence of each risk. Each risk needs to be prioritised according to the potential likelihood of the risk occurring and its impact if it did occur. An evaluation of the risk before management action (gross risk) and an evaluation of the risk after management action (net risk) is undertaken. The gross risk is the risk that the council is exposed to without any risk control measures being in place. The risk control measures needed to reduce the likelihood and impact of the risk should then be considered. Ideally those measures will already be in place. A risk matrix is used as guidance to determine the risk rating. Guidance on the analysis and risk rating can be found in Appendix 1.

Risk control

Most risks are capable of being managed either by taking mitigating action to reduce the likelihood or impact or both. Priority will be given to the high (red) risks which will require immediate action plans. Medium (amber) risks will require action plans and/or to be closely monitored as appropriate. Low scoring (green) risks can be accepted, however, they

will need to be monitored to ensure the controls in place are effective. Generally, there are four options for controlling risk;

Risk avoidance – opting not to undertake a current or proposed activity.

Risk reduction – implementing an action (s) which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

Risk transfer – the transfer of liability for the consequences of an event to another body. For example, to an alternative service provider or transfer of some or all of the financial risk to an insurance company. It should be remembered that some responsibility may be retained for ensuring that the risk is managed e.g. health and safety and that many risks are uninsurable.

Alternatively, there may be on occasions, where the risk is tolerated, without any mitigation.

Risk monitoring and reporting

To complete the risk management cycle, risks need to be monitored and reported in a meaningful way. Risks will be reported through a corporate risk register. This register will be compiled in accordance with the risk analysis above. The risk register template can be found in Appendix 2. Each risk will be assigned to a responsible senior officer, who will be responsible for regularly monitoring the risk and implementing any mitigating actions. The register will also be monitored on a regular basis by the Corporate Management Team (CMT) and presented at each Audit Committee for consideration. As the process is dynamic, the review of the register will consider any emerging risks.

In terms of describing individual risks within a risk register, best practice guidance is to describe risk using a casual statement. This is often achieved with an if/then format, such as:

If we do not achieve cost savings of 10% per annum over the next five years (cause)

Then council tax may not be contained in line with commitments (effect)

All committee reports have a standard risk implications box. Where relevant, more detailed information should be included within the main body of the report so members are fully informed of the risks associated with approving or not approving the recommendation being made.

Roles and responsibilities

Risk management is a key corporate framework and therefore by inference, it is the responsibility of all. This ensures that all levels of the council have a role in introducing, embedding and owning the risk management process. An overview of roles and responsibilities can be found in Appendix 3.

Review of strategy and process

An annual review of the risk management strategy and risk management process will be undertaken by the corporate governance group. Any significant changes that are required to either the process or strategy will be reported in the first instance to the council's Audit Committee.

Risk matrix

Impact – this is just not the impact of the risk upon the achievement of an objective, but the magnitude of the impact.

5	Extreme	Catastrophic effect upon the objective, thus making it unachievable
4	Very High	Significant effect upon the objective, thus making it extremely difficult/costly to achieve
3	Medium	Evident and material effect upon the objective, thus making it achievable only with some moderate difficulty/cost
2	Low	Small, but noticeable effect upon the objective thus making it achievable with some minor difficulty/cost
1	Negligible	Slight, but insignificant effect upon the achievement of the objective

Likelihood – this is the likelihood of the risk occurring during the lifetime of the objective

Likelihood	
5.	Almost certain
4.	Likely
3.	Moderate
2.	Unlikely
1.	Rare

How to use the matrix

If the impact of the risk on achieving an objective is determined to be extreme this will be scored a five. If the likelihood of the risk happening is almost certain this will also score a five giving a total risk score of 25 - representing a significant risk. Generally, if the current risk score is too high, further action will need to be taken to reduce the impact or likelihood including timescales for implementation. Based upon the actions to be undertaken the risk should be rescored based upon an anticipated reduction in impact and likelihood and this will create a new expected score rating. All of this scoring should be recorded in the risk register and the current rating column and expected rating column colour coded in accordance with the risk matrix below.

		LIKELIHOOD				
		RARE 1	UNLIKELY 2	MODERATE 3	LIKELY 4	ALMOST CERTAIN 5
IMPACT	EXTREME 5	5	10	15	20	25
	VERY HIGH 4	4	8	12	16	20
	MEDIUM 3	3	6	9	12	15
	LOW 2	2	4	6	8	10
	NEGLIGIBLE 1	1	2	3	4	5

Key	1- 4 Low Risk	5-15 Moderate Risk	16-25 Significant Risk
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The council has a constructive approach to risk, taking it on a case by case basis. Ultimately, any decision made should be for the benefit of our residents. The council is risk aware, so being able to consider risks in a positive way, particularly given the need to consider transformational and commercial opportunities.

Risk register template

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score

Group/Individual	Role / Responsibilities
All members	<ul style="list-style-type: none"> To understand the corporate risks that the council faces and to oversee the effective management of these risks by officers. To seek assurance there is full compliance with the strategy right across the organisation. To consider the risk of approving or not approving key business decisions as set out in committee reports. If relevant, to articulate the risk appetite of the council.
Lead Member for Corporate Governance	<ul style="list-style-type: none"> To be the lead member on risk management and act as an ambassador for the promotion of risk management within the council.
Executive Committee	<ul style="list-style-type: none"> In accordance with their terms of reference to fulfil the council's responsibilities in relation to risk management. To approve the risk management strategy.
Audit Committee	<ul style="list-style-type: none"> In accordance with their terms of reference to monitor the effective development and operation of risk management and corporate governance. To review the corporate risk register. To consider the assurance given on the council's risk management arrangements within the Annual Governance Statement (AGS).
Chief executive	<ul style="list-style-type: none"> Accountable for devising a robust and defensible risk management strategy, for its implementation and for full compliance with the strategy throughout the council.
Corporate Management Team	<ul style="list-style-type: none"> To develop a corporate risk register and review it on a regular basis.
Head of Service	<ul style="list-style-type: none"> To support the chief executive in achieving his risk management responsibilities. Contribute towards the identification and effective management of risks and opportunities facing the council. To own individual risks within the relevant risk registers. To ensure there is regular dialogue with operational managers so operational risks are effectively managed.
Operational Managers	<ul style="list-style-type: none"> To cascade the principles of good risk management to their teams. Support Heads of Service in the management of risk.
Borough solicitor (Monitoring officer)	<ul style="list-style-type: none"> Chair of the corporate governance group. To promote good governance.
Corporate Governance Group (CGG)	<ul style="list-style-type: none"> To annually review and if necessary update the risk management strategy and risk management process.
Project Programme Board	<ul style="list-style-type: none"> To consider and support risk management of key corporate projects.
Internal Audit	<ul style="list-style-type: none"> To provide an independent review of the corporate approach and compliance with the risk management strategy. To provide assurance to management and members as to the accuracy and integrity of the risk registers. To provide advice on the mitigation of risk through routine audit work.

All employees

- Responsibility for identifying and managing the risks that they face on a day to day basis, and reporting these to their managers.
-

Mike Dawson
Chief Executive
Tewkesbury Borough Council



Appendix 2 - Tewkesbury Borough Council: Risk Register Template

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
1	The uncertainty and volatility of council funding streams, including Business Rates Retention and New Homes Bonus, means that long term business planning is difficult and subject to significant change	<p>The Council received £3.2m from NHB and £2.3m from retained business rates in 2017-18.</p> <p>NHB is subject to annual review and amendments by Central Government including a review of the deadweight reduction</p> <p>Business rates is a volatile income stream as a result of successful appeals. In addition, a move to a 75% retention scheme is planned but a detailed scheme is not in place. Uncertainty exists over a number of issues including:</p> <ul style="list-style-type: none"> How appeals are dealt with How retained funding is split in two tier areas How and when the system is reset to ensure and equitable distribution 	5	4	20	<p>Growth of tax base is substantial and protects council from significant NHB losses.</p> <p>Council does not use 100% of NHB to support base budget.</p> <p>Accumulated provisions within existing retained rates scheme</p> <p>Involvement and understanding of emerging 75% retention scheme</p> <p>Development of other funding streams such as Council Tax and Commercial properties</p>	Head of Finance & Asset Management	15	<p>Further development of alternative income streams to reduce dependence on these funding streams</p> <p>Clarification of intended 75% rates retention scheme</p> <p>Early confirmation from Government of intentions with regards to NHB scheme</p>	6

Appendix 2 - Tewkesbury Borough Council: Risk Register Template

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
2	Failure to see the delivery of residential and business growth within the Borough will have a significant impact within the MTFS planning	<p>Growth within the Borough will attract significant additional funding streams by means of Council Tax, NHB and retained business rates.</p> <p>Given the reductions in core government grant and the increasing cost of delivering services, the income from growth is imperative to ensure a balanced MTFS and the ongoing delivery of services within the Borough</p>	5	4	20	<p>Growth strategy set out in Joint Core Strategy</p> <p>Efficient management of DM process</p> <p>Programmes for the delivery of significant infrastructure</p> <p>Strong relationships with key agencies such as Homes England and GFirst LEP</p> <p>Economic Development Strategy</p> <p>Establishment of Growth Hub</p>	Corporate Management Team	15	<p>Approval of Borough Plan</p> <p>Development and delivery of rail strategy</p> <p>J9 masterplan</p> <p>Business case developments for J10</p> <p>Airport development strategy</p> <p>Identification of opportunities to use business rate reliefs to support and attract business</p> <p>Implementation of DM improvement action plan</p> <p>Agreement for governance of CIL funding to maximise infrastructure delivery</p>	10

Appendix 2 - Tewkesbury Borough Council: Risk Register Template

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
3	If the ICT network is not adequately protected then there is a potential risk that it could be subject to a cyber-security attack leading to loss of systems and significant downtime.	<p>Phishing attacks/Spear phishing – untargeted mass emails sent to many recipients to acquire sensitive information/targeted emails designed to look like its been sent from a trusted person.</p> <p>Denial of service (DoS) – hacker floods a website with more traffic than it can handle. Legitimate users are denied access to services, downtime of systems.</p> <p>Malware – forms of harmful software executed when it is mistakenly downloaded.</p> <p>Weak credentials – accounts can be compromised if not secure. Reusing credentials on multiple systems makes it easier for a hacker to move around the network.</p> <p>All or combination can lead to;</p>	5	5	25	<p>Patch management</p> <p>Penetration testing</p> <p>Internal phishing awareness exercises</p> <p>PSN compliance</p> <p>Firewall management</p>	Head of Corporate Services	12	<p>Review potential of cyber insurance</p> <p>Review cyber security arrangements based upon Local Government Association best practice survey</p>	9

Appendix 2 - Tewkesbury Borough Council: Risk Register Template

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103		<ul style="list-style-type: none"> Loss of reputation and trust Financial loss – disruption to service delivery, cost of restoring systems Legal implications – personal data breach could lead to a significant fine 								
4	If business continuity planning is not in place then there is a risk the council would struggle to deliver its services in	<p>Does the council understand the major threats and risk to the business operations?</p> <p>Is a business continuity plan in</p>	4	4	16	Individual service continuity plans Draft corporate	Head of Corporate Services	12	Finalise and test draft plan. Alternative premises solution	9

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104	the event of an incident	<p>place?</p> <p>Is the plan tested for various scenarios?</p> <p>Have priority systems been identified?</p> <p>A BC incident could be any of the following;</p> <ul style="list-style-type: none"> • ICT downtime • Major staff absence • Property access • Supply chain failure 				plan ICT disaster recovery				
5	If the council is not compliant with General Data Protection Requirement then there is a risk of financial	GDPR came into force in May 2018. Essentially it makes organisations more accountable for data. E.g. what personal data is held, where it came from and	4	4	16	Data Protection Policy Governance structure in place e.g. Information	Head of Corporate Services	12	Rollout of e-learning module Implementation of related audit recommendations Implementation of GDPR	9

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105	penalties and adverse publicity.	who it is shared with plus a greater focus on consent. Fines rising from £500,000 to 20 million euro in the event of non-compliance.				Board, Data Protection Officer appointed, designated Senior Information Risk Owner, Business Administration Officer Breach reporting framework Staff awareness training			action plan	
6	Ineffective Emergency Planning	Failure to deliver support to the community in the event of an emergency. Public not warned and informed in the event of an emergency Negative perception of the	4	4	16	Trained and willing volunteers / staff. Up to date emergency / business	Head of Community Services	10	Through the Emergency Planning Team Leaders group ensure that all plans and procedures are up to date. Ensure that Emergency	4

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
106		<p>Council by external parties /partners/local businesses</p> <p>Failure to deliver critical services in the event of a declared emergency or event. could result in significant extra cost over the long term</p>				<p>continuity plans.</p> <p>Regular reviews of EP RAG Status (quarterly)</p> <p>Partnership working with the LRF and other partners e.g. Severn Trent Water.</p>			<p>plans are up to date.</p> <p>Develop further capacity within the organisation to assist in the case of an emergency (endure all new job descriptions reflect this as a requirement).</p> <p>Up to date equipment supplies for rest centres.</p> <p>Annual audit of equipment for rest centres.</p> <p>Carry out a test exercise in 2018/19 to ensure our EP works.</p> <p>Complete MT training of EP.</p>	
7	Detrimental impact of proposed waste changes (Javelin Park/waste transfer station).	If the council is directed to direct delivery waste to Javelin Park (Energy for Waste Plant) then the Council will have a significant financial burden both in capital and revenue terms for 2019/20 and ongoing – current estimates are approximately	5	5	25	Officer/member negotiation with GCC and contingency plans being drawn up to minimise reputational and financial impact on TBC	Head of Community Services	10	GCC/TBC/CBC officers and members have met to try to progress a solution. Further work is taking place to safeguard CBC/TBC's position as far as possible and mitigate any financial or reputational risk. Exec / CLT are briefed regularly	4

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
		£1m capital and £1m revenue.								
107 8	Failure of our waste partner to deliver an effective service.	<p>Failure of contractor or partners to deliver services or meet agreed performance targets leads to additional costs or failed objectives.</p> <p>Failure of MRF operator to be able to fulfil contract.</p>	5	3	15	<p>Contract / Performance monitoring processes in place and improved.</p> <p>Established government arrangements.</p>	Head of Community Services	10	<p>Review of contractual arrangements and service specifications.</p> <p>Service review and improvement plan for grounds maintenance and street cleansing.</p> <p>Enforcement of contract rules.</p>	8
9	Use of Swindon Road depot.	Our waste services are currently based at the Swindon Road Depot in Cheltenham. The depot is currently leased to Ubico by Cheltenham Borough Council. If CBC were minded to terminate this arrangement then we may need to identify a suitable depot for Ubico to operate of waste services from.	5	2	10	Lease agreement in place.	Head of Community Services	8	<p>Review legal lease arrangements at Swindon Road Depot.</p> <p>Consider where a temporary depot could operate from in an emergency.</p> <p>Ensure that there are robust leasing arrangements in place to ensure that we are not left without a depot at</p>	5

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
108									short notice	
10	Safeguarding arrangements	That the arrangements and implementation of policies and procedures by the Council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm. The damage to the Council would be mainly reputational.	5	2	10	Staff awareness of safeguarding. Safeguarding policy in place. Feedback from S.11 annual audit. Partnership working through the District Safeguarding Network.	Head of Community Services	6	Raising awareness of safeguarding policies and procedures with staff through staff briefings, one to ones, PPDs and training. Review safeguarding policy at earliest opportunity. Adopt the quality assurance framework for safeguarding. Implement feedback from S.11 Audit.	4

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
101						Taxi driver DBC checks carried out. Street Trader DBS checks implemented.			Where necessary ensure pre-employment checks / DBS checks are carried out.	
11	Failure to maintain council assets and ensure ongoing tenancies could result in significant cost and lost income	The Council has a significant property portfolio encompassing both operational and investment assets. For example, the total commercial portfolio is £39.5m producing an annual gross income of £2.4m. A further £6.7m is available within the capital programme to support the portfolio.	5	4	20	Recent refurbishment of service related property Establishment of annual contribution to Asset Maintenance Programme Commercial investment	Head of Finance and Asset Management	6	Establishment of long term asset maintenance programme, including allocation of required funding Recruitment of additional Property Officer	3

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact	Likelihood	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk management action points	Target risk score
110						reserve Trained and experienced staff Appointment of external investment support				
12	Treasury management decisions with the wrong focus could be costly over the long-term	Making investment decisions with an inappropriate balance between risk and reward could result in low returns or investment principal being lost An inappropriate balance between minimising cost with short term borrowing and securing low long-term rates could result in significant extra cost over the long term	4	4	16	Appointment of external treasury advisors Approval of annual treasury strategy Strong relationships with city brokers Trained and experienced staff	Head of Finance and Asset Management	4		4

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111										
13	If the Growth Hub fails to deliver the outputs as specified within the LEP agreement then there is potential that the capital grant would have to be repaid.	<ul style="list-style-type: none"> Financial risk (£500k) Reputational Wider impact on economic delivery in the borough 	3	3	9	Performance monitoring through CRM system Partnership working and effective governance with LEP Dedicated staff to manage hub and outputs e.g. manager and navigator Promotion through business networks	Head of Development	4	Review staffing as navigator is a temporary post	4

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TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	12 December 2018
Subject:	Monitoring of Significant Governance Issues
Report of:	Borough Solicitor
Corporate Lead:	Borough Solicitor
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

The report attaches, at Appendix 1, a table incorporating the Significant Governance Issues which were identified in the Council's Annual Governance Statement), approved by the Audit Committee on 18 July 2018, and the action to be taken to address them. The table indicates the progress on those specified actions by 30 November 2018, to enable the Audit Committee to monitor progress on these actions as required by the Annual Governance Statement.

Recommendation:

To CONSIDER the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.

Reasons for Recommendation:

To comply with the requirements of the Review of Effectiveness of the Council's Annual Governance Statement.

Resource Implications:

None arising from this report.

Legal Implications:

None arising from this report.

Risk Management Implications:

Risk management is an integral part of the Corporate Governance Framework and actions taken to mitigate the Significant Governance Issues will also help mitigate related business risks.

Performance Management Follow-up:

Further review by Audit Committee when approving the 2018/19 Annual Governance Statement will take place in July 2019.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** On 18 July 2018, the Audit Committee approved the Council's Annual Governance Statement for 2017/18 which forms part of the Annual Statement of Accounts. The purpose of the Statement is to provide assurance that the Council's Governance Framework is adequate and effective.
- 1.2** As part of the Annual Governance Statement, the Council is required to identify the Significant Governance Issues faced by the Council and to set out the proposed actions to be taken to address those issues and the timescale within which those actions will be taken. The role of the Audit Committee is to monitor progress on actions arising from the Significant Governance Issues identified in the statement.

2.0 SIGNIFICANT GOVERNANCE ISSUES

- 2.1** The table set out at Appendix 1 comprises the Significant Governance Issues identified and the proposed action and timescale, with the addition of a further column which indicates the progress by 30 November 2018. There has been progress on all actions, although some slight slippage on completion dates as indicated in the progress column.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** None.

4.0 CONSULTATION

- 4.1** The Corporate Governance Group has been consulted on progress on the proposed actions.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** Code of Corporate Governance.

6.0 RELEVANT GOVERNMENT POLICIES

- 6.1** None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

- 7.1** None arising from this report.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 8.1** None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

- 9.1** None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

- 10.1** Audit Committee 18 July 2018 – Approval of Annual Governance Statement 2017/18
 Council 24 June 2008 – Approval of Code of Corporate Governance

Background Papers: Annual Governance Statement 2017/18

Contact Officer: Borough Solicitor
 01684 272011 sara.freckleton@teWKesbury.gov.uk

Appendices: Appendix 1 - Monitoring of Significant Governance Issues 2017/18

SIGNIFICANT GOVERNANCE ISSUES 2018/19

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2018
1.	Risk Management	<ul style="list-style-type: none"> Develop and approve strategy Implement corporate risk register Member and senior officer session on risk appetite 	December 2018	Head of Corporate Services	<p>A draft strategy has been written, supported with the development of a new corporate risk register. It is the intention to present both at Audit Committee in December 2018.</p> <p>Risk management awareness training including the exploration of a corporate risk appetite was held over two sessions in June and November 2018.</p>
2.	Constitution	<ul style="list-style-type: none"> Review and update the Constitution 	December 2018	Head of Democratic Services	<p>Progress has been made on the review of the Constitution and a first draft, including the Scheme of Delegation, is expected to be ready for consultation early in the New Year prior to consideration by Council for implementation in April 2019.</p>
3.	Business Continuity	<ul style="list-style-type: none"> Finalise and test draft corporate plan 	September 2018	Head of Corporate Services	<p>Plan will be finalised and tested in the final quarter of the year and by January 2019 latest. The management cohort within corporate services is now fully resourced to facilitate this.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2018
4.	Audit Committee effectiveness	<ul style="list-style-type: none"> • 'Role of the Audit Committee' training to be programmed • Review Terms of Reference and name of Committee • Increase the profile of the Audit Committee e.g. production of annual report, six monthly newsletter 	March 2019	Head of Corporate Services	<p>Role of the Audit Committee, 'Meet the Internal Audit Team' and Statement of Accounts training have taken place.</p> <p>The peer review of the internal audit function took place in November 2017. An excellent session was held with the Audit Committee to go through the action plan and agree improvements to the audit process.</p> <p>The name and Terms of Reference of the current Committee are being reviewed as part of the update of the Constitution.</p> <p>An Audit Committee annual report for 2017/18 was approved and presented at Council by the Chair of the Committee.</p> <p>Quarterly meetings are held between the Internal Audit team, Chair of the Committee, Lead Member and Support Member for Corporate Governance.</p> <p>The role of internal audit and the Committee has been added as an item for the new Council induction programme.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2018
5.	General Data Protection Regulations	<ul style="list-style-type: none"> Respond to and resolve promptly any breaches Ongoing compliance monitoring through reviewing GDPR process and procedures Monitor Privacy Impact Assessment Monitor Action Plan 	March 2019	Head of Corporate Services	Ongoing compliance with GDPR is monitored through a corporate Information Board. The board is chaired by the Chief Executive, the Council's designated Senior Risk Information Officer. Compliance is supported through the work of internal audit.
6.	Workforce Development Strategy	<ul style="list-style-type: none"> Develop and approve strategy 	December 2018	Human Resources Manager	<p>First draft completed and discussed with Management Team, Operational Managers Group and TU Liaison meeting (8/11/18).</p> <p>Comments being incorporated for second draft.</p> <p>Agreed with Corporate Leadership Team that timescale for completion is quarter 4 2018/19. The strategy is scheduled within the Overview and Scrutiny Committee Work Programme.</p>
7.	Local Code of Corporate Governance	<ul style="list-style-type: none"> Develop and approve a new code of governance 	March 2019	Head of Corporate Services	The Policy and Communications team will look to research and develop a new code within quarter 4 of the financial year (2018/19).

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2018
8.	Licensing	<ul style="list-style-type: none"> Delivery of licensing action plan 	April 2019	Head of Community Services	<p>Whilst the majority of actions have been completed, there are four actions that require further work. These are as follows:</p> <p>The requirement to provide LOLER certificates - This requires an amendment to the Council's Hackney Carriage (Taxi) and Private Hire Policy which is currently being reviewed.</p> <p>Safeguarding Training for Taxi Drivers - Safeguarding training was provided for the majority of the taxi drivers in March and April. Further training sessions are being arranged for November.</p> <p>Cost recovery of fees associated with animal boarding establishments - Since the original audit was carried out in October 2017, the Animal Welfare Regulations have come into force. These regulations introduce a new inspection and rating regime and a new charging scheme is currently being developed as a result.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2018
					<p>Requirement to carry out inspections of licensed premises and introduce risk rating to these premises - It had been intended to incorporate the inspection regime into the food inspection regime; however, the Environmental Health Team has been under-resourced for much of the year. Recruitment to vacant posts is now underway.</p>