

Title of Report:	Internal Audit Plan	Item 5
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 – Stronger governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by:	
<ul style="list-style-type: none"> • Providing assurance on the effectiveness of the Council’s internal control framework 	

Purpose of Report:	To set out a programme of internal audit work
Recommended Action:	To consider / amend / approve the programme of work
Reason for decision to be taken:	To review the proposed work in the light of the risks facing the Council and the level of assurance that the Committee requires
List of other options considered:	none
Key background documentation:	Strategic Risk Register / Service Risk Registers / Assurance Statements from Heads of Service

Contact Officer Details	
Name:	Ian Priestley
Job Title:	Head of Assurance
Tel. No.:	01635 519253
E-mail Address:	ipriestley@westberks.gov.uk

1 Introduction

- 1.1 This report outlines an integrated work programme for the three main elements of the Assurance Service. These are:
- Risk Management
 - Internal Audit
 - Health and Safety
- 1.2 Each of these elements forms an important part of the Internal Control Framework of the Council and hence are an important aspect of the delivery of stronger governance. The work programme outlines proposals for the period 2006-07

2 Consultation process

- 2.1 The plan has been prepared following consultation with:
- a) Portfolio Holder for Finance and the Chair of the Governance and Audit Committee
 - b) The s151 officer
 - c) Heads of Service
 - d) Management Board
 - e) The Risk Management JCC
 - f) Audit Commission

3 Needs assessment

- 3.1 The plan is based on a needs assessment for each of the different aspects of the service:
- 3.1.1 **Risk Management** - the work plan is set out in the Council's Risk Management Strategy that has been approved by the Executive. A copy is at appendix A
- 3.1.2 **Health and Safety** – the work plan comprises of three separate elements
- a) A programme of work to help implement an effective safety management system across the Council. This is detailed at appendix B
 - b) Coverage of Schools designed to evaluate current practice and allow a more focused service in future years
 - c) A programme of work designed to ensure the Council manages the risks associated with Fire, Asbestos and Water (Legionella)
- 3.1.3 **Internal Audit** – The work plan has been drawn up in consultation with Heads of Service and Corporate Board to focus on areas of risk. The programme of work has been informed by the Risk Management work involved in producing the Strategic Risk Register and service risk registers for the Council.

The internal audit work programme is set out in appendices C & D. This is set out in two formats. The first sorted by Head of Service (Appendix C) and the second sorted by type of audit (Appendix D).

4 Reporting

- 4.1 An annual report will be produced on the work of Assurance Services in June 06 for the 05-06 financial year to support the Statement of Internal Control. An interim report for 06-07 will be produced in November 06.

Appendix A – Risk Strategy

Background

- 1.2 The Executive approved the Risk Management Strategy with the Risk Management Policy Statement on 18 December 2003. This was updated on 9 December 2004. This report is an annual review of the Risk Strategy building on the work commenced in 2003.
- 1.3 Risk Management is an integral part of the Corporate Governance Framework. It is essential that risk management remains embedded in the decision making processes of the council.
- 1.4 Risk Management is a central part of any organisation's management. It is the process by which organisations methodically address the risks associated with their objectives. The focus of good risk management is the identification and handling of those risks. The risk management process is fully supported by Members and the senior management team.

Achievements

- 1.5 The Risk management JCC continues to meet eight times a year. This has proved to be a positive forum in which to discuss and promote risk management issues.
- 1.6 Quarterly reports are produced for CB to advise progress. The quarterly risk management report includes insurance claims information and for the future this will give details of claims on a Service Area basis as well.
- 1.7 A summary of major Court cases involving local authorities and other public sector bodies is distributed to corporate board and members of the JCC on a regular basis.
- 1.8 The Strategic Risk Register and Action Plan which accompanied the previous risk strategy, was reviewed in detail with the Corporate Board and with each of the officers identified as "responsible" for the risks. The SRR is reviewed by Corporate Board on a quarterly basis.
- 1.9 The major projects in which the authority is involved. (Parkway, The Waste PFI, Shaw House, Market Street regeneration, Children's Trust) have risk review meetings on a quarterly basis and a synopsis of these are included in the quarterly report to CB. Similar workshops will continue to take place in future for major projects.
- 1.10 Risk registers and Action Plans were updated for all Services.
- 1.11 Risk Registers have been tied to the budget, the MTFS in the case of the Strategic Risk Register and service budget in the case of Operational Risk Registers. Risk Registers are designed to identify the risks to the Council Objectives as set out in the Corporate Plan, Strategic Risk Register, and in Service Plans, Operational Risk Registers.

Appendix A – Risk Strategy

Best Practice

- 3.1 Best practice is set out in the CPA Key Lines of Enquiry for Use of Resources. Our present score is 3. In order to achieve the highest scoring 4 we will need to establish that:

The council can demonstrate that it has embedded risk management in its corporate business processes, including:

- *strategic planning*
- *financial planning*
- *policy making and review*
- *performance management*

All Members have received risk management awareness training.

The Council considers positive risks (opportunities) as well as negative risks (threats).

The member committee with responsibility for risk management receives reports at least quarterly and takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually.

- 3.2 The Risk Management Strategy for the coming year, set out below, outlines how the Council will meet this best practice.

Risk Management Strategy for 2006-07

- 4.1 Risk Management Policy Statement

The Risk Management Policy statement was approved in December 2003. The Risk Management Strategy, outlined here, flows from this statement.

- 4.2 Statement of Internal Control:

The Council is now obliged to issue a Statement of Internal Control. The statement must be completed annually and is signed by The Leader & Chief Executive. In summary the SIC is a statement of assurance to the effect that:

- the Council has an effective Internal Control Framework (ICF) in place
- the ICF has been reviewed in the preceding year. (It must be reviewed annually)
- that any weaknesses that have been identified in the ICF are being dealt with through an appropriate action plan.

The SIC will be reviewed by The Governance & Audit Committee before approval by The Executive.

Appendix A – Risk Strategy

4.3 Risk Registers

Risk registers are a key mechanism for delivering the assurance that will underpin the SIC. They are also the key evidence that demonstrates that Risk Management is embedded in the management of the Council. Risk Registers at both operational and strategic level continue to be developed as follows:

- An officer has been identified as being responsible for the operation of each control
- The operational risk registers need to be tied more closely to the business objectives of service areas. They will now form part of the individual service plans.
- Risk Registers must be formally reviewed by each service SMT quarterly and the results of the review be minuted. (This mirrors the review of the SRR by Corporate Board)
- The Risk Register should be attached to the Head of Service Assurance Statement.
- The Head of Service Assurance Statement should be signed by the Head of Service and countersigned by both the Corporate Director / Chief Executive and the relevant Portfolio holder.
- Any Risks that have a net score that is Red should be reviewed formally by Corporate Board to determine whether note should be made of the risk in the SIC.

4.4 Strategic Level

The Strategic risk register is part of the corporate plan and is monitored and reviewed on a quarterly basis by Corporate Board. Members are specifically identified as being responsible for risks together with officers.

All major projects will be included in the revised SRR and regular reports on risks associated with these projects are made to CB.

- 4.5 Quarterly reports will be made to the Governance and Audit Committee. These will include the Quarterly Risk Management Reports, the revised Strategic Risk Register and progress with action plans for all risk registers

4.6 Training

Training will continue to take place in the form of workshops with Heads of Service & managers. The most useful training comes from giving colleagues an opportunity to talk about their objectives, the activities they undertake and the resulting risks.

Half day courses for third tier managers, and has been well received during 2005, will also be offered in 2006.

All members should receive risk management training. The course run in the autumn of 2005 will be re-run before the end of March 2006. In addition a Members Guide to

Appendix A – Risk Strategy

Risk Management will be produced to ensure that all Members receive appropriate training.

4.7 Project Risk

Workshops will continue to be run for large projects. These are reviewed on a three monthly basis. This process is also a most useful form of training by giving colleagues an opportunity to talk about their objectives, for the project and the activities they undertake and the resulting risks.

Appendix B – Safety Management System

1 Objective:

A 'Safety Management System' (SMS), is a structured approach to managing operations, and encourages continuous improvement whilst ensuring that West Berkshire Council fully complies with relevant safety, health and environmental legislation.

To ensure an appropriate SMS, existing 'safety documentation' across WBC shall be reviewed, revised, and be *goal setting* rather than prescriptive. The system shall be sanctioned at Corporate level, and allow Services the flexibility to develop focussed 'fit for purpose' systems and controls that reflect their specific risks and organisational structure. Key aspects will be generic, with any significant departure requiring senior management approval at Directorate safety committee level.

The SMS shall also be flexible enough to adapt to external influence such as European legislation, etc., and shall encourage best practice over and above legislative requirement wherever possible.

It is anticipated that some areas will be able to align existing control measures with little effort, others not so. However, as with any management system, ensuring compliance will require effort, resource and commitment from all, particularly the mandatory element such as formal risk assessment.

2 Scope

The SMS shall encompass the disciplines of safety, health and environment, and shall align to nationally recognised standards: HSG 65 and ISO 18001. Thus *all* WBC operations shall be formally addressed by control measures proportionate to 'hazard and risk' across the organisation.

3 Model

An SMS comprises 5 component parts:

- Safety Policy
- Planning
- Structure & responsibility
- Checking & corrective action
- Management review

The above are to be supported by high level Policies, Procedures and Guidance, and to ensure familiarity across the whole system, each of these shall follow a standard structure of:

- Objective
- Scope
- Principles and methods
- Responsibilities
- References.

Appendix B – Safety Management System

4 Goal setting

As with introducing any system, it is important that health and safety targets are achievable - if initially set too high, a negative impact may quickly be evident. Therefore, lower, achievable goals will be set via the 'safety performance indicator', successively increasing at annual review.

5 Commitment from Senior Management.

As with any other management system, senior management must give full support through resources and active participation in the development and implementation of the system.

6 Time frame

The development and implementation of an SMS must be conducted within an agreed time frame, and with suitable resources made available to do so. The time taken from the decision to start developing the system, through to implementation, can typically range from 6 to 24 months, and is dependent on how much of the required procedures and other material is already available, and the resources to commit to the project.

Some of the activities requiring a significant investment of time include:

- a high level review to establish existing compliance and any areas of concern
- the development and construction of a revised and documented SMS
- training and participation of key personnel
- provision of appropriate policies, instructions and guidance at Service level

The system should build on existing procedures where possible, a significant benefit being these would be familiar corner stones to launch revised documents from.

The first step is to inform key staff of the project, then undertake a high level survey of existing operations.

The results are compared to the key development areas (section 9 below), whereby an estimate can be made to what extent work has to be carried out to arrive at an appropriate SMS.

7 Implementing the Safety Management System

Actually implementing the SMS is obviously a critical phase, and dangers include an assumption that staff will understand their part without some element of awareness training.

Attention and pre-planning for this phase must take place early on, with consideration given to the possibility that elements of the SMS could be rolled out, (and training given), as they are signed off.

Appendix B – Safety Management System

8 Detailed proposal for the revised SMS

- 1.12 Review, align and implement the WBC Safety Management System to *EN ISO 18001: Occupational Health and Safety Management systems* (a standard of good practice developed with the assistance of British Standards Institution, and the Institute of Occupational Safety and Health, etc).

The significant management system elements are:

