

Title of Report:	Project Risk Register / Relationship with Project Management Methodology	Item 5
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 September 2008	
Forward Plan Ref:	N/a	

Purpose of Report: **Project Risk Management and the Relationship with Project Management Methodology.**

Recommended Action: **To comment and approve the report.**

Reason for decision to be taken: To improve risk management procedures in the Performance Management Module.

Key background documentation:

- Strategic Risk Register
- Project Management Methodology

The proposals will also help achieve the following Council Plan Outcomes:

- CPO13 - Value for Money**
- CPO14 - Effective People**
- CPO16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:

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Implications

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

Executive Report

1. Introduction

- 1.1 The PMM process requires a Project Initiation Document (PID) to be completed and as part of this a risk register needs to be completed. A blank risk register and a guidance note for use on projects contained within the PMM is available to download from the internet. (Appendix A and B attached)
- 1.2 There is no formal link to the Risk Manager in the PMM process at present. There is some basic guidance included on the intranet site. This will be enhanced by the inclusion of further guidance which is being issued as part of the risk Management Tool Kit / Risk Appetite (which this Committee has had sight of previously) on the selection of impact / likelihood and risk treatment. This will be made available shortly and included on the intranet.
- 1.3 From April 2009 unless the PID is completed with a completed risk register no funds will be released for the project.
- 1.4 The risk register being used by the PMM process is very similar to that used by the risk manager, for major projects, The Risk Manager has a direct input on a quarterly basis with major project risks, such as the waste pfi, St Barts school and Parkway redevelopment. The main differences are the inclusion of a column for the date a risk is identified and one for when the risk is closed for PMM purposes; otherwise the registers are the similar. A sample risk management risk register is attached as appendix C.

2. Conclusion

- 2.1 The format for the PMM risk register is acceptable since the differences are minor.

3. Recommendations

- 3.1 The format for the PMM risk register is acceptable since the differences are minor. However any changes to the PMM re risk should be referred to the Risk Manager for advice before being implemented.
- 3.2 A formal link needs to be established so that the risk manager is involved in the risk management element of the PMM process. All projects using this procedure should be referred to the risk manager for information with a copy of the risk register.

Appendices

Appendix A – Sample Performance Management Module Risk Register

Appendix B – Notes for completing PMM Risk Register

Appendix C – Sample Risk Management Risk Register

Consultees

Local Stakeholders: N/A

Officers Consulted: Assurance Manager

Trade Union: None



Sample Risk Register

Project Name:	Email Upgrade Project
Reference No:	ICT0905V100007
Project Manager:	Paul Bartlett

No	Risk description	Date Identified	Cause/Trigger	Consequences	Gross Rating			Net Rating			Date of last update
					Likelihood	Impact	Score	Likelihood	Impact	Score	
1	Technical Solution involves unproven IT technology, i.e. VMWare	01/09/2005	Microsoft Exchange is a throughput intensive solution. There are no benchmarks of Exchange throughput in a VM Ware environment.	Possible poor performance	2	2	4	1	3	3	24/03/2006
2	Currently Microsoft do not support Microsoft Exchange on a VM environment.	01/09/2005	Technical issue with Microsoft Exchange which could not be resolved internally.	We would not be able to obtain technical support from Microsoft for any reported faults.	2	1	2	2	2	4	23/11/2006
3	ICT do not have the technical expertise to support a Microsoft Exchange environment.	01/09/2005	A helpdesk call or technical issue arises which is unable to be resolved by ICT Support Staff.	Unable to resolve technical issues.	4	2	8	1	2	2	16/08/2006
4	The SAN/Server Consolidation project is delayed.	01/09/2005	Unable to build servers for Exchange & Archive environment by the project due date.	The implementation stage would be delayed beyond the end of the capital year.	3	3	9	2	4	8	14/04/2006
5											
6											
7											
8											
9											
10											
11											

Example of 4x4 Risk Matrix

Extreme Impact - Rarely 4	Extreme Impact - Moderate 8	Extreme Impact - Likely 12	Extreme Impact - Almost certain 16
High Impact - Rarely 3	High Impact - Moderate 6	High Impact - Likely 9	High Impact - Almost certain 12
Medium Impact - Rarely 2	Medium Impact - Moderate 4	Medium Impact - Likely 6	Medium Impact - Almost certain 8
Low Impact - Rarely 1	Low Impact - Moderate 2	Low Impact - Likely 3	Low Impact - Almost certain 4

Impact



Likelihood



Risk Register Guidance Notes

What is a Risk?

What is Risk Management?

WBC Risk Assessment Methodology

Project Risk Categories and Risk Factors

A risk , in the context of Project Management, is an event or situation which can be foreseen, but that will have a harmful or detrimental effect on the timeline, budget or project outcome

Risk Management is the proactive assessment of risk at the start of a project (and maybe throughout) together with the planned mitigation of those risks that are identified

The WBC Project Management Methodology (PMM) uses the same Risk Assessment Tools adopted corporately to manage day-to-day operational risks

This methodology uses a Combination of two factors (Likelihood of the assessed risk occurring (on a scale of 1-4) and Impact on the business , or project, if the risk were to materialise (on a scale of 1-4). These 2 factors are multiplied together and the resulting sum is assessed on a traffic light scheme of Red (Score 8-16), Amber (Score 4-6) or Green (score 1-3)

The risk assessment is applied twice. Initially the Gross Risk is assessed i.e. the perceived risk if no mitigation measures are applied. The Net risk is an assessment of the risk after mitigation has been applied

Formal Risk training is available through the WBC Assurance Service

Financial Risks
Adequacy of budget
Project scope (no hidden costs?)
Financial health of supplier
Cost of unexpected delays?

Resourcing Risks
Availability of key resources
Resource conflicts
Project conflicts (supplier)

Technical Risks
Lack of Infrastructure
Immature technology
Complex integration
Complex data migration
Technology incompatibility

Health & Safety Risks
Dangerous working environment
Dangerous equipment
Requirement to use hazardous materials
Untrained staff

Cultural Risks
Organisational Change fatigue
Communications of benefits
Scope of change too ambitious

Project Management/Control
Experience of Project Manager
Quality/thoroughness of plans
Project Leadership
Organisational buy-in
Unrealistic timeline

Appendix C Sample Project Risk Register

Project Name	
Project Sponsor	
Project Manager	
Date of Review	Reviewed every 12 weeks

No	Risk	Cause Trigger	Consequences	Gross Rating			Net Rating			Direction Of Risk
				Likeli-hood	Impact	Score	Likeli-hood	Impact	Score	
	1. Overall Project Risks									
	2. Planning / Conservation									
	3.Design									
	4.Construction									
	5 Service Demands									
	6.Finance									
	7.Reputation PR									

No	Risk	Cause Trigger	Consequences	Gross Rating			Controls	Net Rating			Owner	Direction Of Risk
				Likeli-hood	Impact	Score		Likeli-hood	Impact	Score		
8.	Regulatory											
9.	Partners / Local Stakeholders											
10.	Insurance / Construction Bond											

Title of Report:	Basis for Risks / Scores in the Strategic Risk Register	Item 6
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 September 2008	
Forward Plan Ref:	N/a	

Purpose of Report: To explain the basis of the risks and scores set out in the Strategic Risk Register.

Recommended Action: To comment and approve the report.

Reason for decision to be taken: To provide Governance & Audit Committee with a briefing on the basis for risks and scoring on the Strategic Risk Register.

Key background documentation:

- Strategic Risk Register
- Risk Appetite

The proposals will also help achieve the following Council Plan Outcome(s):

- CPO13 - Value for Money**
- CPO14 - Effective People**
- CPO16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:

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Implications

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

Executive Summary

1. Introduction

- 1.1 Governance & Audit Committee requested a report to explain the basis of risks and scores set out in the Strategic Risk register (SRR) The attached report outlines the background to the SRR and the current process.

2. Proposals / Conclusion

- 2.1 When the new Performance Management Portal has been fully implemented a detailed briefing of how the risks and their scores are arrived at will be made to the committee.

Executive Report

1. Introduction Basis for risks and scores contained in the Strategic Risk Register (SRR)

- 1.1 West Berkshire Council provides services to a diverse range of people and organisations, in an ever-changing environment. As such the potential for disruption to services or the loss or damage to assets from a vast range of risks is inherent.
- 1.2 The background to the Council's Risk Strategy and Risk Management Policy Statement is designed to reduce the overall cost of risk and integrate risk management into the culture of the Authority.
- 1.3 The variety of risks to which the Authority is exposed is such that a multi-layered approach is needed to ensure full integration of the risk management culture into all levels of the Authority. The approach needs to involve members and officers from various disciplines working together. Members and officers are involved in the SRR / and the Council's risk strategy which feed in to the operational service risk register process.
- 1.4 The basic principles of risk management are the identification, analysis, control and monitoring of risks. The processes associated with these are:
- Risk Identification: In order to enable risk to be effectively managed, the nature of the risk must first be identified. This is done by reviewing the strategic objectives of WBC and identifying the risks and their triggers.
 - Risk Analysis: Once risks have been identified they need to be assessed in terms of their likelihood and their potential impact on the council.
 - Risk Control: is the process of taking action to minimise the likelihood of the risk event occurring, the frequency with which it might occur and/or reducing the severity of the consequence should it occur. This will involve for example risk avoidance, risk transfer and/or introduction of operating controls. The control arrangements already in place and any additional controls required will be identified and recorded for each of the key risks.
 - The evaluation for the risk score, for both the gross and net are calculated as follows: Likelihood multiplied by impact = the score (1) Lowest - (4) Highest
 - The gross score is the potential of the risk before taking in to account existing controls.
 - The net score is the assessed impact / likelihood of the risk taking in to account the controls in place.
- 1.5 The SRR is reviewed on a quarterly basis by Corporate / Management Boards and the Governance & Audit Committee

2. Basis of Risk Analysis and Scoring

- 2.1 The Council has adopted a 4*4 basis for risk scoring. (Appendix B) Scores are selected on the basis likelihood multiplied by impact of 1 (Low) to 4 High. The attached matrix includes guidance on quantum in risk.
- 2.2 The Risk Manager has utilised a workshop approach when risk registers are put together or reviewed this allows for all the participants to be involved in the process and is also viewed as a form of training.
- 2.3 Decisions made on risk are made on the basis of knowledge and experience but are not recorded in any detail as the current Excel spreadsheet format does not allow for this.
- 2.4 However Council review of the format has led to the adoption of the Performance Portal (PP) to record items on the SRR. This system will allow the Council Plan to drive risk analysis and provide links with performance data, as requested by the Use of Resources Key Lines of Enquiry. The PP is a data base and will therefore allow more detail to be recorded on the basis of the judgements made.
- 2.5 A further report will be submitted to this committee by June 2009 by which time the SRR will be up and running on the PP.
- 2.6 A copy of the Risk Appetite for choosing the Impact / Likelihood criteria and risk treatment is attached at Appendix A. The purpose of this is to provide some consistency in the judgements made by officers.

Appendices

Appendix A – Risk Appetite
Appendix B – 4 * 4 Matrix

Consultees

Local Stakeholders: N/A
Officers Consulted: Assurance Manager
Trade Union: None

IMPACT

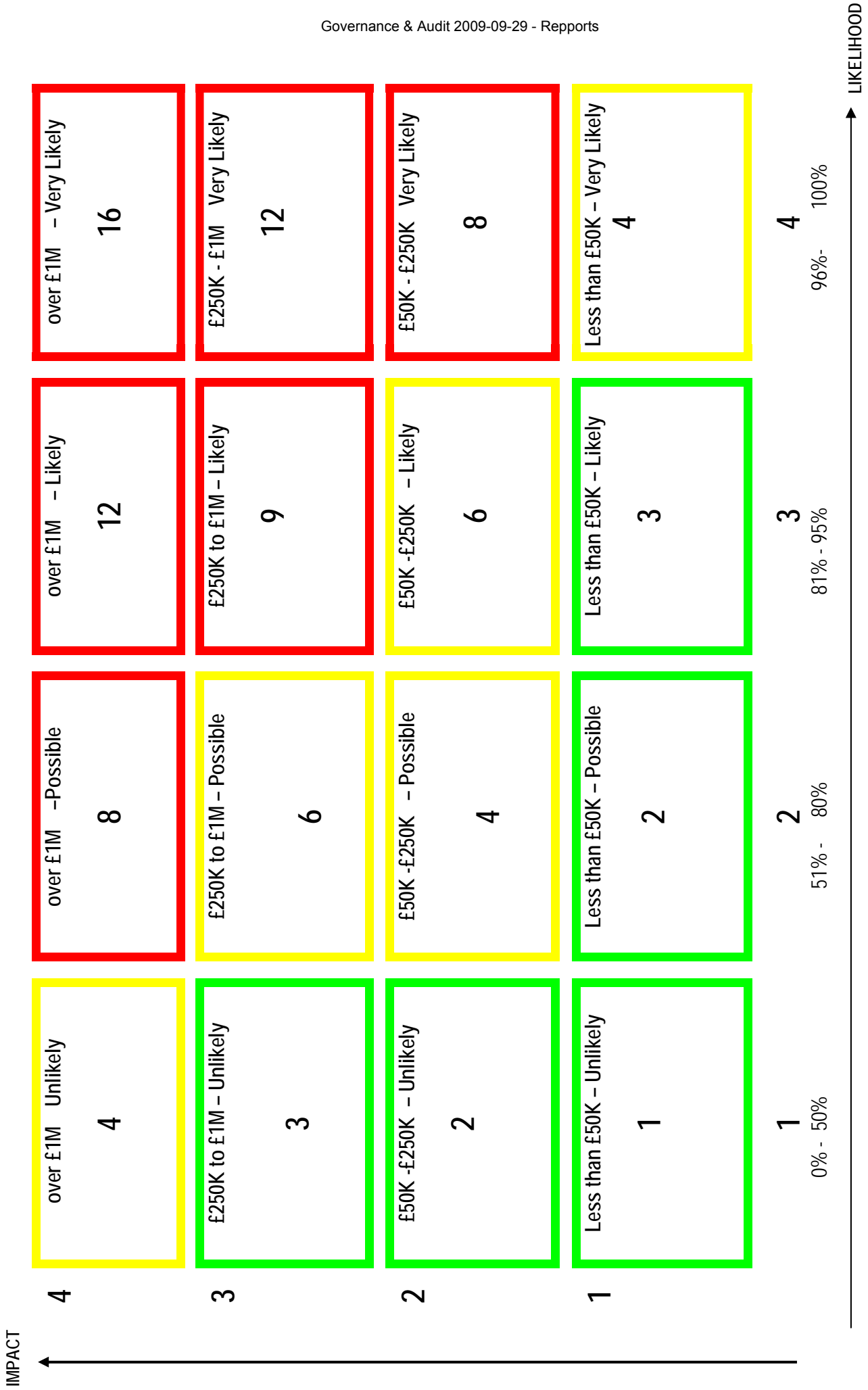
Impact Rating	Financial loss to Council	Personal / Staff or Customers	Assets / Physical / Information	Reputation
4	£1m +	Death	Loss of main building / Loss of main ICT system – eg Email / Payroll / network	Adverse publicity nationally HSE / Fire Authority prosecution
3	£250k - £1m	Major injury / hospitalisation / 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	Probability
4	Very Likely – This risk is presently affecting the Council	75%
3	Likely – This risk is very likely to impact on the Council	50%
2	Possible – This risk is will possibly impact the Council	25%
1	Unlikely – This risk is unlikely to impact the Council	5%

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:	Partnership Risk	Item 7
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 th September	
Forward Plan Ref:	N/a	

Purpose of Report: To update the Committee on progress with implementing effective risk management with regard to Partnerships.

Recommended Action: Note and comment on the report.

Reason for decision to be taken: To approve the approach to assessment of Partnership Risk.

Key background documentation: None

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:
improving the governance arrangements of the Council's partnerships

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Implications

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

Summary

1. Introduction

- 1.1 This report outlines the approach that the Council is taking to manage partnerships and the risk associated with them. It also covers the need to provide advice and support to Partnerships to ensure that Partners manage their own risk

Report

1. Introduction

- 1.1 The Committee asked for an update and background information on the Council's approach to managing risk in respect of partnerships. This report outlines this issue and sets out what the Council is doing to manage partnership risk.

2. Background

- 2.1 One of the elements of the council's annual Comprehensive Performance Assessment (CPA) is an assessment of the effectiveness of the council's use of resources through the application of the key lines of enquiry (KLOE). Although CPA will be replaced by the Comprehensive Area Assessment (CAA) the KLOE assessment will continue and has been updated for 2008 with additional requirements. Areas specifically targeting our management of partnerships include Section 4 Internal Control and Section 5 Value for Money and include the following assessment criteria;

- The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon (KLOE 2.2 level 2)
- The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks (KLOE 4.1 level 3)
- The council has identified its significant partnerships and has appropriate governance in place for each of them (KLOE 4.2 Level 2)
- Governance arrangements with respect to partnerships are subject to regular review and updating (KLOE 4.2 level4)
- The council is making some use of partnership working to improve VFM. It has some understanding of the total resources at the disposal of its significant partnerships (new) (KLOE 5.2 level 2)
- The council has evaluated its use of partnerships to improve VFM. It has an understanding of total resources at the disposal of its significant partnerships which it is using to support clearly identified outcomes (new) (KLOE 5.2 Level 3)
- The council has implemented arrangements for partnership working. It has a clear understanding of the total resources at the disposal of its significant partnerships. It is on track to deliver planned improvement in outcomes. (new) (KLOE 5.2 Level 4)

- 2.2 The Audit Commission's guidance document on use of resources - 2007 assessments* states that:
 "Council's need to demonstrate that they have identified those partnerships through which they commit significant resources...The council needs to show that it has arrangements for reviewing the financial performance of its significant partnerships. Specifically the partnership is:

- Adhering to budgets and any other financial targets
- Delivering its objectives

- Delivering outputs that represent value for the investment; and
- Reporting its results and performance to members”

2.3 The Audit Commission’s 2005 report on Governing Partnerships – Bridging the Accountability Gap also states that Councils should “know the partnerships they are involved in and how much money and other resources they invest in them”

3. Existing Partnership Governance Arrangements in West Berkshire

3.1 Partnership working in West Berkshire is mainly structured around the West Berkshire Partnership which was recognised by the Audit Commission in its 2005 report on Governing Partnerships as an example of good practice with a clear framework, terms of reference and accountability. The effectiveness of other aspects of West Berkshire’s partnership working was also commended. The 2006 Annual Performance Assessment of Children and Young People’s services by CSCI and OFSTED stated that “partnerships are well developed to support the health of young people”.

3.2 Partnership documents such as:

- The Local Area Agreement (LAA)
- The Health and Well Being Strategy
- The Strategic Plan for Children and Young People
- The Community Safety Strategy

explain the structure, aims and objectives of the main partnerships in which the council is involved. The LAA also sets out how the government funding to support the agreement has been allocated to priorities and service areas. There are performance management arrangements in place in respect of the LAA and the other main partnership strategies.

3.3 With the exception of LAA funding, however, there is a lack of comprehensive information about the resources which are committed to partnership working both in terms of financial and human resources. For example, the scope of budgets for the commissioning of social care services for children and adults which are subject to joint commissioning arrangements with the Primary Care Trust (PCT) is not clear. Neither is there a clear record of the resources which are invested in posts and teams which are jointly funded by difference partners.

3.4 Within the LAA there is some ambiguity over the accountability for outcomes. For example, responsibility for meeting some targets is shown as lying with the Children and Young People’s partnership or the Health and Well Being partnership. As these partnerships are not legal entities, however, it is not clear to what extent accountability lies with the council or with the other partners for meeting these targets. There is a risk that this potential ambiguity relating to the responsibility for decisions taken may lead to issues of legal liability concerning for example the letting of contracts or employment rights.

3.5 Our assessment of the extent to which we currently meet the Audit Commission’s standards for governance of partnerships is therefore as follows:

- Although the governance arrangements for partnerships in West Berkshire are recognised as being generally well developed, there are some issues of accountability and legal liability which require clarification
- The council does not have a comprehensive record of all the resources which it invests in partnerships
- Review of the financial performance of partnerships is limited
- Because of the gaps in financial information, it is difficult to reflect partnerships fully in the Medium Term Financial Strategy

4. New initiatives - Partnerships Register and Risk Management

- 4.1 As partnerships become more and more important in the delivery of services and in order to demonstrate to the Audit Commission that the council is reviewing its governance arrangements, a draft Partnerships Register has been compiled listing the significant partnerships in which the Council plays a role. It also summarises the main governance and financial management arrangements for each (see appendix A)
- 4.2 A check list based on the Audit Commission assessment criteria has also been drafted for the assessment of governance arrangements for public sector partnerships. The questionnaire template is included as appendix B of this report.
- 4.3 To bring best practice into place within West Berkshire Council relating to the governance of its Partnership arrangements, Corporate Directors are:
- Reviewing the draft partnership register at appendix A to ensure that all significant partnerships for which they are responsible are included, and
 - Completing the questionnaire at appendix B for each partnership falling within their Directorate area of responsibility which aims to clarify issues of accountability, governance and resource management. This will then form the basis of a more comprehensive register of partnership arrangements to be kept up to date for CPA and other purposes
- 4.4 A risk management approach to Partnerships is also being developed and this is set out in appendix C. In summary the Council's Risk Management team will be working with officers involved with Partnerships to provide advice to ensure that the risks posed by partnerships to the Council are managed. Also provide advice to Partnerships themselves to ensure that partners understand and can demonstrate that they are managing the risks to the partnership.

5. Conclusions

- 5.1 The Audit Commission assessment of the council's financial management practices under the KLOE process will continue to focus on our management and governance of our partnerships with third parties. If we are to maintain our current score of 3 under the assessment process it is important that this process of monitoring and recording the details of partnerships is coordinated across all service areas in a consistent way.
- 5.2 Once the details of the partnerships have been collected using the forms at appendix B the register will be updated and then monitored on a regular basis by

the Governance Group (GG) which includes the Monitoring Officer and the S151 Officer.

- 5.3 The Risk Manager will use the information contained in the Partnership register to target his advice and support to the more significant partnerships that the Council depends on

Appendices

Appendix A - Draft Partnership Register

Appendix B - Partnership Questionnaire

Appendix C – Outline approach to Risk Management of Partnerships

Consultees

Local Stakeholders: N/A

Officers Consulted: Governance Group

Trade Union: N/A

APPENDIX A

DRAFT REGISTER OF WEST BERKSHIRE PARTNERSHIP ARRANGEMENTS

Partnership Name	Lead Officer	Lead Member	Scope of Partnership Working (1)	Governance Arrangements (2)	Resources Controlled by Partnership	Comments
West Berkshire Partnership						
Health and Well Being Partnership			<p>Shared teams with PCT</p> <p>Shared senior management posts with PCT</p> <p>Joint Adult Care strategy with PCT including:</p> <ul style="list-style-type: none"> - Joint Strategic Needs Assessment - Joint Commissioning Strategy 	<p>See pooled budget agreements</p>	<p>LAA budgets</p> <p>Grants to voluntary organisations</p> <p>Pooled budgets for:</p> <ul style="list-style-type: none"> - Intermediate Care - Community Equipment <p>WBC/PCT budgets "aligned" re joint commissioning activities</p> <p>Staffing budgets re shared teams/posts</p> <p>LAA budgets</p> <p>Grants to voluntary organisations</p>	<p>Is the whole of the Community Care budget jointly managed with PCT?</p> <p>If not, which bits?</p> <p>Are there any other pooled budgets?</p> <p>How are aligned budgets jointly managed?</p> <p>How are shared staff and staffing budgets managed?</p>
Safer Communities Partnership			<p>Budgets and HR for the Police and private sectors aligned to objectives in community strategy</p> <p>Joint Community Safety team encompassing Police, Council and Sovereign Housing</p>			

Partnership Name	Lead Officer	Lead Member	Scope of Partnership Working (1)	Governance Arrangements (2)	Resources Controlled by Partnership	Comments
Children and Young People's Partnership			<p>Shared teams with PCT</p> <p>Shared senior management posts with PCT</p> <p>Joint Commissioning with PCY</p>		<p>Staffing budgets re shared teams/posts</p> <p>WBC/PCT budgets "aligned" re joint commissioning activities</p> <p>Pooled Budget for CAMHS</p> <p>Shared funding for some posts/facilities?</p> <p>Surestart grant</p> <p>LAA budgets</p> <p>Voluntary Organisations</p>	<p>How are shared staff and staffing budgets managed?</p> <p>How are aligned budgets jointly managed?</p> <p>Are there any other pooled budgets?</p> <p>Is the whole of the Non Schools CYP budget jointly controlled with PCT?</p> <p>If not, which bits?</p>
Housing and the Environment			Supported housing scheme jointly funded by Housing Corporation, Social Services and Supporting People		<p>LAA budgets</p> <p>Grants to voluntary organisations</p>	

Partnership Name	Lead Officer	Lead Member	Scope of Partnership Working (1)	Governance Arrangements (2)	Resources Controlled by Partnership	Comments
Economic Development Forum					LAA budgets Grants to voluntary organisations	
Joint Arrangements with Berkshire Unitary Authorities						
			List joint arrangements	See Joint Arrangement agreements held by Head of Legal and Electoral Services	See Joint Arrangement budgets held by Accountancy	

Notes

- (1) These examples are mainly taken from the 2007 CPA self assessment – please add any significant partnership activities which have been omitted
- (2) Refer to partnership agreement / Terms of Reference

APPENDIX B

Partnership Questionnaire

1. <u>Terms of Reference</u>	
1. 1 Name of partnership	
1.2 Partner Organisations	
1.3 West Berkshire responsible officer	
1.4 West Berkshire lead member	
1.5 Is there a written agreement between the partners setting out the terms of reference and the governance arrangements? If so Please supply a copy	
<i>N.B If the answers to questions 1.6 – 5.3 are included in the partnership agreement or other document, please give reference. If not please supply details below.</i>	
1.5 What was the partnership created for? – please link to corporate priorities	
<u>2. Governance Arrangements</u>	
2.1 How are decisions made?	
2.2 Who scrutinises the decision making process?	
2.3 How is progress of	

<p>the Partnership monitored and by whom?</p>	
<p><u>3. Financial Management</u></p>	
<p>3.1 What financial resources are committed by West Berkshire Council to the partnership (please list service areas, cost centres and amounts within current year budgets; include the cost of West Berkshire staff working for the partnership)</p>	
<p>3.2 Who decides how to spend the money?</p>	
<p>3.3 Can the money be re-allocated? If so, how and by whom?</p>	
<p>3.4 How are the costs of jointly commissioned services split between the partners?</p>	
<p>3.5 What are the arrangements for letting contracts in respect of jointly commissioned services?</p>	
<p>3.6 What happens if resources allocated to the partnership are under/overspent?</p>	

<p>3.7 What are the financial reporting arrangements?</p>	
<p><u>4. Human Resource Management</u></p>	
<p>4.1 How many staff work for the Partnership? (refer to structure chart if necessary)</p>	
<p>4.2 Which staff working within the partnership are employed by West Berkshire Council?</p>	
<p>4.3 Please list any posts which are shared/jointly funded by the partners and show by which organisation they are employed</p>	
<p>4.4 Please give details of any shared teams which include the employees of more than one partner</p>	
<p>4.5 Who is accountable for the management of shared posts/teams in respect of:</p> <ul style="list-style-type: none"> - Performance - management of staffing budgets - employment rights/liabilities? 	
<p><u>5. Risk management</u></p>	
<p>5.1 How do you know</p>	

when things are going wrong?	
5.2 Who is accountable if things go wrong e.g. re: - delivery of objectives - employee management - financial management? - legal responsibilities	
5.3 Who can take corrective action when things are going wrong?	

Appendix C – Approach to partnership risk management

- 1 A joint approach to the management of risks that affect the achievement of a partnership's objectives can bring a number of rewards:
 - A common understanding by all partners of the risks and opportunities, and how they will be managed;
 - Creates an environment that allows the partnership to anticipate and respond to change;
 - Encourages forward thinking, thus minimising unwelcome surprises and increases accountability;
 - Enhances communication which, in turn, improves the basis for strategy setting, decision making and performance management; and
 - Adds realism – so gives a better basis for allocation of resources and enables the delivery of better services.

- 2 Major partnerships should agree a joint risk management strategy and methodology. If the principal organisation has a tried and tested strategy and has a methodology which has worked well within the organisation, consideration might be given to applying this to the partnership's risk management work.

- 3 Consideration will also need to be given to matters such as:
 - Reporting on shared key risks to management; and
 - Defining arrangements for joint risk registers (Appendix 6).

- 4 Common pitfalls
 - Obvious risks around financing and partnership failure may have been identified but there is a wider spectrum of risks that need to be considered;
 - A risk assessment may have been carried out at the start of the partnership but has not been updated in line with the developing relationship.
 - Organisations have no agreed way to identify, prioritise, manage and report the partnership's risks;
 - There is a lack of communication and understanding on risk between partners.

Appendix C – Approach to partnership risk management

5 Risk identification in a partnership setting

5.1 The usual basic risk management questions apply:

- What are our objectives?
- Can we identify the things that would stop us achieving these?
- Can we find ways of mitigating them?

5.2 When identifying partnership risks, the process of risk identification should, almost always, include a joint exercise with the partner(s) or perspective partner(s). There are two main ways to look at partnership risk:

5.3 Route 1 Outside looking in (From the perspective of the Council)

5.3.1 This approach considers the risks that the Council as an organisation face in being involved in the partnership. This is addressed in Section 2 of the Partnership Approval Checklist (Appendix 1). A number of risk areas need to be considered e.g. Financial, Reputation, Legal, Physical, Technological, and Operational.

5.4 Route 2 On the inside (From the perspective of the partnership)

5.4.1 The partner or prospective partner organisation(s) participate in the risk identification process as it is necessary to consider the risks faced by the partnership. Examples could include: lack of 'buy in' from all partners; confused governance arrangements e.g. financial control, reporting etc; unable to blend organisational cultures; and the partnership is seen as Council led.

6 At stake for all partners are: service delivery; reputation; organisational objectives; and investments in time, money, resources & expertise.

7 What are the risks involved?

7.1 To give a comprehensive list of the risks involved in partnership working would be difficult, if not impossible. However, some of the risks which might be encountered include: partnership standards are not met; partnership chases reward rather than local priorities; service failures lead to excess costs; and no ownership by local delivery agents.

Title of Report:	Review of the Terms of Reference for the Governance and Audit Committee	Item 8
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 September 2008	
Forward Plan Ref:	N/a	

Purpose of Report: To review the terms of reference for the committee.

Recommended Action: To approve the terms of reference set out in this report.

Reason for decision to be taken: Ensure that the terms of reference for the committee stay up to date.

Key background documentation: CIPFA Guidance on the role of Audit Committees.

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Summary

1. Introduction

- 1.1 This report sets out the Terms of Reference for the Governance and Audit Committee. CIPFA Guidance on Audit Committees recommends an annual review of the Terms of Reference. The Terms of Reference were last reviewed in October 2006

2. Proposals

- 2.1 No changes are proposed.

3. Conclusion

- 3.1 The Terms of Reference remain fit for purpose.

Report

1. Introduction

1.1 The Governance and Audit Committee was set up in 2006 and revised terms of reference were agreed in October 2006 to take account of guidance from CIPFA on the function of audit committees.

1.2 CIPFA guidance is summarised below and sets out the key audit functions of the Committee as:

- Review the effectiveness of the Council's Risk Management arrangements, the control environment and associated Anti Fraud and Corruption arrangements
- Seek assurance that action is being taken on risk related issues identified by auditors and inspectors
- Be satisfied that the Council's assurance statements (currently produced annually by all Heads of Service) and the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.
- Approve the Internal Audit Strategy and Plan (to ensure that there is adequate coverage) and monitor performance (assessing whether adequate skills and resources are available to provide an effective function).
- Review summary internal audit reports and the main issues arising and seek assurances that action has been taken where necessary.
- Receive the annual report of the head of internal audit
- Consider reports of external audit and inspection agencies
- Ensure that there are effective relationships between external and internal audit and inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- Review the financial statements, including the suitability of accounting policies and treatments, provisions or adjustments.
- Review the external auditors annual audit letter, any other reports and opinion and monitor management action in response to issues raised. (Also comment on the external auditors planned work programme)

1.3 The latest advice relating to audit committees from the Audit Commission, contained in the current key lines of enquiry for Use of Resources, is;

- An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council and independent assurance on the

risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.

- 1.4 The Committee should review its terms of reference annually to ensure they remain consistent with best practice. The purpose of this report is to do that and revised Terms of Reference are set out below.

2 Present Terms of Reference

- 2.1 Based on the above the following revised Terms of Reference were agreed for the Committee.

“The overall purpose of the Governance and Audit Committee is to provide effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, independently of the Executive.

Specifically the Governance and Audit Committee will:

- *consider and make recommendations to the Council on proposed changes to the Constitution*
- *consider any issues emanating from the Government and determine their effect on the Council’s business and governance processes*
- *Review the effectiveness of the Council’s Risk Management arrangements, the control environment and associated Anti Fraud and Corruption arrangements*
- *Seek assurance that action is being taken on risk related issues identified by auditors and inspectors*
- *Be satisfied that the Council’s assurance statements (currently produced annually by all Heads of Service) and the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.*
- *Approve the Internal Audit Strategy and Plan (to ensure that there is adequate coverage) and monitor performance (assessing whether adequate skills and resources are available to provide an effective function).*
- *Review summary internal audit reports and the main issues arising and seek assurances that action has been taken where necessary.*
- *Receive the annual report of the head of internal audit*
- *To consider any issues that are brought to the attention of the Committee, or Chair and Vice Chair, by the head of internal audit at any time during the year.*
- *Consider reports of external audit and inspection agencies*
- *Ensure that there are effective relationships between external and internal audit and inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.*

- *Review the financial statements, including the suitability of accounting policies and treatments, provisions or adjustments.*
- *Review the external auditors annual audit letter, any other reports and opinion and monitor management action in response to issues raised. (Also comment on the external auditors planned work programme)”*

2.2 In addition the Charter for Internal Audit has been reviewed to ensure it remains current. The Charter has been incorporated in the Terms of Reference for the Governance and Audit Committee and is subject to the same annual review. A copy of the Charter for Internal Audit is attached at Appendix A.

Appendices

Appendix A - Internal Audit Charter

Consultees

Local Stakeholders: Not consulted

Officers Consulted: Not consulted

Trade Union: Not consulted

Appendix A

AUDIT CHARTER

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 risk management, control and governance by evaluating their 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.

- 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 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.

Title of Report:	Annual Review of the System of Internal Audit	Item 9
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 September 2008	
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: N/a

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Executive Report

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 2008-09. 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

Consultees

Local Stakeholders: Not consulted

Officers Consulted: Not consulted

Trade Union: Not consulted

Appendix A

CIPFA Code of Practice – Standards

2006 Code standard	Evidence of Achievement	Areas for development
1. Scope of internal audit <ul style="list-style-type: none"> • Terms of Reference 	Terms of reference for Internal Audit are included in the Audit Charter which was endorsed by the Governance and Audit Committee	
<ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • Responsibilities in respect of other organisations 	The terms of reference do not identify responsibilities in respect of other organisations.	
<ul style="list-style-type: none"> • Fraud and corruption 	Terms of reference define audit responsibilities in relation to fraud. This is backed up by the Authority's Anti-Fraud Policy	

<p>2. Independence</p> <ul style="list-style-type: none"> • Organisational independence 	<p>The Audit Charter lays down the independence of internal audit.</p>	
<ul style="list-style-type: none"> • Status of head of internal audit 	<p>Assurance Manager has direct access to those charged with governance through the Governance and Audit Committee</p> <p>Reports are made in Group Auditors own names to management and to the Audit Committee by the Assurance Manager.</p>	
<ul style="list-style-type: none"> • Independence of individual internal auditors 	<p>No conflict of interest between operational responsibilities and audit has been found.</p> <p>The size of the internal audit section means that rotation of audit work within the team is the norm.</p>	
<ul style="list-style-type: none"> • Declaration of interest 	<p>All staff are reminded annually of the need to declare any interests that may conflict with their duties</p>	
<p>3. Ethics:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Competence • Confidentiality 	<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 annually).</p>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>4. Audit Committee</p> <ul style="list-style-type: none"> Purpose of the Audit Committee 	<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>	
<ul style="list-style-type: none"> Internal audit's relationship with the Audit Committee 	<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>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>5. Relationships</p> <ul style="list-style-type: none"> with management 	<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>	
<ul style="list-style-type: none"> with other internal auditors 	<p>Regular meetings are held with the Home Counties and the Berkshire Audit Groups</p>	
<ul style="list-style-type: none"> with external auditors 	<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>
<ul style="list-style-type: none"> 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>	
<ul style="list-style-type: none"> 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>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>6. Staffing, training and continuing professional development (CPD)</p>	<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>	
<p>7. Audit Strategy and Planning</p>	<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 <ul style="list-style-type: none"> • Planning 	<p>Terms of reference are prepared and agreed with management for each audit</p>	
<ul style="list-style-type: none"> • 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>	
<ul style="list-style-type: none"> • 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>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>9. Due professional care</p> <ul style="list-style-type: none"> • Responsibilities of the individual auditor 	<p>All internal auditors are aware of their individual responsibilities for due professional care.</p>	
<ul style="list-style-type: none"> • 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</p> <ul style="list-style-type: none"> Reporting on audit work 	<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>	
<ul style="list-style-type: none"> Annual reporting 	<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>	

2006 Code standard	Evidence of Achievement	Areas for development
<p>11. Performance, quality and effectiveness</p> <ul style="list-style-type: none"> Principles of performance, quality and effectiveness 	<p>Policies and procedures are defined in an audit manual. The Finance Service Plan includes performance indicators, which are reported to management</p>	
<ul style="list-style-type: none"> Quality assurance of audit work 	<p>Audits are assigned according to the skills mix required and there is adequate supervision by the group auditor.</p>	
<ul style="list-style-type: none"> Performance and effectiveness of the internal audit service 	<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>	

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>	

An effective internal audit service:-	Evidence of achievement	Areas for development
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.
Is involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	<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>	

An effective internal audit service:-	Evidence of achievement	Areas for development
<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?

Yes – but move to quarterly reporting so that issues are discussed in a timely fashion.

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

Level of detail is adequate. Further detail re unsatisfactory follow ups (which is a key issue for the committee) is provided along with attendance of the relevant Head of Service

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?

No – critical audit reports are inevitable and Managers should be given the opportunity to rectify weaknesses by implementing agreed action plans. However, Members may wish to ask the relevant Head of Service to attend if they feel this is appropriate.

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

Yes. Where agreed action plans are not implemented effectively then Heads of Service should be asked to attend

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

Yes. Officers are questioned in detail

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

Yes. The Committee provides effective scrutiny of the Governance and Auditing arrangements of the Council

Appendix C

Issue	Yes	No	Partial	Comments
Have the Committee's terms of reference been approved by full council?	Yes			
Do the terms of reference follow the CIPFA model?	Yes			
Does the Committee approve the strategic audit approach and the annual programme?	Yes			
Is the work of internal audit reviewed regularly?	Yes			By external audit
Are summaries of quality questionnaires from managers reviewed?		No		Not by the committee
Is the annual report from the Head of Internal Audit presented to the Committee?	Yes			
Are reports on the work of external audit and other inspection agencies presented to the Committee?	Yes			
Does the Committee input into the external audit programme?		No		Not given the opportunity at present
Does the Committee ensure that officers are acting on and monitoring action to implement recommendations?	Yes			The committee receives reports that identify progress on implementing recommendations and where progress is unsatisfactory call in the relevant Head of Service to explain.
Does the Committee take a role in overseeing risk management strategies?	Yes			Risk Management process is scrutinised by the Committee. The Risk Management Strategy is approved by the Executive
Does the Committee take a role in overseeing internal control statements?	Yes			Annual Governance Statement is reviewed by the Committee along with a summary of issues from the Heads of Service Assurance Statements
Does the Committee take a role in overseeing anti-fraud arrangements?	Yes			Committee approves the Anti Fraud Strategy for the Council

Issue	Yes	No	Partial	Comments
Does the Committee take a role in overseeing whistle-blowing strategies?	Yes			The Committee approves the Strategy
Has the membership of the Committee been formally agreed and a quorum set?	Yes			Membership determined annually – quorum is three members
Is the Chair free of executive or scrutiny functions?			Yes	Although the Chair is a member of the Overview and Scrutiny Commission
Are members sufficiently independent of other key committees of the council?	Yes			
Have all members' skills and experiences been assessed and training given for identified gaps?		No		How do we do this?
Can the Committee access other committees as necessary?	?	?		Why?
Does the Committee meet regularly?	Yes			At least quarterly
Are separate, private meetings held with the external auditor and the internal auditor?		No		This could be arranged at the request of the Committee or the auditors
Are meetings free and open without political influences being displayed?	?	?		
Are decisions reached promptly?	Yes			
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	Yes			The exception is the Statement of Accounts where Government timetable prevents early circulation
Does the Committee have the benefit of attendance of appropriate officers at its meetings?	Yes			
Is induction training provided to members ?			Partly	Via general induction training for Members, nothing specific for this committee

Issue	Yes	No	Partial	Comments
Is more advanced training available as required?	Yes			Can be arranged at the request of Members. EG previous Chair spent half day in Internal Audit on work experience.
Does the Authority's s151 officer or deputy attend all meetings?			Partly	S151 or Deputy attends for key meetings in June and September
Are the key officers available to support the Committee?	Yes			Head of Legal and Electoral (monitoring officer), Assurance Manager (Head of Audit)

Title of Report:	Internal Audit Update - Quarter 1 Item 10
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	29 September 2008
Forward Plan Ref:	N/a

Purpose of Report: Review outcomes of Internal Audit work and progress made by Heads of Service in implementing agreed audit recommendations.

Recommended Action: Seek explanation from relevant Heads of Service where progress in implementing agreed actions is unsatisfactory.

Reason for decision to be taken: Ensure the internal control framework remains robust.

Key background documentation: Internal Audit Reports.

The proposals contained in this report will help to achieve the following Council Plan Themes:

- CPT2 - A Cleaner and Greener West Berkshire** – a better place to live
- CPT3 - Successful Schools** – improving primary school performance levels

The proposals will also help achieve the following Council Plan Outcomes:

- CPO1 - Better Roads and Transport**
- CPO3 - Affordable Housing**
- CPO4 - High Quality Planning**
- CPO5 - Cleaner and Greener**
- CPO7 - Safer and Stronger Communities**
- CPO9 - Successful Schools and Learning**
- CPO10 - Promoting Independence**
- CPO11 - Protecting Vulnerable People**
- CPO13 - Value for Money**
- CPO14 - Effective People**
- CPO16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:

Ensuring that the Council's system of internal control is robust

Portfolio Member Details	
Name & Telephone No.:	Councillor Laszlo Zverko - Tel 0771 2858197
E-mail Address:	lzverko@westberks.gov.uk
Date Portfolio Member agreed report:	

Contact Officer Details	
Name:	Ian Priestley
Job Title:	Assurance Manager
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Implications

Policy:	None
Financial:	None
Personnel:	None
Legal:	None
Property:	None
Risk Management:	None
Equalities Impact Assessment:	For advice please contact Principal Policy Officer (Equalities) on Ext. 2441

Executive Summary

1. Introduction

- 1.1 The report outlines the results of the work of Internal Audit over the first quarter of 2008-09.

2. Proposals

- 2.1 Consider results of audits where the opinion is weak or very weak, and note the comments / update provided by the relevant Head of Service.

3. Conclusion

- 3.1 No fundamental weaknesses were identified.

Executive Report

1. Introduction

1.1 The purpose of this report is to outline the key issues arising from the work of Internal Audit over the first quarter of 2008-09.

1.2 The report highlights the following:

- any reports finalised in the last quarter where the overall opinion was weak or very weak.
- any follow up work with an unsatisfactory opinion.
- any wider audit issues that may affect Internal Audit or the Council
- the current position re resourcing of internal audit and the implications for completion of the annual audit plan.

1.3 A number of appendices are attached and provide more detail. These are

- A listing of audit work that is presently underway (Appendix A)
- A listing of audits completed in the last quarter (ie Final report issued). The overall opinion is given with the number and severity of weaknesses identified. (Appendix B)
- A listing of follow up work that is in progress (Appendix C)
- A listing of follow up work completed in the last quarter, together with an opinion and a note of the number of recommendations that remain outstanding. (Appendix D)
- Where we feel that unsatisfactory progress has been made with implementation of recommendations a copy of the memo to the Head of Service expressing our concerns and the action plan is attached for your information. (Appendix E). NB none in this quarter.

2. Reports where the overall opinion was weak/very weak (completed audits/those where there are problems agreeing the findings).

2.1 Appendix B notes one audit that that is rated as weak. We have set out the concerns we have raised at the time of the audit and requested comments and update from the relevant Head of Service. These are set out below.

	Planning Obligations
	<p>Internal Audit opinion – April 2008</p> <p>a) To put our overall opinion into context, this review only covered certain aspects of the Planning Obligations process. However, for the areas we did review we found a number of weaknesses, and also there were some key issues that were outstanding from the previous review that were highlighted again.</p>

	<p>b) The process of administering developer contributions is shared between Planning, Accountancy and the individual service areas. We found that responsibilities of the Developer contributions Officer role have been clearly defined. However, we found that the roles and responsibilities for service areas and Accountancy for the allocation of funds to schemes and monitoring the expenditure incurred per scheme needs to be clearly defined.</p> <p>c) Those planning applications with agreed contributions are regularly monitored and invoices raised. However, there is no assurance that all contributions due have been identified promptly, as the service is not undertaking site visits to pro-actively assess whether trigger points have been reached.</p> <p>d) We found that other than operational responsibilities, there are no formal governance arrangements in place to monitor / review the use of the developer contributions fund. The Capital Strategy Group monitors progress of individual projects as part of building and monitoring the Capital Programme. However, we found that the information used by the Group is not sufficient in order to monitor the overall allocation / utilisation of the developer contribution fund.</p>
	<p>Head of Service update / comments</p> <p>a) no comment</p> <p>b) The service areas are aware of their responsibilities, as are Accountancy. Planning have produced a flowchart which details responsibilities throughout the planning obligations process. This has been sent to service units.</p> <p>c) Agreed. The recent appointment of a (p/t) Support Services Assistant to form a Developer Contributions 'team' has increased resources for this area of work. It is expected that once new processes and responsibilities within the team are embedded, resource will be available to undertake pro-active site monitoring. More resource may also be freed up once the ongoing system enhancement process is completed, which should result in some efficiencies.</p> <p>d) A report is completed annually in Planning, once year end information is provided by Accountancy, which provides summary information on contributions received, used, and the balance on the Contribution Holding Account. This report is presented at Corporate Board and Management Board. It would be possible to produce reports from the database on a more regular basis if the information on allocation and spend was kept up to date.</p>

3. Follow up work given an unsatisfactory opinion (copies attached)

3.1 No follow up audits had an unsatisfactory opinion in this quarter.

4. Current issues affecting Internal Audit

4.1 Schools – Financial Management Standard for Schools update.

4.1.1 Work is continuing in reviewing Primary Schools. The process has now been revised with effect from April 2008. In future an audit will be carried out to identify any weaknesses and gaps in procedures at each school. Assistance from Accountancy (via a former Secondary Bursar) is being provided to implement any required actions. The actual assessment will then be carried out by Internal Audit. This will remove the burden of supporting schools from Internal Audit, and should have a positive impact on the team's ability to complete the work programme for 08-09.

4.2 The Governance and Audit Committee have requested additional information from Internal Audit, including quarterly updates and more information relating to work in progress and findings. This report will fulfil this request.

5. Staffing Issues

5.1 Internal Audit is, for the present, fully staffed.

Appendices

Appendix A – Work underway

Appendix B – Work completed

Appendix C – Follow up's underway

Appendix D – Follow up's completed

Consultees

Local Stakeholders: N/A

Officers Consulted: Corporate Board – Relevant Heads of Service

Trade Union: N/A

List of work commenced - 1st Quarter 2008/9 Appendix A

Directorate/Service	Audit Title	Current Position of Work	Audit Plan/Year
Chief Executive			
Finance	Contract letting	Report being drafted	2007/8
Finance	General ledger	Draft issued	2007/8
Finance	Budgetary Control	Draft issued	2007/8
Benefits and Exchequer	Council Tax	Draft issued	2007/8
I.C.T	I.T. Strategy	Report being drafted	2007/8
Legal Services	Land Charges	Draft issued	2007/8
Human Resources	Recruitment	Testing	2008/9
I.C.T	I.T. Security	TOR issued	2008/9
Corporate	National Fraud Initiative	Co-ordinating extraction of data	2008/9
Finance	Webrisk	Report being drafted	2008/9
Finance	Fixed Asset Register	Testing	2008/9
Human Resources	Absence Management	Background	2008/9
Benefits and Exchequer	Accounts Payable	Testing	2008/9
Benefits and Exchequer	Accounts Receivable	Draft report issued	2007/8
Benefits and Exchequer	Payroll/Establishment	Drafting report	2007/8
Children & Young People			
Education	Facilities Grants	Drafting report	2008/9
Education	Home to School Transport	Planning	2008/9
Children's Services	Youth Centre – Theale Community Centre	Draft report issued	2008/9
Children's Services	Adventure Dolphin	Planned	2008/9

Community Services			
Older People's Services	Self Assessment	Background	2008/9
Cultural Services	Libraries Purchasing	TOR issued	2008/9

Environment			
Countryside and Environment	Taxi Licensing	Report being drafted	2008/9
Planning and Transport	Transport Strategy	TOR issued	2008/9
Highways and Transport	Transport Services (Fleet)	Planning	2008/9
Highways and Transport	Car Parks	Testing	2007/8

Advisory Reviews/Other Work

Advisory Review/Other Work in progress		
Directorate/Service	Audit Title	Current position of work
Cultural Services	Archive Service (Critical Friend' to service's own review)	Draft report issued

List of completed audits - 1st Quarter 2008/9

Appendix B

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Date finalised</u>	<u>Overall Opinion</u>	<u>Agreed Recommendations (no.s per category of weakness and total)</u>				
				Total	Fundamental	Significant	Moderate	Minor
Chief Executive								
Benefits and Exchequer	Housing Benefits	04/06/2008	Well controlled	11			1	10
Finance	Treasury Management	15/05/2008	Very Well Controlled	2				2
Human Resources	HR Policies and Procedures	21/05/2008	Satisfactory	5			2	3
Children and Young People								
Community Services								
Housing and Performance	Fairer Charging	02/07/2008	Well Controlled	8			1	7
Environment								
Planning and Trading Standards	Planning Obligations	02/04/2008	Weak	11			10	1

* Advisory review

List of completed audits - 1st Quarter 2008/9 Appendix B

NOTE

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

Directorate/Service	Audit title
Chief Executive	
Benefits and Exchequer	Council Tax 2006/7 (draft issued)
Finance	General Ledger 20056 and 2006/7 (draft issued)
Benefits and Exchequer	Cash Office
I.C.T	I.T. Asset Management
Benefits and Exchequer	Accounts Payable
Finance	Fixed Asset Register
Finance	MTFS
Children and Young People	
Children's Services	Priory Imprest account
Children's Services	Youth Services – Riverside Community Centre
Community Services	
Environment	

