

Title of Report:	Risk Management Strategy	Item 4
	Financial Year 2008/2009	
Report to be considered by:	Executive – Also considered by Governance and Audit Committee	
Forward Plan Ref:	EX 1092	

Purpose of Report: To outline revised Risk Management Strategy for the Council.

Recommended Action: To comment and approve the Strategy.

Reason for decision to be taken: To allow Corporate Board to comment on the Strategy and for the Policy Statement to be signed by The Leader and Chief Executive

Key background documentation:

The proposals contained in this report will help to achieve the following Council Plan Theme(s):

CPO13 - Value for Money

CPO14 - Effective People

CPO15 - Putting Customers First

CPO16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by continuing to embed risk management in the council

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Implications

Policy: None
Financial: None
Personnel: None
Legal: None
Property: None
Risk Management: None
Equalities Impact Assessment: None

Is this item subject to call-in?	Yes: X	No: <input type="checkbox"/>
<p>If not subject to call-in please put a cross in the appropriate box (double-click on the box & click next to 'checked').</p> <p>The item is due to be referred to Council for final approval <input type="checkbox"/></p> <p>Delays in implementation could have serious financial implications for the Council <input type="checkbox"/></p> <p>Delays in implementation could compromise the Council's position <input type="checkbox"/></p> <p>Considered or reviewed by OSC or associated Task Groups within preceding 6 months <input type="checkbox"/></p> <p>Item is Urgent Key Decision <input type="checkbox"/></p>		

Executive Summary

1. Introduction

1.1 This is an annual report on the risk strategy of the council

2. Proposals

2.1 To allow Corporate Board to comment on the Strategy and for the Policy Statement to be signed by The Leader and Chief Executive

3. Conclusion

3.1 The Risk strategy will assist the Council in continuing to embed risk management.

Executive Report

1. Background

- 1.1. The Executive approved the Risk Management Strategy with the Risk Management Policy Statement on 18 December 2003. This was updated on 13 February 2007. This report is an annual review of the Risk Strategy building on the work commenced in 2003.
- 1.2. 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.
- 1.3. 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.

2. Achievements

- 2.1. The Risk Strategy Group (RSG) has been formed and met for the first time in January 2007. The RSG has a strategic co-ordinating role covering a broad range of risk related activities under the chairmanship of Councillor Jeff Beck These include:
 - Business Risk
 - Health and Safety
 - Security Management (physical and information)
 - Business Continuity Management
 - Civil Contingencies
- 2.2. Risk Management training sessions have taken place for Officers, Members and Governance and Audit Committee. The Audit Commission stated that the training for members was notable practice and assisted the Council in maintaining a score of 4 for risk management, in Use of Resources.
- 2.3. Quarterly reports are produced for CB to advise progress. The quarterly risk management report includes insurance claims information.
- 2.4. The Strategic Risk Register and Action Plan are reviewed in detail with the Corporate Board / Management Board and Governance & Audit Committee on a quarterly basis. Responsible officers provide an update on the Risk Action Plan on a quarterly basis.
- 2.5. The major projects in which the authority is involved, (Parkway, The Waste PFI, Shaw House, (phase 3) Market Street regeneration, Children's Trust, Tilehurst Learning Campus) have risk review meetings on a quarterly basis and a synopsis of these are included in the quarterly report to CB. Similar workshops take place for St Bartholomew School on a more regular basis.
- 2.6. Service Risk Registers and Action Plans are now aligned to service objectives and are reviewed on a quarterly basis by Heads of Service and their management teams, and an officer has been identified as being responsible for the operation of each control.

- 2.7. 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 Service 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, Service Risk Registers.
- 2.8. Copies of Internal Audit reports are copied to the Risk & Insurance Manager in order that risk information can be fed into Service risk registers. Internal audit use risk registers in helping to plan their work.

3. Key Lines Of Enquiry 2008 / 2009

- 3.1. There are proposed changes to the Use of Resources for 2008 - 09 the revised KLOE's are set out in Appendix A attached. The key areas for risk management to focus on will be
 - Partnership risks.
 - The council obtains assurance on a risk basis of the viability of its significant contractors' and partners' business continuity plans
- 3.2. The Risk Management Strategy for the coming year, set out below, outlines how the Council will continue to meet this best practice.

4. Risk Management Strategy for 2008-09

4.1. Risk Management Policy Statement

4.1.1 The Risk Management Policy statement was approved in December 2003. This was modified in 2007 and is attached as Appendix B. The Risk Management Strategy, outlined here, flows from this statement.

4.2. Annual Governance Statement:

4.2.1 The Council is obliged to issue an Annual Governance statement. This replaces the Statement of Internal Control from 2007 / 2008. This should cover:

- 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.

4.3. Strategic Risk

4.3.1 The Strategic Risk Register is part of the corporate plan and is monitored and reviewed on a quarterly basis by Corporate / Management Boards and Governance & Audit Committee. Members are specifically identified as being responsible for risks together with officers. Corporate Board should consider closer alignment between the Council's objectives set out in the Corporate Plan, their own individual objectives, identified in their appraisal and the Strategic Risk Register.

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

4.3.3 Partnership Risks

The council will

- *have to demonstrate that partnerships embed risk management, as part of setting priorities, policy making, financial planning and performance management.*
- *Consider risks in relation to significant partnerships, including the risks of fraud and corruption*

4.4. Service Risk

4.4.1 Risk registers are a key mechanism for delivering the assurance that will underpin the Annual Governance Statement. They are also the key evidence that demonstrates that Risk Management is embedded in the management of the Council. Risk Registers at both service and strategic level continue to be developed.

4.4.2 The Risk Management process will be aligned more closely with the Performance Management system. Work is progressing on the West Berkshire performance portal to initially transfer current risk registers from a spreadsheet format to the portal. This will develop improved on demand, on-line reporting facilities. This should also improve risk / action planning ownership to responsible officer. It will also allow the Council to build links between performance data and key risks.

Service Risk Registers should reflect the objectives set out in Service Plans and in the appraisals of Heads of Service and Senior Managers. The Service Risk Registers will then play a key part in helping to ensure services and staff are able to deliver their objectives.

4.4.3 Corporate Directors and Heads of Service need to focus on Service Action Plans. Corporate Directors should have confidence that action plans are moving forwards and that mitigation is being put in place for red risks. Where actions are not progressing this should be brought to the attention of Corporate Board.

4.4.4 The Risk Manager will prepare an annual report for Corporate Board that will highlight any Red Risks so that these can be reviewed formally by Corporate Board to determine whether note should be made of the risk in the Annual Governance Statement. The report will note any actions that have not moved forwards during the preceding 12 months.

4.4.5 Heads of Service should review risk registers following the outcome of any internal / external audit or inspection work in their service. This will ensure that any weaknesses identified in this work is picked up and action taken to improve controls. All routine internal audit reports will be passed to the Risk Manager to ensure that he is aware of weaknesses / risks identified.

4.5. Project Risk

4.5.1 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.

4.5.2. It is proposed to move over time the requirement to maintain project registers from the Risk & Insurance Manager to Project Manager/s.

4.6. Governance and Audit Committee

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

4.6.2 Governance & Audit Committee will monitor and review Service and Project Risk Registers and Action Plans as required, to ensure that they are being managed by Corporate Directors and Heads of Service, and will ask Heads of Service / Project sponsors to attend the Committee from time to time to update the Committee on progress with managing risks.

4.7. Training

4.7.1 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. Over the coming year Internal Audit will join the workshops to provide support and advice from a risk and control perspective.

4.7.2 Half day courses for third and fourth tier managers were well received during 2007 and will be offered in 2008.

4.7.3 All members should receive risk management training. A training session for new members was held in June 2007. A Members Guide to Risk Management was produced in 2006 and sent to all members and is available on the Members Portal. The Audit Commission highlighted this as notable practice in their use of resources assessment for 2006. This is being updated in the first quarter of 2008.

4.8. Other Risk Management work

4.8.1 The Council's risk management system is embedded and working effectively now. The Risk Manager will now give some time to review and improve areas where the Council has or may suffer loss. The Risk Strategy Group will determine the focus of this activity. The first project to be undertaken will be a review of physical security at schools to counter the threat of vandalism and fire.

4.8.2 A new risk management Tool Kit has been produced and approved by Corporate and Management Boards as a guide to managers and this will be launched in the first quarter of 2008/09. This includes guidance on appetite for risk. It is important to consider the whole risk appetite and not just the financial element of the risk matrix.

Appendices

- Appendix A – Risk Management KLoE's
- Appendix B – Risk Management Policy Statement
- Appendix C – Risk Appetite

Appendix A

KLOE 2.4 The organisation has a robust approach to managing its risks and a sound system of internal control.				
● ● ●				
Level 2 – performing adequately	Currently met	Action	Officer	Monitoring
The board ensures that corporate business risks are being identified and effectively managed in line with its risk management strategy.				
The organisation maintains and regularly reviews a register of its corporate and operational business risks, including the risk of fraud and corruption, which:				
links risks to strategic objectives				
assesses the risks for likelihood and impact				
assigns named individuals to lead on actions identified to mitigate each risk				
Risk management considers risks in relation to significant partnerships, including the risk of fraud and corruption, and provides for assurances to be obtained about the management of those risks.				
All those involved in the organisation's risk management arrangements are given relevant training and guidance.				
The organisation has a sound system of internal control which includes:				
<input type="checkbox"/> delivering the core functions of an audit committee;				
<input type="checkbox"/> providing effective internal audit in accordance with relevant requirements;				
<input type="checkbox"/> an assurance framework informing transparent governance reporting				
<input type="checkbox"/> standing orders, standing financial instructions and a scheme of delegation				
<input type="checkbox"/> ensuring compliance with relevant laws and regulations and that expenditure is lawful				
<input type="checkbox"/> sound internal financial control with up to date procedure notes for key systems.				
The organisation has a business continuity plan in place which is reviewed and tested on a regular basis.				

There are effective governance arrangements for significant partnerships.				
Level 3 – performing well				
The organisation can demonstrate that it has embedded risk management in its business processes, including:				
strategic planning				
financial planning				
policy making and review				
performance management				
project management.				
All board members receive risk management awareness training appropriate to their needs and responsibilities.				
The organisation can demonstrate that partnerships embed risk management, as part of setting priorities, policy making, financial planning and performance management.				
Effective risk management supports the organisation in taking and managing significant risks to successfully deliver innovative and challenging projects.				
The audit committee can demonstrate the impact of its work in providing:				
<input type="checkbox"/> effective challenge across the organisation; and				
<input type="checkbox"/> assurance on the risk management framework and associated internal control environment to the board & the public.				
The organisation obtains assurance on a risk basis of the viability of its significant contractors' and partners' business continuity plans.				
Reports to support strategic policy decisions, and initiation documents for all major projects, require a risk assessment including a sustainability impact appraisal.				

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Appendix B

West Berkshire Council

RISK MANAGEMENT POLICY STATEMENT

The Council provides a diverse range of services, both to the community and to visitors to the area. It is essential that the Council protects and preserves its ability to continue to provide these services, by ensuring that it can manage its assets, both tangible and intangible including its control mechanisms. The very nature of the services provided presents a vast potential for losses and lost opportunities. This potential must be controlled to enable the Council to discharge its responsibilities to the community and its employees.

The Council is fully committed at the highest level to the management of risk. This forms an integral part of our approach to corporate governance.

Risk Management aims to:

- Help the Council achieve its overall aims and objectives
- Manage the significant risks the Council faces to an acceptable level
- Support the quality of the environment
- Assist with the decision making process
- Preserve & Enhance Service delivery
- Implement the most effective measures to avoid, reduce and control those risks
- Balance risk with opportunity
- Manage risk and internal controls in the most effective way
- To allow the Council to take opportunities, by dealing with / mitigating positive risks

The Council seeks to undertake to protect and preserve its tangible and intangible assets from any loss, damage or interruption, which could materially affect its ability to discharge its responsibilities to its employees and the community. People (employees and residents) property and information are the most important assets in West Berkshire Council. Their protection and security are essential for the future.

It is the responsibility of every Service Area to have regard to the Council's Risk Management Policy. Senior Management and Budget Managers are accountable for managing the risks to which their area is exposed whilst all employees have a duty to support the Council's initiative by recognising and managing risks within their control which may cause harm.

(1) Signed by Chief Executive.

Leader of the Council

February 2007

Title of Report:	Strategic Risk Register Financial Year 2008/09	Item 5
Report to be considered by:	Executive – Also considered by Governance and Audit Committee	
Forward Plan Ref:	EX 1092	

Purpose of Report: To outline revised Strategic Risk Register for the Council

Recommended Action: To consider and comment on the Strategic Risks and action plan

Reason for decision to be taken: To ensure that the Council's strategic objectives are met and that any associated risks with achieving them are identified and appropriately managed.

Key background documentation:

The proposals contained in this report will help to achieve the following Council Plan Theme(s):

CPO13 - Value for Money

CPO14 - Effective People

CPO15 - Putting Customers First

CPO16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Outcomes by the ongoing review of the strategic risk register.

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Implications

Policy: No
Financial: No
Personnel: No
Legal: No
Property: No
Risk Management: No
Equalities Impact Assessment: No

Is this item subject to call-in?	Yes X	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box (double-click on the box & click next to 'checked'):		
The item is due to be referred to Council for final approval		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by OSC or associated Task Groups within preceding 6 months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>

Executive Report

1. Background

- 1.1 As part of the Statement of Internal Control the Council is required to identify and set out how it intends to deal with, significant control issues. A key part of the evidence that supports this process is Strategic Risks and associated action plan
- 1.2 The Council adopted a Risk Management Strategy in December 2004. This is revised annually, and is subject of a separate report this year.
- 1.3 Risk management is an integral part of the corporate governance framework and is embedded into the fabric and decision making process of the Council. Risk management is a central part of any organisation's management. It is the process by which organisations methodically address the risks associated with the delivery of 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.
- 1.4 Corporate / Management Boards reviewed the quarter 3 risk register in January 08. The strategic risk register for 2008 / 09 is attached to this report has been modified to reflect the (new) risk appetite adopted by the council and the revised 4*4 matrix
- 1.5 Responsible Officers are aware that the risk action plan is required to be updated on a quarterly basis and that it is reported to Corporate / Management Boards and Governance & Audit Committee.

Appendices

- Appendix A Strategic Risk Register
- Appendix B Strategic Action Plan
- Appendix C Risk Appetite / Matrix

Consultation Responses

- Local Stakeholders:** Not Consulted
- Officers Consulted:** Corporate Board / Risk Strategy Group
- Trade Union:** None

Strategic Risk Register
2008

Owner	Corporate Board
Date	11 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
1 External Influences												
1.1	Economic Increased unemployment & Benefit Claims	Downturn in Economy/ Recession Increased demand on Council Services	Increased unemployment Increased Nos on benefit Reduced income to the Council Financial	2	3	6	Economic Development Strategy Sustainable Community Strategy Social Inclusion Strategy Corporate Plan	2	3	6		Head of Policy & Comm + Cllr Anthony Stansfeld
1.2	Inability to Recruit	Overheating Economy High Inflation	House price inflation Skills shortages Wage inflation Inward Commuting	1	3	3	Community Strategy Housing Strategy Various regional strategies Local transport plan Lobbying regionally / nationally	1	3	3		Head of HR + Cllr Anthony Stansfeld
1.3	Social Civil Unrest	Unfavourable perceptions of Crime & Disorder issues	Civil unrest Perceptions / High fear of crime	1	2	2	Effective Community Safety Strategy Effective interagency working Appropriate funding	1	2	2		Chief Executive + Safer Communities Partnership+ Cllr Emma Webster
1.4	Terrorist Action	Action taken by international / local groups	Significant disruption Fatalities / Injuries Reputation > No Insurance against Terrorist Action	1	3	3	Emergency Plan / Plan tested Interagency working	1	3	3		Head of Countryside & Env + Cllr Geoff Findlay
1.5.1	Environmental Major environmental incident	Major disaster in local area	Significant disruption Fatalities / Injuries Reputation	3	4	12	Major Incident Plan Effective Communication & Inter- agency working	3	3	9	Increase in Net score by CB Jan 08	Head of Countryside & Env + Cllr Geoff Findlay

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
		Outbreak of disease	Significant disruption Fatalities / Injuries Reputation	1	3	3	Emergency Plan / Plan tested Interagency working	1	3	3		
		Incident at AWE	Significant disruption Fatalities / Injuries Reputation	1	3	3	Emergency Plan / Plan tested Interagency working	1	3	3		
1.5.2	Flooding / Storm	Severe weather	Significant disruption Fatalities / Injuries Reputation	2	4	8	Major Incident Plan Effective Communication & Inter-agency working	2	3	6	New Risk added by Corp Board Jan 08	Corporate Board
1.5.3	Severe water Shortages	Drought	Disruption to Council services & the community (Businesses and residential)	1	1	1	Major incident Plan Working with Thames Water Working with Environment Agency	1	1	1		Head of Countryside & Env + Cllr Geoff Findlay
1.6	Flu Pandemic	Spread of flu Lack of NHS Vaccines	Significant disruption Fatalities / Injuries Reputation	2	4	8	Immunisation BCP Working Parties Major Incident Plan	2	4	8	Increase to Gross Score Net score unchanged	Corp Dir (CYP) Cllr Geoff Findlay
1.7	Political Intervention by Central Government or Other Regulatory Body	Statutory obligations not met Change of CPA Methodology	Legal challenge Government Intervention Compensation Poor CPA Scores Poor Audit Commission Reports	1	1	1	Community Plan Corporate Plan Effective Performance Management MTFS District Profile Consultation Strategy	1	1	1		Chief Executive + Cllr Graham Jones
1.9	Administrative Area changed / WBC absorbed into another authority	Problems arising from Local Government reorganisation	Possibility of merger with another authority	1	4	4	None, But Lobbying where appropriate	1	4	4		Chief Executive + Cllr Graham Jones

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
2 Corporate Management												
2.1	Strategy Failure to set clear visions / objectives for Authority	Failure to see demographic and other external changes Failure to understand organisational context Poor / weak leadership	Ineffective forward planning Inappropriate service delivery Intervention Budget difficulties Poor CPA Scores Poor Audit Commission Reports	1	3	3	Sustainable Community Plan Corporate Plan Effective Performance Management MTFS District Profile Consultation Strategy	1	2	2		Chief Executive + Cllr Graham Jones
2.2	Inappropriate change management	Inappropriate pace of change Expectations not realised	Failure to realise opportunities CPA Intervention Inefficiency Poor reputation Capacity issues	1	3	3	Effective Programme & project management Corporate Plan Effective performance & risk management	1	2	2		Chief Executive + Cllr Graham Jones
2.4	Finance											
New	Demand Management / Demography Failure to predict changes in service demand / Social Care	Poor information planning & forecasting	Increased or reduced service demand Budget over or under spent	4	4	16	Demographic modelling MTFS Service & Financial controls	2	4	8		Corp Dir (CS) + Cllr Joe Mooney
2.4a	Financial Risk controls not applied Failure to complete audit / financial returns	Failure to undertake appropriate Financial Planning Failure to account for unaccepted items	Qualification on the accounts Failure to set standards Reputation CPA Unacceptable under / Overspends Section 151 officer / DA Reports	2	2	4	MTFS including allowance for contingencies Budget monitoring Financial rules of procedure Stronger Governance Project Action Plan	1	2	2		Head of Finance + Cllr Laszlo Zverko
2.4b	Budget pressures emerge in year / Ineffective budget monitoring Budget setting (Revenue)	Overspending Income targets not met	Lack of resources impacting on service delivery	2	3	6	MTFS including allowance for contingencies Budget monitoring Financial rules of procedure Stronger Governance Project Action Plan	1	3	3		Head of Finance + Cllr Laszlo Zverko
2.4c	Tax Base	The tax base is significantly different to forecast Flood Damage	This has a knock on effect on grant calculation and changes the Council tax yield. However the impact is relatively small as the formula grant calculation compensates	2	2	4	Ensure the budget process is flexible enough to deal with changes when actual figures are known. Set a prudent but realistic projection Undertake sensitivity analysis	2	2	4		Head of Finance + Cllr Laszlo Zverko

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
2.4d	Capital Programme Implementation	Overspend Slippage	Service Delivery	2	2	4	Capital Budget Financial procurement Governance PMM	2	2	4		Head of Finance + Cllr Laszlo Zverko
2.4e	Grant Settlement	The settlement is lower than anticipated due to changes in the methodology: / data / control totals	Lower RSG resulting in budget pressures	1	2	2	Ensure the budget process is flexible enough to deal with changes when actual figures are known. Set a prudent but realistic projection Undertake sensitivity analysis	1	2	2		Head of Finance + Cllr Laszlo Zverko
2.4f	Council Tax	That a different level of Council tax than assumed is set. Or the level of increase is capped by Government	Budget pressure	2	3	6	The level of Council Tax is a member decision. The implications of various levels of Council Tax are demonstrated to Members. Multi year settlements mean that capping levels are notified in advance. Undertaking sensitivity analysis.	1	3	3		Head of Finance + Cllr Laszlo Zverko
2.4g	Specific Grants	The value of Specific grants may vary from the assumptions made. Decisions are often made by government late in the day.	Transfer from Specific formula grant can have a significant impact.	4	3	12	Flexible budget process Lobbying in support of grant changes that benefit WBC	2	3	6		Head of Finance + Cllr Laszlo Zverko
2.4h	Inflation / Interest rates	Inflation may rise beyond anticipated rates Interest rates and borrowing may be higher than planned.	Actual pay rises may exceed estimate and cause a budget pressure Debt change budget pressure	2	2	4	Multi year pay settlements help reduce the uncertainty Prudent rate increase is used in forecasting Sensitivity analysis used MPC	2	2	4	Decrease in Net score by CB Jan 08	Head of Finance + Cllr Laszlo Zverko
2.4i	Reduced income from S106 PGS	New legislation	Reduced level of capital funding	3	3	9	Capital Programme CB / MB / Executive	1	3	3		Head of Finance + Cllr Laszlo Zverko
2.5	HR											

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
2.5a	Inability to recruit & retain to key posts	Local labour market Council/s reputation Ineffective recruitment	Increased costs Lack of service continuity Inefficiency Service delivery problems	1	3	3	HR Policies / Management Service Continuity Performance Management Effective HR Adequate Job descriptions Service Continuity Plans Budget provision 2006/07	1	3	3		Head of HR + Cllr Anthony Stansfeld
2.5b	Death Injury to staff	Lack of appropriate risk assessments / supervision	Fatality / Injury Financial / Insurance claims Theft / Damage Reputation	1	3	3	Lone working policy Risk Assessment Protection of Buildings RSG (Risk)	1	2	2		Head of HR + Cllr Anthony Stansfeld
2.5c	Significant Strike Action taken by members of staff	Union Action	Service Delivery Reputation	1	3	3	Good HR relations	1	2	2		Head of HR + Cllr Anthony Stansfeld
2.5d	Home / Flexible working	Lack of appropriate risk assessments / supervision	Potential IT and Health 7 Safety risks associated with inadequate home working provision	1	3	3	New flexible working policies	1	2	2	New Risk added by Corp Board Jan 08	Head of HR + Cllr Anthony Stansfeld
2.5e	High level of grievances	Policy changes Changes to terms & Conditions Organisational review	Service Delivery Reputation	1	2	2	Good industrial working policy Effective grievance procedure	1	2	2		Chief Exc + Cllr Graham Jones
2.6	Failure to Manage PR											
2.6a	Failure to manage bad difficult news	Poor Service or outcomes resulting in bad reports in the press / media etc	Poor Reputation CPA Low satisfaction	2	1	2	Effective Public / Media relations Communication Resourcing Effective Performance management framework to ensure that we get it right first time	1	1	1		Head Policy & Comm + Cllr Anthony Stansfeld
2.6b	Failure to promote the Council effectively to the local community	Ineffective PR Poor Planning	Lower levels of satisfaction Reputation	1	3	3	Communication Strategy Pro-active management of PR	1	2	2		Head Policy & Comm + Cllr Anthony Stansfeld
2.7	Data Security											
	Loss of data security	Loss / Theft of ITC equipment or data	Reputation Legal Action / Penalties	2	2	4	IT Security	2	2	4	New Risk added by Corp Board Jan 08	Head of ICT + Cllr Emma Webster

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
3 Corporate Governance												
3.1	Inappropriate conduct by Staff / Members	Lack of Code of Conduct CRB Check failures	Reputation Legal Action Fatality / Injury	2	1	2	Code of conduct Sound Recruitment & Retention CRB Checks	1	1	1		Chief Executive + Cllr Graham Jones
3.2	Poor / Inappropriate Decisions	Lack of full information for decision making	Legal Challenge Compensation Reputation	2	3	6	Effective Governance arrangements Including sound constitution Finance & Governance Group	1	2	2		Head of Legal & Electoral + Cllr Graham Jones
3.3	Poor performance management	Inadequate PM systems Inaccurate data	Poor decisions	2	2	4	Performance management reporting arrangements	1	2	2		Head of Policy & Comm+ Cllr Anthony Stansfeld
3.4	Poor Scrutiny	Lack of resources Lack of Member engagement	Inferior decisions Regulations Poor reputation	2	3	6	Training Work programme Alignment with the Executive work programme Proper regulation Overview Scrutiny Commission	2	2	4		Head of Policy & Comms
3.5	Ineffective Risk Management	Lack of engagement by managers Lack of resources	Reduced CPA scores Reputation	1	2	2	Audit Trails Corporate Board Governance & Audit Committee	1	2	2		Chief Executive + Cllr Jeff Beck
3.6	Inadequate Business Continuity Planning	Poor service planning Lack of BCP	Service delivery fails Impact on performance	2	3	6	BCP process underway	2	3	6		Head of Finance + Cllr Jeff Beck
3.7a	Health & Safety	Poor controls in health & safety Lack of Project Management process	Legal / Insurance Insurance / Financial Reputation Corporate manslaughter Team reactively problem solving rather than proactive planning	3	3	9	Effective School Service - needs analysis / risk register Safety Management System	2	3	6		Head of Finance + Cllr Anthony Stansfeld
3.7b	Legionella	Outbreak of Legionella / failure to control situation	Legal / Insurance / Financial Reputation Corporate manslaughter	3	3	9	Contract set up for risk assessments Compliance Officer in H&S Team	1	3	3		Head of Property + Anthony Stansfeld

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
3.7c	Fire Safety	Failure to manage fire safety	Loss of Life Enforced action by Fire Authority Legal / Insurance Reputation Corp Manslaughter	2	4	8	Contract set up for fire risk assessments Compliance Officer in H&S Team	1	4	4		Head of Property + Anthony Stansfeld
4 Technology												
4.1a	Major Failure of technology	Power failure	Service delivery / failures	2	3	6	Some BCP in place - further assurance required ICT Strategy Effective performance management Investment Resources	1	3	3		Head of ICT + Cllr Emma Webster
4.1b		Hardware / software failure	Service delivery / failures	3	1	3	Some BCP in place - further assurance required ICT Strategy Effective performance management Investment Resources	2	1	2		Head of ICT + Cllr Emma Webster
4.1c		Failure to achieve financial / service benefits from technology	Service delivery / failures	2	3	6	Effective Performance Management Post Implementation Agreement	3	2	6		ICT Strategy Board + Cllr Emma Webster
4.1d	Failing to invest in technology	Investing in wrong Technology Failing to invest	Lost Resources Ineffective service delivery Service failure Lack of computability	1	1	1	Service Investment Programme ICT Strategy ICT Strategy Board	1	1	1		Head of ICT + Cllr Emma Webster
4.1f	Virus / Hacking Other IT security issues	Attack on Council's computer systems	Service Delivery / Failure Data Protection Reputation	2	3	6	Firewall / Anti Virus ITC Policy	2	3	6		Head of ICT + Cllr Emma Webster
5 Poor Performance												
5.1	Failure to deliver outcomes on Council Plan	Weak performance management	Reputation Potential Intervention Poor CPA Scores Ineffective Service Delivery	2	2	4	Service Planning Performance management Systems Effective Resource Planning	2	2	4		Head of Policy & Comm + Cllr Graham Jones


Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
5.2	Failure to Identify potential weak service delivery areas	Poor Governance Lack of Skills	Waste / Inefficiency	1	3	3	Procurement Strategy Efficient Processes	1	3	3		Corp Dir (Env) + Cllr Anthony Stansfeld
5.3	Poor Comprehensive Area Assessment	New Legislation	Poor Reputation Possible intervention Additional inspections	1	2	2	Effective forward planning Revised forward planning	1	1	1		
6 Failure to Deliver / Manage Major Projects												
	Shaw House Phases 3	Poor Project Management Economic	Delay / Overspend Reputation Project collapse Insurance	1	4	4	Effective project Plan Regular Resource Monitoring	1	3	3		Corp Dir (Comm Serv) + Cllr Marcus Franks
6.2	Park Way	Economic viability	Delay / Overspend Reputation Project collapse	2	2	4	Effective project Plan Regular Resource Monitoring	2	2	4		Chief Exc + Cllr Emma Webster
6.3	Market St	Economic viability	Delay / Overspend Reputation Project collapse	1	3	3	Effective project Plan Regular Resource Monitoring	1	3	3		Chief Exc + Cllr Emma Webster
6.5a	Waste PFI Completion of contract	Poor Project Management Affordability		1	4	4		1	4	4		
6.5b	Abbotswood ./ Pinchington Lane	Household waste recycling Planning Applications fail Developer unable to deliver	Significant Financial impact Service Delivery	2	4	8	Monitored through Waste PFI risk register Ensure planning process sound Waste authority monitoring	2	3	6		Corp Dir (Env) Cllr Geoff Findlay
6.5c	Development of Padworth	Failure to achieve planning	Significant Financial impact Service Delivery	1	4	4	Council minded to use Compulsory Purchase Order to acquire the site Council has submitted a bid to the site land agents as part of a selective marketing exercise	1	4	4		Corp Dir (Env) Cllr Geoff Findlay
		Remediation	Significant Financial impact Service Delivery	2	4	8		1	3	3		Corp Dir (Env) Cllr Geoff Findlay

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
		Architectual enhancement	Significant Financial impact Service Delivery	3	4	12		2	4	8		Corp Dir (Env) Cllr Geoff Findlay
6.6	Tilehurst Learning Campus	Failure to deliver 1. Financial 2. Project Planning 3. Continued Operation of schools	Reputation Political Issues on National and Local basis	3	2	6	Consultation / robust process Detailed feasibility study	2	2	4		Corp Dir (C&YP) + Cllr Barbara Alexander
6.7	AWE Redevelopment	Legal management process failure Nature of application	Public disorder Government Intervention	2	3	6	Consultation / robust planning process Regular meetings with AWE	2	2	4		Head of Planning + Cllr Keith Chopping
6.8	St Barts School rebuild	Failure to deliver 1. Financial 2. Project Planning 3. Continued Operation of schools	Reputation Political Issues on National and Local basis	3	3	9	Consultation / robust process Detailed feasibility study complted Contractor appointed through SECE	3	3	9		CD C&YP + Cllr Barbara Alexander Headteacher + St Barts Foundation Trust
6.9	Failure to secure appropriate office accommodation	Lack of accommodation in Newbury Unable to resource financially	Financial difficulties Lack of communication Service continuity	3	3	9	Accommodation Strategy MTFS	2	3	6		Chief Exc + Cllr Graham Jones
6.10	Kennet Valley Park	Failure to Manage application Failure to recognise implications for infrastructure and service delivery	Lack of appropriate services Congestion / disruption	2	3	6	Effective Planning	2	2	4		Head of Planning + Cllr Keith Chopping
6.11	Leisure Procurement	Failure to follow procedures Budget envelope exceeded	Delay, disruption Financial difficulties	2	3	6	Sound procurement Attractive offer to the Market	1	2	2		Head of CS + Cllr Marcus Franks
7	Failure to Deliver Partnerships											
7.1	Failure in Service Delivery Strategic Partners	Lack of sound governance	Partnership failure Progress limited Service delivery	2	3	6	Health Partnership Working Party Joint strategic Panel	2	2	4		Corp Dir (CS) + Cllr Joe Mooney

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
7.2	Underachievement of Local Strategic Partnership (LSP) All sub groups	Poor Management Unachievable targets	Reduced reward Reduced outcomes in local community Reputation Failure to meet targets Potential Financial Implications	2	3	6	Effective Performance Management Remedial Action Partnership Management Tool	2	2	4		Corp Dir (CS) + Cllr Joe Mooney + Cllr Graham Jones
7.3	Under achievement of Safer Communities Partnership	Poor Management Unachievable targets	Reduced reward Reduced outcomes in local community Reputation Failure to meet targets Potential Financial Implications	2	2	4	Effective Strategic Performance Management Remedial Action	1	2	2		CE + Cllr Geoff Findlay / Cllr Emma Webster
7.4	Under achievement of Children's Trust	Poor Management Unachievable targets	Reduced reward Reduced outcomes in local community Reputation Failure to meet targets Potential Financial Implications	2	2	4	Effective Performance Management Remedial Action	1	2	2		Corp Dir (CS) + Cllr Barbara Alexander-
7.5	Under achievement of Health & Well being Partnership	Poor Management Unachievable targets	Reduced reward Reduced outcomes in local community Reputation Failure to meet targets Potential Financial Implications	2	3	6	Effective Performance Management Remedial Action	1	2	2		Corp Dir (CS) + Cllr Joe Mooney
7.6	Health Partnership Failure to work in partnership	Formation of Berkshire West PCT	Finance Staffing Issues Service Delivery	2	3	6	Health Partnership Working Party Berkshire Chief Executives West of Berkshire Partnership Board	2	2	4		Corp Dir (CS) + Cllr Joe Mooney
7.7	Failure of Housing / Env Partnership	Insufficient Action Plan	Service Delivery Reputation Partnership Working	2	2	4	WBC Input WB Partnership Action Plan	1	2	2		Head of Housing
7.8	Economic & Transport	Insufficient Action Plan	Service Delivery Reputation Partnership Working	2	3	6	WBC Input WB Partnership Action Plan	2	3	6		Corp Dir (Env)
Managed Out of the Business												
1.8	Failure to deliver good Corporate Assessment / JAR	Statutory obligations not met Change of CPA Methodology	Legal challenge Government Intervention Compensation Poor CPA Scores	2	2	4	Statement of Internal Control Reports from Ext regulatory bodies Stronger Gov Project Plan	1	2	2		Chief Executive + Cllr Graham Jones

Governance & Audit Committee Reports - 25 March 2008

No	Risk	Cause / Trigger	Consequences	Gross Rating			Controls	Net Rating			Change	Owner
				Likely-hood	Impact	Score		Likely-hood	Impact	Score		
6.1	Shaw House Phases 1	Poor Project Management Economic	Delay / Overspend Reputation Project collapse Insurance	1	1	1	Effective project Plan Regular Resource Monitoring	1	1	1		Corp Dir (Comm Serv) + Cllr Marcus Franks
6.4	Phoenix Centre	Project Complete										Corp Dir (Comm Serv) + Cllr Joe Mooney
6.5a	Waste PFI Completion of contract	Poor Project Management Only ONE Bid Received Political Issues Affordability	Delay / Overspend Reputation Project collapse	4	4	16	Effective project plan Regular monitoring Preferred bidder negotiations 2 weekly progress meetings	3	3	9		Corp Dir (Env) Cllr Geoff Findlay

SRR Action Plan 2008

Owner	Corporate Board
Date	11 March 2008

Risk No	Area of Concern / Risk Scenario	Existing Controls	CB Key Risks		Required Controls or Action	Update From Responsible Officer	Budget Constraint	Owner	Direction of Travel
			Gross Risk Score	Net Risk Score					
1.1	Economic Increased unemployment & Benefit Claims	Economic Development Strategy Sustainable Community Strategy Social Inclusion Strategy Corporate Plan	6	6	None available - keep watching brief	Increased focus on skills across WBC will assist in this process. Work on-going in relation to the Regional Economic strategy	None	Head of Policy & Comm + Cllr Anthony Stansfeld	
1.5.1	Environmental Major environmental incident	Major Incident Plan Effective Communication & Inter-agency working	12	9	None available - keep watching brief	Increased focus on skills across WBC will assist in this process. Work on-going in relation to the Regional Economic strategy	None	Head of Policy & Comm + Cllr Anthony Stansfeld	
1.5.2	Flooding / Storm	Major Incident Plan Effective Communication & Inter-agency working	8	6					
1.6	Flu Pandemic	Immunisation BCP Working Parties Major Incident Plan	8	8	Regular consultation WBC Flu Group Various multi agency groups Close links with NHS	Flu pandemic group meets on a three monthly cycle with representatives from all Council services Training arranged	None	Margaret Goldie Corp Dir C&YP On - Going	

Appendix C

IMPACT

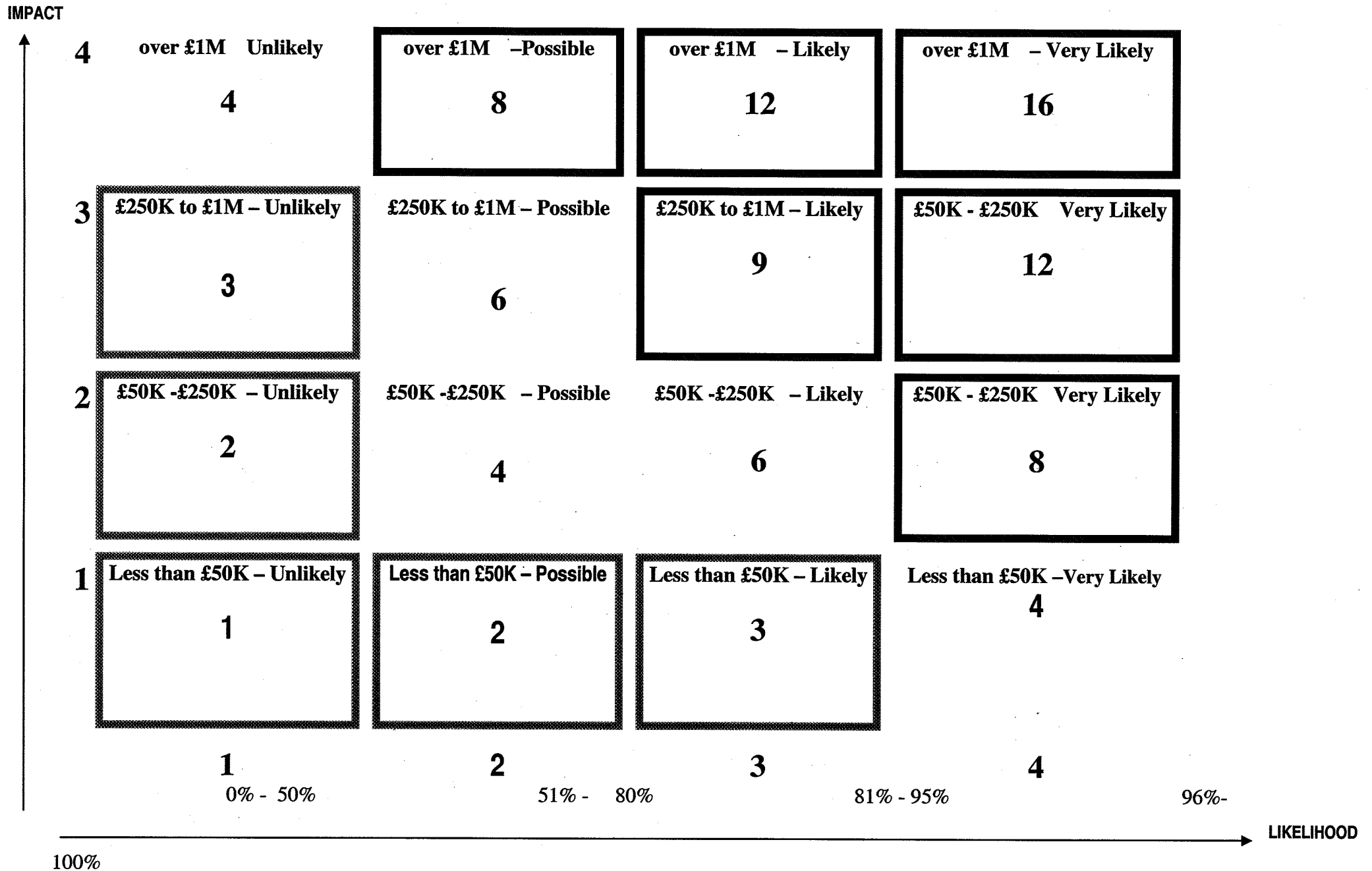
Impact Rating	Financial loss to Council	Personal / Staff or Customers	Assets / Physical / Information	Reputation
4	£1m +	Death	Loss of main building / Loss of main ICT system – eg Email / Payroll / network	Adverse publicity nationally HSE / Fire Authority prosecution
3	£250k - £1m	Major injury / hospitalisation / RIDDOR	Partial loss off main building or total loss of minor building. Temporary loss of major ICT system – up to one week, total loss of minor ICT system	Audit Commission CPA score impacted adversely HSE / Fire Authority enforcement action
2	£50k - £250k	Major financial loss £1,000+ Illness eg stress / minor accident	Partial loss of minor building. Temporary loss of minor ICT system – up to one week. Loss of Major system – up to one day	Ombudsman complaint upheld
1	Less than £50k	Minor Financial loss up to £1,000 / complaint / Grievance	Loss of minor ICT system - up to one day	Adverse publicity locally

LIKELIHOOD

Likelihood Rating	Incidents
4	Very Likely – This risk is presently affecting the Council
3	Likely – This risk is very likely to impact on the Council in the next month
2	Possible – This risk is very likely to impact the Council in the next quarter
1	Unlikely – This risk is unlikely to impact the Council in the next 12 months

RISK TREATMENT

Risk Level	Risk Score	Escalation	Response
High	8 -16	Leader / Chief Executive & Next available Management Board	Detailed action plan to mitigate the risk by the next available Corporate Board
Medium	4- 6	Chief Executive	Review need for an action plan at next Corporate Board review of the register
Low	1-3	Next Quarterly Review	Monitor at next quarterly review of register



Title of Report:	Internal Audit Strategy and Plan for 2008-11 Item 6
Report to be considered by:	Governance and Audit Committee
Forward Plan	N/A
Ref:	

Purpose of Report: To review and approve the Audit Strategy and Plan for the coming financial year

Recommended Action: Approve the strategy and plan

Reason for decision to be taken: To review and approve the strategy and plan

Key background documentation: None

The proposals contained in this report will help to achieve the Council Plan Themes and Outcomes by:
Providing assurance as to the effectiveness of the internal control framework

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Executive Summary

1. Introduction

- 1.1 The purpose of this report is to outline the Internal Audit Strategy and plan for the coming year.

2. Proposals

- 2.1 The Audit Plan at appendix B sets out the proposals for audit coverage for the coming year.

3. Conclusion

- 3.1 The Internal Audit Strategy and Plan are designed to provide assurance on the adequacy of the internal control framework.

Executive Report

1 Introduction

- 1.1 The purpose of this report is to outline an Audit Strategy for the Council and to set out a programme of work for Internal Audit that will provide assurance to the Governance and Audit Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.
- 1.2 The report covers the following points:
- Audit objectives and outcomes
 - How audit work is planned to ensure significant local and national issues are addressed.
 - Basis for the opinion of the head of audit on the internal control framework
 - Methods of providing and resourcing of the service.

2 Audit Objectives and Outcomes

- 2.1 The objectives for Internal Audit are set out in the Audit Charter which forms an appendix to the Terms of Reference of the Governance and Audit Committee. This is summarised in the definition of Internal Audit, taken from the CIPFA Code of Practice for Internal Audit 2006. The full charter is attached at **appendix A**

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources

- 2.2 In plain English Internal Audit is there to help Services deliver the Council Plan by identifying and helping to mitigate weaknesses in service delivery systems and procedures.
- 2.3 The main outcomes from the work of Internal Audit are:
- Audit reports produced at the conclusion of each audit, for the relevant Head of Service and Director.
 - Monitoring reports on progress with implementation of agreed audit recommendations
 - An interim report for Governance and Audit Committee on the outcomes of Internal Audit work
 - An annual assurance report for the Governance and Audit Committee.

3 Audit Planning

- 3.1 The work programme for Internal Audit for the period 2008-11 is attached at **appendix B**. The plan analyses the different areas of Council activity that Internal

Audit fees require auditing. The Plan is laid out by Head of Service and for each audit covers:

- The key risks that the audit will cover
- The level of risk associated with the subject, as assessed by Internal Audit
- The type of audit
- An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned
- The month that the audit is planned to be carried out (for main financial systems only as these need to be audited every year)
- The business owner, ie Head of Service
- The Group Auditor who will be responsible for the work.

3.2 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:

- The Council Plan. This is reviewed to ensure that audit resources are used to support the delivery of Council objectives.
- The Council's risk registers, particularly the Strategic Risk Register. This is used to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council.
- New emerging issues / risks e.g. Governance arrangements of the many partnerships the Council now works with.
- Results of previous audit, inspection and scrutiny work, by internal teams and external agencies, is considered.
- The views of stakeholders, Heads of Service, Corporate Board, Management Board are considered.
- Plans are discussed with the external auditor to ensure that there is no unnecessary duplication of effort.

3.3 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:

- Results of risk self assessments (Strategic and Operational Risk Registers);
- Complexity/scale of system and processes / volume and value of transactions;
- Fraud and corruption - eg the risk of fraud or corruption occurring;
- Inherent risk - eg degree of change/instability/confidentiality of information;
- Internal Audit knowledge of the control environment based on previous audit work.

4 Audit Approach and Opinion

4.1 The work of Internal Audit forms the basis of the opinion given by the head of audit on the Council's internal control framework. The work of Internal Audit is regulated by the CIPFA Code of Practice for Local Government. This sets out the standards and methods that should be applied in doing the work. At an operational level Internal Audit have a procedure manual that explains in detail how work is delivered.

- 4.2 There are a number key elements to the process that ensure the output from audit is fit for purpose.
- Consultation takes place at various stages of each audit with the service under review (Terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review)
 - Audits are followed up to ensure that agreed actions are implemented. (Method and approach to follow up work varies depending on the nature of the issues identified in the original audit)
 - Summary reports are produced so that Directors and Heads of Service are up to date with progress of audit work
 - All audit work is reviewed by a Group Auditor before being released. (The review process is ongoing during the course of each audit)
 - An annual review of the system of Internal Audit is now carried out by the Governance and Audit Committee.
 - The head of audit carries out quality reviews of audit files on a sample basis
- 4.3 The work produced by Internal Audit is designed to identify and remedy weaknesses in the internal control framework. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).
- 4.4 Taken together, the above provides a sound basis for the head of audit to provide an annual opinion of the internal control framework of the Council.
- 4.5 A copy of the Internal Audit reporting protocol is attached at **appendix C**. This sets out in more detail the process of signing off audit reports.

5 Service Provision and Resourcing

- 5.1 The service was wholly outsourced through the Amey partnership from 2002 – 05. It is now provided in house.
- 5.2 The service does have problems attracting and retaining suitably qualified staff. In order to attempt to improve retention the service was restructured during 2007 and two posts of Senior Auditor replaced two existing posts. Following a recruitment process we have now filled these two posts and this should have a positive impact on the work of the service.
- 5.3 The audit plan set out in appendix B is deliverable with a full complement. One vacancy remains at auditor level, this is being covered by agency staff at present.
- 5.4 The initial needs assessment for the audit plan that was prepared by Internal Audit indicated that further audit work beyond that included at appendix B was required. Details of the audits that have been removed from the audit plan because of lack of resources are noted at **appendix D**. However, it is the opinion of the head of audit that West Berkshire Council's Internal Audit service is resourced adequately (at establishment) in comparison with other Berkshire Council's. The CIPFA Code of Practice requires that this information be brought to the attention of the Governance and Audit Committee.

Appendices

Appendix A – Audit Charter

Appendix B – Audit Plan (To follow)

Appendix C – Audit Reporting Protocol

Appendix D – Audits excluded from the plan for 2008 – 2009 (To follow)

AUDIT CHARTER**Appendix A****1 Definition and Purpose of Internal Audit**

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government (2003) defined Internal Audit

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment¹ as a contribution to the proper, economic, efficient and effective use of resources.

- 1.2 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003, which state in respect of Internal Audit:
- 1.3 'A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.'
- 1.4 The existence of an Internal Audit function does in no way diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in an efficient, secure and well ordered manner within the Authority.

2 Responsibility & Objectives

- 2.1 As an independent appraisal function within the Authority, the objectives of Internal Audit are:

- To review, appraise and report on the adequacy of internal controls as a contribution to the economic, efficient and effective use of resources.
- Ascertain the extent of compliance with procedures, policies, regulations and legislation.
- Provide reassurance to management that their agreed policies are being carried out effectively
- Facilitate good practice in managing risks
- Recommend improvements in control, performance and productivity in achieving corporate objectives.
- Review the value for money processes, best value arrangements, systems and units within the Authority.
- Work in partnership with External Audit
- Identify fraud as a consequence of its reviews and deter crime.

3 Scope and Accountability

- 3.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. This will allow auditors to perform duties in a manner which

AUDIT CHARTER

Appendix A

facilitates impartial and effective professional judgements and recommendations.

- 3.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 3.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject it. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 3.4 Internal Audit sits within the Finance Service and supports the statutory functions of the Head of Finance. However, Internal Audit is also accountable to the Governance and Audit Committee for the delivery of assurance in relation to the Council's system of internal control

4 Reporting

- 4.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The report will include an 'opinion' on the adequacy of controls in the area that has been audited.
- 4.2 Every Internal Audit report issued, with the exception of schools, is subject to a follow up in order to ascertain whether actions stated by management in response to the audit report have been implemented. Internal Audit will determine if progress made in response to recommendations stated in the issued audit report is satisfactory, or if a further follow up is required.
- 4.3 Internal Audit will prepare an interim and annual report for the Governance and Audit Committee and give an opinion on the Council's internal control framework.
- 4.4 Internal Audit will bring to the attention of the Governance and Audit Committee any serious matters of concern that may arise in the course of audit work

5 Resources

- 5.1 Internal Audit will prepare an Audit Strategy each year that sets out the aims and objectives of the service.
- 5.2 A detailed risk based plan of work will be prepared for approval by the Governance and Audit Committee, including the resources required to carry out the work. This will set out the key areas / risks that are to be subject to audit. It will also identify any gap between the assessment of need for audit work and the resources available to carry that work out.

INTERNAL AUDIT REPORTING PROTOCOL

1. Stages involved in reporting Internal Audit Findings

- 1.1 The following highlights the key stages for reporting Internal Audit's findings. Where, during an audit, a serious problem is discovered which requires immediate attention, it may be necessary to issue an interim report, however, audit reports are normally produced at the end of each audit project.
- 1.2 The reporting process has three key stages :-

Rough Draft Report;
Draft Report;
Final Report.
- 1.3 The rough draft will be issued to the Service Manager to check the factual accuracy, and to obtain their initial observations.
- 1.4 The formal draft will be issued once the Service Manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.
- 1.5 We request comments/observations from all recipients, however, we treat the relevant Head of Service/Unit Manager as the main client, and as such we require the Head of Service to agree to the details, and comment on the recommendations, of the report before it is finalised. Where a recommendation is not agreed, we require the Client's reasoning for this, and this detail is included in the action plan (attached to the report) for future reference.
- 1.6 In respect of schools a draft report will be issued for agreement and a review of factual accuracy to the Head Teacher and School Governors. In schools where the audit opinion has concluded that the system of control operational is weak, a meeting to discuss the report and audit findings will be held with the Head Teacher. Where schools are not deemed to have a weak system of control, a written response from the Head Teacher and governors is required in response to advice and recommendations provided.
- 1.7 Once the report is agreed between the Group Auditor, Head Teacher and governors, a final report will be issued. The final report will be issued to the Head Teacher, School Governors and Head of Education Services.

2. Follow Up of Audit Recommendations

- 2.1 A follow up process is required in order to be able to give management/members assurance that the required controls have been put in place, or to be able to highlight where this is not the case.

- 2.2 A follow up is carried out for all audits where recommendations have been made.
- 2.3 Schools are not subject to a formal follow up process by Internal Audit. The responsibility for follow ups lies with the School Improvement Officer and the implementation of advice and recommendations provided by Internal Audit remains with the school governors.
- 2.4 A follow-up review is carried out roughly six months after the audit report was finalised. The exception to this is where an annual review is required to be undertaken in accordance with the Audit Commission's requirements. The follow-up then forms part of the following year's review.

3. Timescales for receipt of Client Responses to Audit Requests for information/Responses to Audit Reports

- 3.1 This protocol sets out the timeframes by which we require a response from the Client, together with the processes to be followed where these timeframes are not met.

Suggestion of Timeframe protocol:-

	<u>Timeframe For Receipt of Response</u>	<u>Action where no response is received</u>
Rough Draft Report	Within 3 weeks of receipt (or notification of when a response will be received)	Stage 1 - Reminder issued to the Line Manager (Head of Service copied in) specifying a response is required within two weeks otherwise the Corporate Director is to be informed.
	Within two weeks of stage 1	Stage 2 - Corporate Director informed of lack of a response (Copied to the Line Manager and Head of Service) specifying a response is required within two weeks otherwise this will be reported to the Corporate Board
Draft Report	Within 3 weeks of receipt (or notification of when a response will be received)	Stage two of the Rough draft will apply

- 3.2 These timeframes, together with action to be taken where no response is received will be incorporated into the standard letters/memos we issue with each report.
- 3.3 The relevant Group Auditor will use his/her judgement on each case to take into account any extenuating circumstances, and will notify the Assurance

Manager where there are issues with non-compliance that needs to be reported to Corporate Board.

4. Reporting to the Governance and Audit Committee

The Assurance Manager will provide the following:-

- 4.1 A schedule listing each finalised audit, highlighting the overall opinion **Green or Amber**. A summary of the key issues will be produced for all **Amber** opinions.
- 4.2 In the case of schools, a summary of completed audits with the overall opinion.
- 4.3 A schedule listing each follow-up that has been carried out, highlighting opinion on progress made:-

Fully implemented - no further action required;

Satisfactory progress - key weaknesses addressed, only minor issues outstanding (standard letter/memo will request confirmation when the issues have been addressed);

Unsatisfactory progress – Group Auditor/ Assurance Manager to assess whether the explanation for non implementation is reasonable. Where this is found to be the case a revised timeframe for implementation will be agreed with the Client. Where this is not the case this review will be reported to Committee as a **Red** opinion.

The categorisation of the follow-up will be included in the follow-up letter/memo, and the relevant Line Manager/Head of Service will be given an opportunity to comment on a draft before the document is finalised.

5. Circulation of Audit Documents to Clients

5.1 Audit Reviews to provide Assurance

<u>Client</u>	<u>Terms of reference</u> *	<u>Rough Draft Report</u>	<u>Formal Draft Report</u>	<u>Final Report</u>	<u>Follow-up details</u>
Portfolio Holder for Finance & relevant portfolio holder				Where the audit opinion is weak or very weak.	
S151 Officer	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Head of Service	All cases	Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases (including schools where there are fundamental weaknesses)	All cases	All cases
Corporate Director	All cases		Where there are fundamental weaknesses in the service	All cases (except for schools)	All cases
Chief Executive			Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the	Any report with fundamental weaknesses	Any report with fundamental weaknesses

			<p>service manager. Such issues would normally be raised before the report is written.</p> <p>The Assurance Manager will decide on the necessity to issue a report at this level.</p>		
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* Except establishments

With the exception of schools, TOR are not generally issued for establishments visits. Alternatively, a letter is issued which confirms details of the arranged visit, this also provides details of the type of records that will be required as part of the audit.

5.2 Advisory/VFM Reviews

(An Approach to be agreed with the Client prior to commencing a review, and to be noted in the terms of reference to provide clarity of how the findings are to be reported). Advisory Reviews (such reviews may arise from the provision of advice on key controls in systems, where the Service concerned is already aware that improvement is needed or the systems are being reviewed by the service area.

<u>Client</u>	<u>Terms of Reference</u>	<u>Rough Draft Report</u>	<u>Formal Draft Report</u>	<u>Final Report</u>
Line Manager	All cases	All cases	All cases	All cases
Head of Service	All cases		All cases	All cases
Corporate Director	All cases			All cases

Due to the nature of the work an overall opinion will not be given for an advisory/VFM review. These reviews would follow the standard follow process for follow-ups (progress categorisation/circulation of findings).

Title of Report:	Annual Review of the System of Internal Audit	Item 7
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:	N/A	

Purpose of Report:

To carry out the annual review of the system of internal audit as required by the Accounts and Audit Regulations 2006

Recommended Action:

Review and comment on the action plan in relation to Internal Audit and carry out a self assessment and draw up an action plan in relation to the work of the G&A Committee

Reason for decision to be taken:

Required by the Accounts and Audit regulations

Key background documentation:

None

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:
Improving Governance arrangements and providing assurance on the internal control framework

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1 Introduction

- 1.1 The purpose of this report is to allow the Committee to consider and comment on the effectiveness of the System of Internal Audit at the Council.
- 1.2 It is intended that the Committee's comments will feed into, and support, the Annual Governance Statement for the Council.

2 Background

- 2.1 The Committee will already be aware of the statutory duty for the Council to publish a Statement on Internal Control (SIC) with its annual Accounts. The Statement gives an opinion on the state of the Authority's Internal Control Framework and is derived from opinions from auditors (internal and external), other regulators and Assurance Statements from Heads of Service. Following the publication of the revised CIPFA / SOLACE Code of Corporate Governance in 2007, the Statement of Internal Control will be replaced by the "Annual Governance Statement" for the present financial year 2007-08. In addition the Accounts and Audit Regulations 2006 now required the Council to review the effectiveness of its "system of internal audit" on an annual basis and feed this into the Annual Governance Statement. This report is based on CIPFA guidance on who should carry out the review and what the review should cover.
- 2.2 The CIPFA guidance says that "*.....there is no single approach that will suit all local authorities*". However, it is suggested that an audit committee is the most appropriate group to receive and consider the results of a review. The review should not be carried out by external audit or the head of internal audit, but the Audit Committee can receive a self assessment from the head of internal audit and consider this, together with other information, when forming their opinion.
- 2.3 The CIPFA guidance makes it clear that "the system of internal audit" covers not only the effectiveness of the Internal Audit Service but also of the Audit Committee itself. It is therefore recommended that this review be extended to cover a self assessment of the operation of the Committee itself.
- 2.4 The review of Internal Audit is based on an assessment of the extent to which internal audit complies with
 - the CIPFA Code of Practice for Internal Audit in Local Government (appendix A)
 - the CIPFA checklist for effectiveness measures for internal audit (appendix B)
- 2.5 In addition the self assessment of internal audit has been reviewed by the Council's "Governance Group" ie the Council's s151 Officer and advisors and Monitoring Officer.

2.6 The self assessment of the Committee is based on the CIPFA checklist for the operation of Audit Committee's contained in their guidance on the operation of audit committees published in 2006. (appendix C)

3 Recommendation

3.1 The Governance and Audit Committee carry out a self assessment of the operation of the committee in line with CIPFA guidance on Audit Committees

3.2 The Governance and Audit Committee use evidence from the following sources in forming their opinion on the Authority's system of internal audit:-

- The Assurance Managers self assessment, comprising of a review of Internal Audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government (Appendix A) and a CIPFA checklist on Internal Audit effectiveness measures (Appendix B).
- The Committee's self assessment of its own functions (Appendix C).

Appendices

Appendix A– Checklist of the Cipfa Code of Practice for Internal Audit in Local Government

Appendix B - Checklist of measures of effectiveness of Internal Audit

Appendix C – Checklist and self assessment questions for the Governance and Audit Committee.

CIPFA Code of Practice – Standards

2006 Code standard	Evidence of Achievement	Areas for development
1. Scope of internal audit Terms of Reference	Terms of reference for Internal Audit are included in the Audit Charter which was endorsed by the Governance and Audit Committee	
Scope	Scope of audit work takes into account risk management processes and wider internal control issues. Resource levels reviewed and commented on in the annual Internal audit plan	
Responsibilities in respect of other organisations	The terms of reference do not identify responsibilities in respect of other organisations.	

2. Independence Organisational independence	The Audit Charter lays down the independence of internal audit.	
Status of head of internal audit	Assurance Manager has direct access to those charged with governance through the Governance and Audit Committee. Reports are made in Group Auditors own names to management and to the Audit Committee by the Assurance Manager.	
Independence of individual internal auditors	No conflict of interest between operational responsibilities and audit has been found. The size of the internal audit section means that rotation of audit work within the team is the norm.	
Declaration of interest	All staff are reminded annually of the need to declare any interests that may conflict with their duties	

2006 Code standard	Evidence of Achievement	Areas for development
<p>3. Ethics:</p> <p>Integrity Objectivity Competence Confidentiality</p>	<p>Staff appraisal system considers these issues; no significant points have been identified.</p> <p>Staff are made aware of ethics requirements through the CIPFA Code of Practice. (reminder issued to all staff in annually).</p>	
<p>4. Audit Committee Purpose of the Audit Committee</p>	<p>Terms of reference have been formally approved and are regularly reviewed. They include responsibility for the review of the Annual Governance Statement.</p> <p>Governance & Audit committee approves and monitors audit strategy and plan.</p>	
<p>Internal audit's relationship with the Audit Committee</p>	<p>Assurance Manager and Group Auditors attend the meetings, report on the outcome of internal audit work, identify necessary changes to the audit plan, and present an annual report and opinion and assurance on the internal control framework.</p>	
<p>5. Relationships with management</p>	<p>Managers are consulted on the audit plan and on the scope of each audit. This is reflected in terms of reference for each audit.</p> <p>Responsibilities for managers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.</p>	
<p>with other internal auditors</p>	<p>Regular meetings are held with the Home Counties and the Berkshire Audit Groups</p>	
<p>with external auditors</p>	<p>Good working relations established with external audit, including consultation on plan and regular meetings. Audit protocol endorsed by Audit Committee</p>	<p>Change of External Auditors means this relationship will need to be rebuilt</p>

2006 Code standard	Evidence of Achievement	Areas for development
with other regulators and inspectors	<p>Sharing of information is undertaken with other internal review agencies.</p> <p>There is liaison with external regulators when necessary</p>	
with elected Members	<p>The responsibilities of internal audit staff and Members, particularly those of the Governance and Audit Committee are laid out in the Audit Charter. There is a training session for audit committee members before each meeting.</p>	
6. Staffing, training and continuing professional development (CPD)	<p>The skills and competencies required of each post have been determined through job descriptions and people specifications.</p> <p>Actual skills and competencies have been assessed and individual training and development plans have been agreed through the appraisal process and are being delivered.</p> <p>Professional staff are required to complete CPD by their respective institutes.</p>	
7. Audit Strategy and Planning	<p>An Audit Strategy accompanies the annual audit plan. The Strategy complies with the Code of Practice and has been formally endorsed by the Governance and Audit Committee as part of the planning process.</p> <p>The risk-based Audit Plan has been prepared in accordance with the Strategy.</p> <p>The Council's risk registers have been used as the basis of the plan to the extent deemed appropriate. This has been assessed by the Assurance Manager.</p> <p>Available resources have been compared with the resource need as part of the audit planning process.</p> <p>The plan has been endorsed by the Governance and Audit Committee.</p>	

2006 Code standard	Evidence of Achievement	Areas for development
8. Undertaking Audit Work Planning	Terms of reference are prepared and agreed with management for each audit	
Approach	<p>A risk-based approach is used and an audit opinion is given for every audit.</p> <p>Issues are discussed with management as they arise and at the post audit discussion.</p>	
Recording and Assignments	<p>Standards of working papers are specified and checked as part of the file review.</p> <p>Internal audit use an industry standard audit management system (Galileo). Reports are produced for management information.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained on Galileo.</p> <p>Reports are issued to appropriate managers.</p>	
9. Due professional care Responsibilities of the individual auditor	All internal auditors are aware of their individual responsibilities for due professional care.	
Responsibilities of the Head of Internal Audit	<p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> • Assurance Manager reviews a sample of audit files and reports. • Appraisal and training. <p>A whistle-blowing procedure is maintained through the Whistle-blowing Policy.</p> <p>Work is assigned so as to avoid potential conflicts of interest, although none have arisen to date.</p>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>10. Reporting Reporting on audit work</p>	<p>Audit reports give an opinion on risks and controls, using approved methodology.</p> <p>Scope of audit is set out in the audit report.</p> <p>Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made</p> <p>Reports are issued to appropriate managers</p> <p>All audit reports are referred to risk manager.</p> <p>Assurances are sought from managers on delivery of agreed actions</p> <p>An escalation procedure has been defined.</p> <p>Implementation of agreed recommendations are followed up</p>	
<p>Annual reporting</p>	<p>An annual report to support the Annual Governance Statement is presented to the Governance & Audit Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report.</p> <p>The report highlights significant issues and key themes arising from audit work in the year.</p> <p>Interim progress reports are submitted to the Audit Committee. The status of the implementation of recommendations is submitted to the audit committee.</p>	
<p>11. Performance, quality and effectiveness Principles of performance, quality and effectiveness</p>	<p>Policies and procedures are defined in an audit manual. The Finance Service Plan includes performance indicators, which are reported to management</p>	
<p>Quality assurance of audit work</p>	<p>Audits are assigned according to the skills mix required and there is adequate supervision by the group auditor.</p>	

<p>Performance and effectiveness of the internal audit service</p>	<p>Performance measures are defined in our service plan and results reported to management</p> <p>Internal quality reviews are undertaken by Group Auditors and the Assurance Manager</p> <p>Post audit questionnaires are issued with each final report.</p> <p>An annual assessment of the work of internal audit is undertaken by the external auditor (and reported to members in the annual audit letter) in terms of the reliance the externals can place on the work of internal audit. The Audit Commission have always placed full reliance on the work of internal audit.</p>	
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CIPFA Code of Practice - Characteristics of Effectiveness

An effective internal audit service:-	Evidence of achievement	Areas for development
Understands its position in respect to the organisation's other sources of assurance and plans its work accordingly.	<p>Internal audit identifies other sources of assurance and takes these into account when preparing the Internal Audit Strategy and Plan:-</p> <ul style="list-style-type: none"> • Use of risk registers to inform audit planning; • Has regular meetings with the external auditors • Has regular meetings with service managers • Effective liaison with Risk Management audit reports and risk registers are shared 	
Understands the whole organisation, its needs and objectives.	<p>The Internal Audit Strategy and plan demonstrates how audit work will provide assurance in relation to the authority's objectives and risks.</p> <p>Individual audit assignments identify risks to the achievement of those objectives.</p>	
Is seen as a catalyst for change at the heart of the organisation.	<p>Supportive role of audit for corporate developments such as corporate governance review, risk management. Major new systems implementations</p> <p>Individual assignments may be catalyst for change through the identification of improvements in control</p>	
Adds value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work. Post audit questionnaires give auditees the chance to comment on added value of audit.	Use the CIPFA Benchmarking survey of senior managers annually.

<p>Is involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.</p>	<p>Internal audit provides help and advice on request and supports specific projects identified in plan and on ad hoc basis. A resource is identified in the audit plan for general guidance and advice.</p> <p>Services are asked to inform internal audit of any planned changes to systems.</p>	
<p>Is forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.</p>	<p>When identifying risks and in formulating the plan, changes on the national agenda are considered. The Home Counties Audit Group provides updates on national issues.</p> <p>The audit section maintains awareness of new developments in the services it audits through meetings, perusal of documents etc.</p> <p>The Internal Audit Strategy is updated annually and is based around the Council Plan</p>	
<p>Is innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.</p>	<p>Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and helping managers to develop their own responses to the risks. The aim of this is to encourage greater ownership of the control environment amongst managers.</p>	
<p>Ensures the right resources are available – the skills mix, capacity, specialisms and qualifications/experience requirements all change constantly</p>	<p>This is reported to the Audit Committee as part of the audit plan.</p>	

**Governance and Audit Committee
Review of the effectiveness of the Committee**

1. Introduction

1.1 The Governance and Audit Committee has been meeting in its present format since 2006. CIPFA have issued a publication entitled *“Audit Committees – Practical Guidance for Local Authorities”*. The document includes a Self Assessment Checklist for measuring the effectiveness of an Authority’s Audit Committee. It would therefore seem an appropriate time for the Governance and Audit Committee to utilise this tool to apply the Checklist to its current activities, with a view to identifying:-

- where it feels that improvements can be made;
- areas where the Committee feels their role can be enhanced;
- developmental items for future training sessions.
- Providing assurance for the review of the system of internal audit

1.2 The Checklist is attached at Appendix C. The Committee are invited to run through the Checklist and make suitable comments.

1.3 In conjunction with the Checklist, the Committee may wish to consider the issues outlined below.

2. Is the Committee content with the current reporting regime?

- Is the scope, frequency, content and format of internal audit reports fit for purpose?

- Would the Committee like to see more or less detail about the results of audits?

3. Does the Committee feel that the current arrangements for officer attendance are adequate?

- Does the Committee feel that managers who are the recipients of critical audit reports should attend the Committee to receive comments or would this tend to adversely affect audit’s relationships with Services?

- Should managers who fail to implement audit recommendations be subject to a similar regime?

4. **Does the Committee feel confident in its ability to question officers to the extent it wishes?**

5. **Does the Committee feel that its activities add value to the Authority?**

Appendix C

Issue	Yes	No	Partial	Comments
Have the Committee's terms of reference been approved by full council?				
Do the terms of reference follow the CIPFA model?				
Does the Committee approve the strategic audit approach and the annual programme?				
Is the work of internal audit reviewed regularly?				
Are summaries of quality questionnaires from managers reviewed?				
Is the annual report from the Head of Internal Audit presented to the Committee?				
Are reports on the work of external audit and other inspection agencies presented to the Committee?				
Does the Committee input into the external audit programme?				
Does the Committee ensure that officers are acting on and monitoring action to implement recommendations?				
Does the Committee take a role in overseeing risk management strategies?				
Does the Committee take a role in overseeing internal control statements?				
Does the Committee take a role in overseeing anti-fraud arrangements?				

Issue	Yes	No	Partial	Comments
Does the Committee take a role in overseeing whistle-blowing strategies?				
Has the membership of the Committee been formally agreed and a quorum set?				
Is the Chair free of executive or scrutiny functions?				
Are members sufficiently independent of other key committees of the council?				
Have all members' skills and experiences been assessed and training given for identified gaps?				
Can the Committee access other committees as necessary?				
Does the Committee meet regularly?				
Are separate, private meetings held with the external auditor and the internal auditor?				
Are meetings free and open without political influences being displayed?				
Are decisions reached promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?				
Does the Committee have the benefit of attendance of appropriate officers at its meetings?				
Is induction training provided to members?				

Issue	Yes	No	Partial	Comments
Is more advanced training available as required?				
Does the Authority's s151 officer or deputy attend all meetings?				
Are the key officers available to support the Committee?				

Title of Report:	Local Code of Corporate Governance	Item 8
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:	N/A	

Purpose of Report: To approve a new Local Code of Corporate Governance for the Council

Recommended Action: To review and approve the Code

Reason for decision to be taken: To allow the Council to comply with the recommendation of the CIPFA / SOLACE guidance on Corporate Governance

Key background documentation: None

The proposals contained in this report will help to achieve the Council Plan Themes and Outcomes by:
Improving the Council's Governance arrangements

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Report

1. Introduction

- 1.1 CIPFA and SOLACE have continued to work together on improving the arrangements for Corporate Governance in Local Government. In July 2007 further guidance was issued recommending that each Council draw up a Local Code of Corporate Governance in line with guidance from CIPFA and SOLACE.

2. Proposals

- 2.1 A draft code is attached at appendix A for consideration by the Committee.
- 2.2 Once the Code is approved it will be made available in the Council's web site and intranet.

3. Conclusion

- 3.1 Adopting the code will demonstrate the Council's continuing commitment to effective Corporate Governance and support the Annual Governance Statement of the Council

Appendix

Appendix A – West Berkshire Local Code of Corporate Governance

Consultees

Local Stakeholders: *

Officers Consulted: Governance Group

Trade Union: *

West Berkshire Council - Code of Corporate Governance

WEST BERKSHIRE COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

West Berkshire Council - Code of Corporate Governance

1 Introduction

- 1.1 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves. Good Corporate Governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
- 1.2 West Berkshire Council is committed to being at the forefront of those local authorities that are able to demonstrate that they have the necessary Corporate Governance to excel in the Public Sector.
- 1.3 This Code is a public statement that sets out the way in which the Council will meet that commitment.
- 1.4 The Code is based upon the following 6 Principles:
- Focussing on the Council's Purpose and Community Needs
 - Having Clear Responsibilities and Arrangements for Accountability
 - Good Conduct and Behaviour
 - Informed, Transparent Decision Making and Managing Risk
 - Developing Skills and Capacity
 - Engaging Stakeholders
- 1.5 Each of these Principles is an important part of West Berkshire Council's Corporate Governance arrangements. This statement describes how the Council will meet and demonstrate its commitment to good Corporate Governance.
- 1.6 Also described in this document is how and by whom the Council's Corporate Governance arrangements will be monitored and reviewed.

2 Focussing on the Council's Purpose and Community Needs

- 2.1 The Council will explain and report regularly on activities, performance and the Council's financial position. Timely, objective and understandable information about the Council's activities, achievements, performance and financial position will be provided. The Council will do this by annually publishing:
- A Council Plan
 - Externally audited accounts
 - Independently verified performance information
- 2.2 The Council will aim to deliver high quality services that are value for money. The Council will do this by:
- Delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.

West Berkshire Council - Code of Corporate Governance

- Directing resources to those that need services most.
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Comparing information about our services with services provided by similar organisations and assessing why levels of efficiency, effectiveness and quality are different elsewhere.

3 Having clear responsibilities and arrangements for accountability

3.1 The Council will ensure that the necessary roles and responsibilities for the Governance of the Council are identified and allocated so that it is clear who is accountable for decisions that are made. The Council will do this by:

- Appointing a Leader of the Council with powers to Appoint Executive Members with defined executive responsibilities
- Agree a scheme of delegated executive responsibilities to Directors
- Annually appointing Committees to discharge the Council's Regulatory responsibilities
- Annually appointing Committees to discharge the Council's Scrutiny responsibilities
- Having a scheme of delegated Council responsibilities to Directors
- Undertaking an annual review of the operation of the Council's Constitution
- Ensuring Partnership arrangements have clear governance accountabilities
- Having in place effective and comprehensive arrangements for the scrutiny of services and for holding the Executive to account

3.2 The Council will foster a culture of behaviour based on shared values, ethical principles and good conduct. The Council will do this by establishing and keeping under review:

- The Council's values
- A Member Code of Conduct
- An Officer Code of Conduct
- A Protocol governing Member/Officer relations
- A Protocol detailing the roles of Members and officers in decision-making
- A Code of Practice for Members responsible for determining Planning Applications
- A Code of Practice for Members responsible for determining Licensing Applications
- Systems for reporting and dealing with any incidents fraud and corruption

3.3 The Council will also appoint a Standards Committee with responsibilities for promoting and monitoring the application of these protocols

West Berkshire Council - Code of Corporate Governance

4 Informed, Transparent Decision Making and Managing Risk

4.1 The Council will ensure that appropriate legal, financial and other professional advice is considered as part of the decision-making process

4.2 The Council will be transparent about how decisions are taken and recorded. The Council will do this by:

- Ensuring that all Key and Major decisions taken by the Executive Board and Area Committees are made in public and that information relating to those decisions is made available to the public.
- Ensuring that all decisions of Regulatory Committees of the Council are made in Public and that information relating to those decisions is made available to the public.
- Recording all decisions that are made by committees and officers and making the details publicly available.
- Having rules and procedures which govern how decisions are made.

4.3 The Council will operate a risk management system that aids the achievement of its strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. The Council will ensure that the risk management system:

- Formally identifies and manages risks;
- Involves elected members in the risk management process;
- Maps risks to financial and other key internal controls;
- Incorporates service continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually.

5 Developing Skills and Capacity

5.1 The Council will ensure that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well. The Council will do this by:

- Implementing a Member Development Strategy
- Achieving and maintaining the Investor in People Standard
- Cascading regular information to Members and staff

6 Engaging Stakeholders

6.1 The Council will seek and respond to the views of stakeholders and the community. The Council will do this by:

- Forming and maintaining relationships with the leaders of other organisations
- Publishing a Forward Plan of Key Decisions
- Having a policy on consultation and providing access to a range of

West Berkshire Council - Code of Corporate Governance

- consultation methods, particularly to those groups not yet reached
 - Encouraging and supporting the public in submitting requests for Scrutiny
 - Providing and supporting ways for Citizens to present community concerns to the Full Council and Executive
- 6.2 The Council has two Committees that are jointly responsible for monitoring and reviewing the Council's Corporate Governance arrangements.
- 6.3 The Governance and Audit Committee is responsible for the Council's arrangements relating to;
- Approving the Council's Accounts
 - External audit
 - Policies and practices that ensure compliance with statutory and other guidance
 - Internal audit
 - Making recommendations concerning the operation of the Constitution
- 6.4 The Standards Committee has responsibility for providing an overview of the implementation of member and officer codes and protocols relating to the probity and conduct.
- 6.5 Through these Committees the Council will ensure that these arrangements are kept under continual review by;
- The work of Internal Audit
 - Reports prepared by managers with responsibility for aspects of this Code
 - External Audit opinion
 - Other review agencies and Inspectorates
 - Opinion from the Council's Statutory Officers

7 The Annual Governance Statement

- 7.1 Each year the Council will publish an Annual Governance Statement. This will provide an overall assessment of the Council's Corporate Governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks. The Statement will also provide details of where improvements need to be made.
- 7.2 The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be audited by our External Auditors.