



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 15 December 2015**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Lyndsey Parnell

Senior Elections and Members' Services Officer

0115 901 3910

Audit Committee

Membership

Chair Councillor Paul Feeney

Vice-Chair Councillor Bob Collis

Councillor Sandra Barnes
Councillor Chris Barnfather
Councillor Boyd Elliott
Councillor Helen Greensmith
Councillor Viv McCrossen

AGENDA

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- | | | |
|-----------|---------------------------------------------------------------------------------------------------------------|----------------|
| 1 | Apologies for Absence and Substitutions. | |
| 2 | To approve, as a correct record, the minutes of the meeting held on 22 September 2015. | 5 - 8 |
| 3 | Declaration of Interests. | |
| 4 | KPMG Annual Audit Letter

Report of KPMG, external auditors. | 9 - 14 |
| 5 | Corporate Risk Scorecard

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| 6 | Follow up of Previous Audit Recommendation

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| 8 | Annual Audit Plan

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| 9 | Terms of Reference - Annual Review

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| 10 | Any other item which the Chair considers urgent. | |

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MINUTES AUDIT COMMITTEE

Tuesday 22 September 2015

Councillor Paul Feeney (Chair)

Councillor Bob Collis
Councillor Sandra Barnes
Councillor Boyd Elliott

Councillor Helen Greensmith
Councillor Viv McCrossen

Apologies for absence: Councillor Chris Barnfather

Officers in Attendance: M Kimberley, A Ball, V Rimmington, P Whitworth and
A Dubberley

10 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

Apologies for absence were received from Councillor Barnfather.

11 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 23 JUNE 2015.

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

12 DECLARATION OF INTERESTS.

None.

13 KPMG ANNUAL GOVERNANCE REPORT

Consideration was given to a report of the External Auditors, KPMG, which had been circulated prior to the meeting, summarising the key issues identified during their audit of the Council's financial statements for the 2014/15 financial year and their assessment of the Authority's arrangements to secure value for money in its use of resources.

RESOLVED:

To note the information.

14 STATEMENT OF ACCOUNTS 2014/15

Corporate Director Mark Kimberley presented the report, which had been circulated prior to the meeting, which sought approval of the Council's Statement of Account for the 2014/15 year.

RESOLVED to:

- 1) Approve the statement of Accounts for 2014/15 attached as Appendix one to the report; and
- 2) Note the letter of representation attached as Appendix two to the report.

15 FRAUD RECOVERY RATES

Following a request at the last Committee, Paul Whitworth Benefits Manager presented a verbal report to the Committee concerning fraud recovery rates during the last financial year.

RESOLVED:

To note the information.

16 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

The Service Manager, Audit and Asset Management introduced a report, which was circulated prior to the meeting, informing Members of departmental progress in the implementation of Internal Audit recommendations and identifying to Members where additional action needs to be considered in relation to any outstanding recommendations.

RESOLVED:

To note the report.

17 INTERNAL AUDIT REPORTS ISSUED JULY -SEPTEMBER 2015

The Service Manager, Audit and Asset Management introduced the report, which had been circulated prior to the meeting, summarising the outcome of Internal Audit activity for the period July to September 2015.

RESOLVED:

To note the report.

18 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.35 pm

Signed by Chair:

Date:

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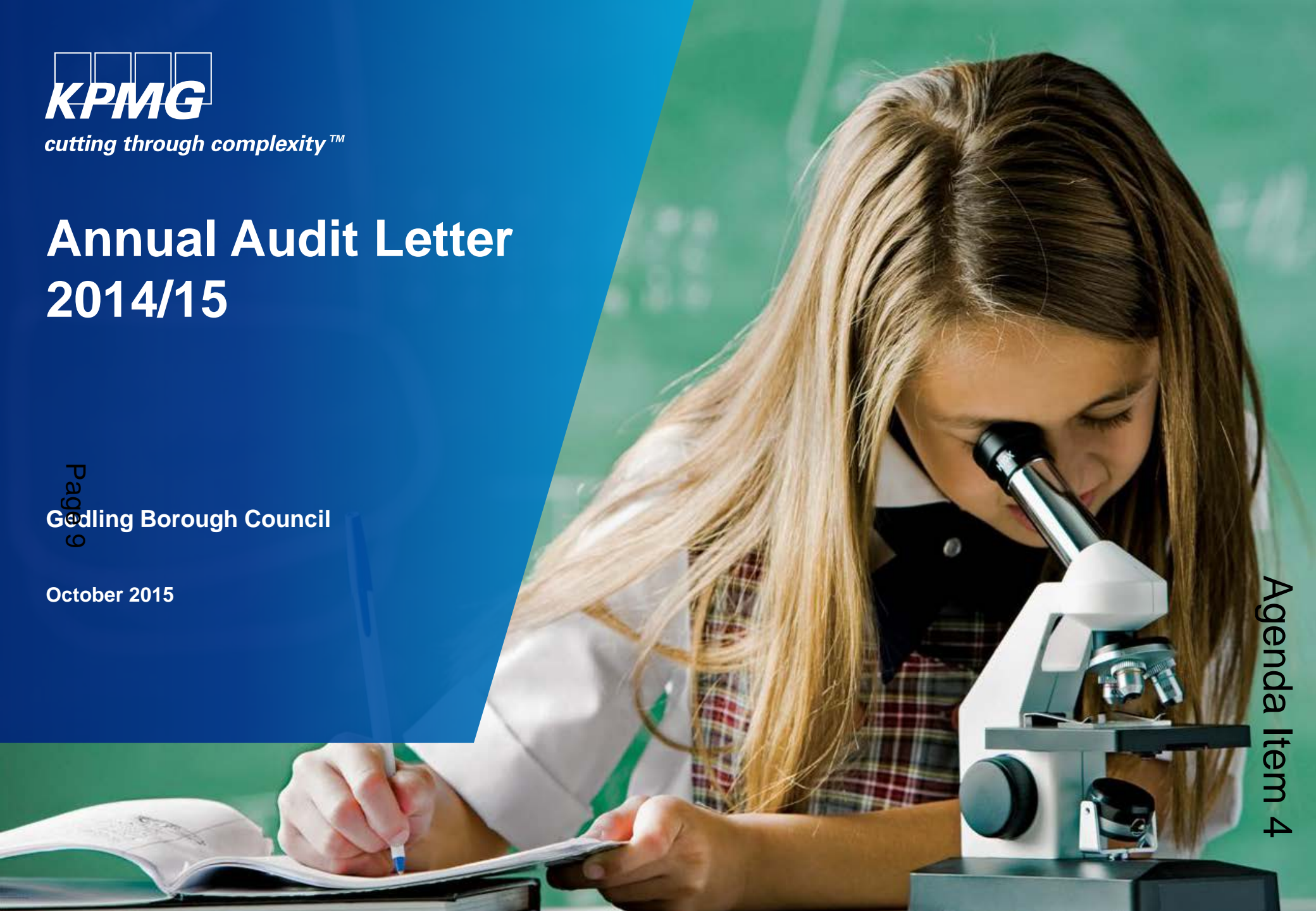


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Annual Audit Letter 2014/15

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Godling Borough Council

October 2015



Agenda Item 4

The contacts at KPMG in connection with this report are:

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Report sections

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2. Summary of reports issued	3
3. Audit fees	4

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bush, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Gedling Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

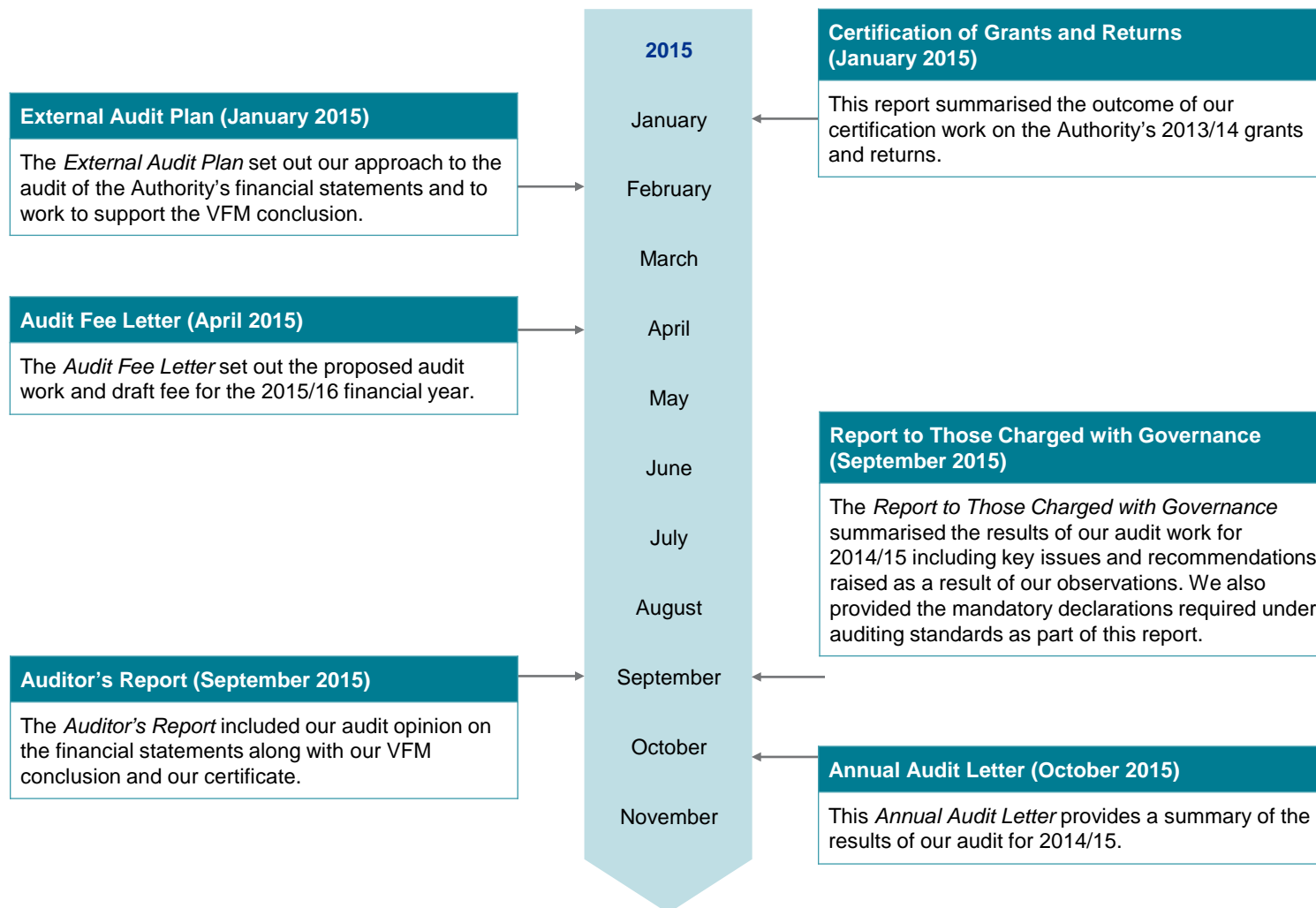
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 28/09/2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 28/09/2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority during 2014/15 with respect to the financial statements.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales. The audit of your financial statements did not identify any adjustments. This includes non-trivial adjustments of a presentational nature</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Certificate	<p>We issued our certificate on 28/09/2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our final fee for the 2014/15 audit of the Authority was £56,760, excluding VAT. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £56,760, which is in line with the planned fee. Our fees are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

In May 2011, prior to us becoming the appointed auditors to the Authority, the Council engaged KPMG to provide services to assist the Authority with the recovery of VAT in respect of sports fields and related facilities. The fee agreed for these services was a success fee of 15% of any amounts recovered from HMRC if the claim was ultimately successful. Subsequently, in November 2012, KPMG LLP was appointed as auditor of the 2012/13 year of account and subsequent financial years. APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. Action was therefore required to ensure compliance with the ethical standards. We have therefore proposed that a revised fixed fee of £42,500 is charged and the success fee element of our remuneration is removed. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work we will be seeking its approval for this fee.



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Report to Audit Committee

Subject: Corporate Risk Scorecard

Date: 15th December 2015

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

2. Background

A key deliverable of the Risk Management Strategy was the development of the Risk Management reporting process, with the key aim of streamlining reports to enhance their use in management's decision making. The Strategy introduced the Corporate Risk Scorecard as a key enabler to this objective.

The Corporate Risk Scorecard provides assurance on the key risks identified as Corporate Risks, which are provided in **Appendix B**.

The assurance opinion is based on reviews of the control environment from the following sources:

- a. Internal Audit,
- b. Management Review of Risk Registers and Supporting Controls,
- c. External Audit,
- d. External Assessment / Accreditation Bodies (e.g. ISO9000),
- e. Other assurance sources (e.g. Health & Safety).

Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These are subject to bi-annual review by senior management and on an ongoing basis through the work of Internal Audit.

3. Summary of Findings

The Corporate Risk Scorecard and supporting comments, as at December 2015, are provided below.

The methodology and assurance metrics adopted in producing the Corporate Risk Scorecard are provided for reference in **Appendix A**.

A summary of all control gaps currently identified on the Council's Risk register is provided in **Appendix C**.

4. Resource Implications

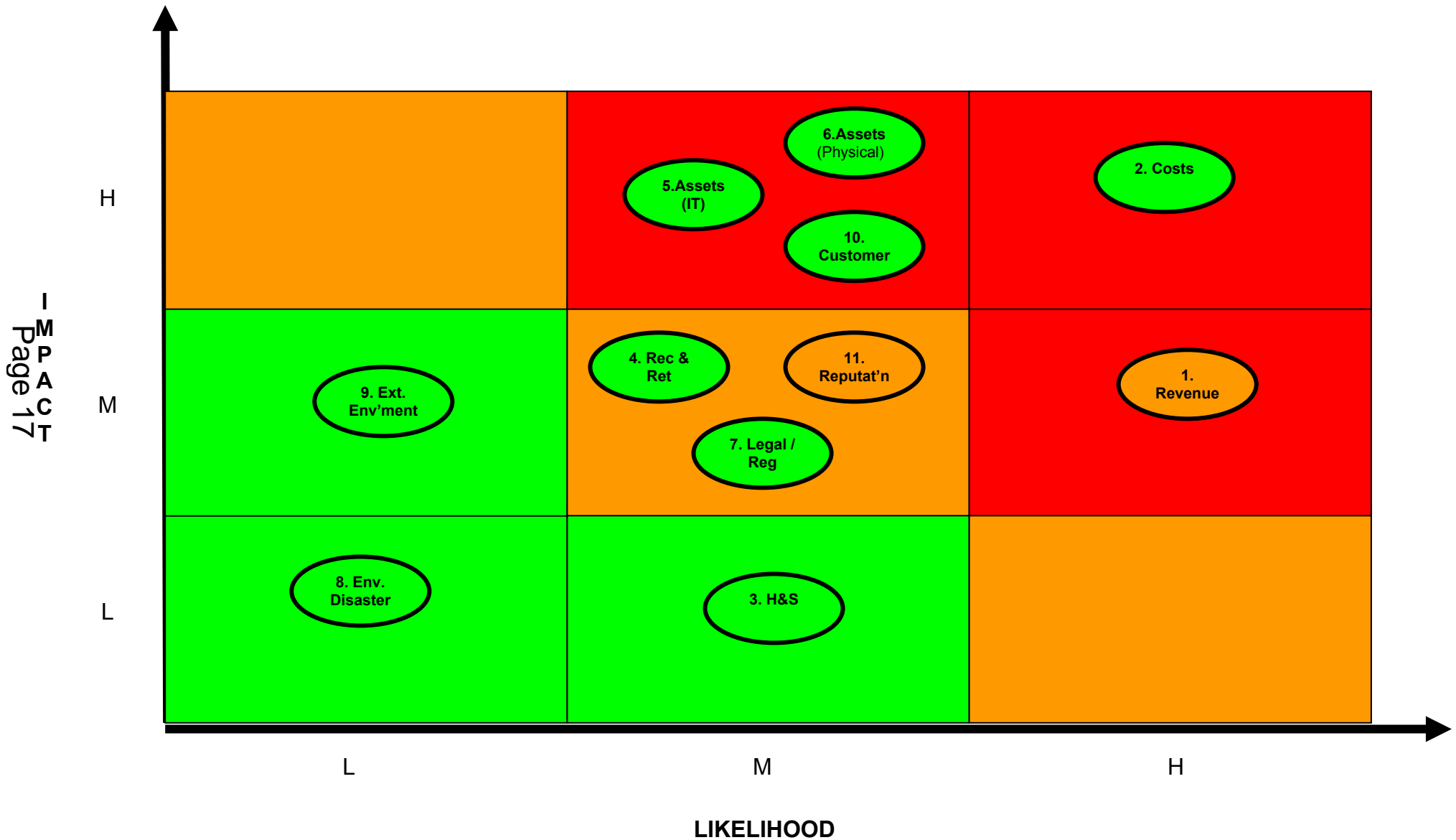
To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.



GEDLING BOROUGH COUNCIL

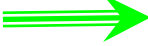













CORPORATE RISK SCORECARD – December 2015


















Supporting Comments & Explanations















1	<div data-bbox="252 277 780 315">FAILURE TO MAXIMISE REVENUE</div> <div data-bbox="252 360 614 398"><u>Owner:</u> Mark Kimberley</div> <div data-bbox="252 434 624 472"><u>Residual Risk Direction:</u></div> <div data-bbox="710 383 762 472"></div> <div data-bbox="987 315 1324 465"><table><tr><td>Inherent Risk</td><td><div></div></td></tr><tr><td>Residual Risk</td><td><div></div></td></tr></table></div> <div data-bbox="252 508 775 546"><u>Summary of Control Weaknesses:</u></div> <div data-bbox="252 582 1091 620"><p>There is an overall slight improvement to this risk category.</p></div> <div data-bbox="252 656 604 694"><u>Audit Recommendations</u></div> <div data-bbox="252 730 1340 801"><p>The number of outstanding medium risk internal audit recommendations has reduced from three to two.</p></div> <div data-bbox="252 837 1318 949"><p>This is due to a medium risk recommendation made in the review of Waste Income (IAR1415-15), relating to the production of management and performance information, having been implemented.</p></div> <div data-bbox="252 985 1385 1133"><p>The remaining medium risk recommendations were made in the review of Cash Receipting procedures (IAR1415-09) and relate to the requirement to enhance the “start-up” and “hopper float” reports to allow them to be countersigned by both members of staff undertaking the count.</p></div> <div data-bbox="252 1205 775 1243"><u>Risk Register</u> (Management Activity)</div> <div data-bbox="252 1279 1382 1391"><p>The squeeze on income and funding grants has been identified on the strategic risk register and is reflected in the annual budget process and medium term financial plan.</p></div> <div data-bbox="252 1426 1404 1538"><p>Modelling of the medium term financial plan has been undertaken to identify best and worse case scenario’s. Contingent strategies have been developed to respond to the wider spread of scenarios identified.</p></div> <div data-bbox="252 1574 1382 1686"><p>Whilst income pressures have eased with respect to Building and Development control, pressure is still prevalent on Leisure Income streams, particularly income levels within Leisure Centre’s.</p></div> <div data-bbox="252 1722 1369 1870"><p>An emerging risk has been identified with respect to Council Tax reforms potentially resulting in insufficient funds being available to fund Council Tax Reduction Scheme payments. This is a cautionary risk and a full review of the affordability of the scheme is underway.</p></div>	Inherent Risk	<div></div>	Residual Risk	<div></div>
Inherent Risk	<div></div>				
Residual Risk	<div></div>				


2	<p>FAILURE TO MINIMISE COSTS</p> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 60%;"> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is an overall slight improvement to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk recommendations has decreased from four to two.</p> <p>This is due to the two medium risk recommendations made in the Waste Income (IAR1415-15) report, relating to the review and update of Trade Waste policy and procedures, having been fully implemented.</p> <p>Two medium risk recommendations were identified in the review of Housing Benefits (IAR1415-08), relating to a lack of independent and timely review of write off and payment reports. Resource was identified as a key factor in these issues, both of which will be addressed via the completion of a staffing structure review.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> </div> <div style="width: 35%; text-align: center;"> <table border="1" data-bbox="1008 224 1345 374"> <tr> <td>Inherent Risk</td><td style="background-color: red;"></td></tr> <tr> <td>Residual Risk</td><td style="background-color: green;"></td></tr> </table> </div> </div>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
3	<p>HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF</p> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 60%;"> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium risk audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> </div> <div style="width: 35%; text-align: center;"> <table border="1" data-bbox="981 1395 1318 1545"> <tr> <td>Inherent Risk</td><td style="background-color: green;"></td></tr> <tr> <td>Residual Risk</td><td style="background-color: green;"></td></tr> </table> </div> </div>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

4	<p>FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF</p> <p><u>Owner:</u> Helen Barrington</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="963 284 1299 434"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> <p>Whilst there are no current control gaps highlighted in the risk register, recruitment and retention of staff is becoming an increasing problem for the Council to remain competitive with respect to pay and benefits, particularly where recruitment competes with the private sector. This is beginning to pose a specific problem with respect to experienced technically qualified professional staff.</p> <p>The Council has responded to this emerging risk and is in the process of completing an independent review to consider the competitiveness of its current pay and rewards policy.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
5	<p>FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)</p> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="1003 1525 1339 1675"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

	<p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>The number of minor controls gaps identified on the corporate risk register remains at one.</p> <p>This relates to resource issues identified in the planned roll out of further Resourcelink modules.</p>				
6	<p>FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)</p> <div style="display: flex; align-items: center; justify-content: space-between;"> <div> <p><u>Owner:</u> John Robinson</p> <p><u>Residual Risk Direction:</u></p> <p><u>Summary of Control Weaknesses:</u></p> </div> <div style="text-align: center;">  </div> <div> <table border="1"> <tr> <td>Inherent Risk</td><td style="background-color: red;"></td></tr> <tr> <td>Residual Risk</td><td style="background-color: green;"></td></tr> </table> </div> </div> <p>There is an overall slight deterioration to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>The number of control gaps identified on the corporate risk register has increased from one to two.</p> <p>The Leisure Services operational risk register identifies a minor control gap with respect to the need to develop new joint use agreements, particularly with respect to academy Schools. A management action plan is in place to address the risks identified.</p> <p>An emerging issue has been highlighted with respect to the potential loss/damage of deeds, contracts or agreements due to fire/water damage in the current storage area. An action plan is in place to complete the process of Voluntary Registration of title deeds at the Land Registry during 2015-16.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

7	<p>LEGAL / REGULATORY / CONTRACTUAL BREACH</p> <p><u>Owner:</u> Helen Barrington</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="992 515 1329 667"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is an overall slight improvement to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding high/medium risk audit recommendations has fallen from one to nil.</p> <p>This is due to the implementation of the high risk recommendation relating to the provision of valid Duty of Care Waste Transfer Notes for all customers made in the Trade Income report (IAR1415-15).</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
8	<p>ENVIRONMENTAL POLLUTION / DISASTER</p> <p><u>Owner:</u> David Wakelin</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="960 1467 1297 1619"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

	<p>corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>				
9	<p>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</p> <div> <div> <p><u>Owner:</u> John Robinson</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> </div> <table border="1"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> </div>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS & CUSTOMER SATISFACTION</p> <div> <div> <p><u>Owner:</u> John Robinson</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> </div> <table border="1"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> </div>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

	<p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>				
11	<p>DAMAGE TO REPUTATION</p> <p><u>Owner:</u> John Robinson</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="986 815 1321 965"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u> (Management Activity)</p> <p>The number of control gaps highlighted in the risk registers remains at seven.</p> <p>Two emerging issues relate to pressures on staff and services as a consequence of budgetary pressures. Communication plans have been developed and feedback will be monitored to identify potential issues.</p> <p>In addition further minor control gaps exist relating to the potential failure to implement the Community Infrastructure Levy and develop sustainable management arrangements at the Bonnington Theatre. Project teams have been established to address the issues and progress viable solutions.</p> <p>A minor control gap has also been identified within the operational risk register, relating to the potential failure to deliver housing numbers, including affordable</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

	<p>housing. Identified controls include a review of the current affordable housing policy and progression of local development scheme work with conurbation parties and Registered Social Landlord's. However, despite these efforts, the key factor in the short to medium term is likely to be the external environment and specifically the ongoing economic problems.</p> <p>A further minor control gap has been identified with respect to the potential failure to secure ongoing funding for CCTV and the ASB co-ordinator.</p> <p>A further emerging issue has been highlighted with respect to the potential failure to successfully deliver the Central European Funded Erasmus + Project. The Project Management team will implement governance procedures to monitor financial and target outcomes to ensure the aims of the project are met within a timely manner (3 year project).</p>
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Assurance Metrics

CORPORATE RISKS			
Assurance Level	No. of o/s Audit Recs. (Med/High)	Risk Register – medium control gaps ^{*1} (number)	Risk Register – high control gaps ^{*2} (number)
RED	16+	7+	2
AMBER	8-15	3-6	1
GREEN	0-7	1-2	0

^{*1} medium risk control gap = -1 to -3

^{*2} high risk control gap = > -3

The control gaps identified from the strategic and operational risk registers are the net result of the calculation ((Inherent risk – Target risk) – Residual risk)) i.e. the gap in control between the target risk and current risk.

Risk Assessment December 2015

Number of risk exposures by corporate risk:

Risk No.	Prior Assess.	Audit Assess.	Risk Register		Current Asses.	Direction
			Med.	High		
1	AMBER	2 (3)	5 (5)	0 (0)	AMBER	Improving
2	GREEN	2 (4)	0 (0)	0 (0)	GREEN	Improving
3	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
4	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
5	GREEN	0 (0)	1 (1)	0 (0)	GREEN	No Change
6	GREEN	0 (0)	1 (1)	1 (0)	GREEN	Deteriorating
7	GREEN	0 (1)	0 (0)	0 (0)	GREEN	Improving
8	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
9	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
10	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
11	AMBER	0 (0)	7 (7)	0 (0)	AMBER	No Change

Figures shown in brackets represent the previous quarter.

Corporate Risks

C U S T O M E R	Risk Category	Corporate Risk	Inherent Risk		Risk Owner	R I S K R E G I S T E R S
			Impact	L'hood		
	FINANCIAL	1. Failure to Maximise Revenue	M	H	M Kimberley	
		2. Failure to Minimise Costs	H	H	M Kimberley	
	PEOPLE	3. Health & Safety Failings / Protection of Staff	L	M	M Kimberley	
		4. Failure to Recruit & Retain Suitably Skilled Staff	M	M	H Barrington	
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley	
		6. Failure to Protect & Utilise Assets (Physical)	H	M	M Kimberley	
	LEGAL	7. Legal / Regulatory / Contractual Breach	M	M	H Barrington	
	ENVIRONMENT	8. Environmental Pollution / Disaster	L	L	D Wakelin	
		9. Adverse Events in the External Environment	M	L	J Robinson	
	CUSTOMER & REPUTATION	10. Failure to Maintain Service Standards & Customer Satisfaction	H	M	J Robinson	
11. Damage to Reputation		M	M	J Robinson		

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Risk Register summary of current control gaps:

Risk Ref.	Date Identified	Risk Description	Corp. Risk	Inherent Risk			Target Risk			Controls	Residual Risk			Control Status	Further Action (inc. Timescales)
				I	L	Rating	I	L	Rating		I	L	Rating		
S12	2004-05	Govt. grant settlement and other government grant significantly lower than anticipated.	1	2	2	4	1	1	1	Comprehensive Spending Review and Chancellor budgets and announcements provide forward projections which are factored into Medium Term Planning.	1	2	2	-1	Continue to monitor for emerging issues.
S12	2008-09	Budget pressure resulting from declining income (economy impact) and external cost pressures.	1	3	3	9	1	1	1	Robust M/T Financial Strategy. Budget planning and monitoring. Strategies being developed (efficiency / income). S151 Officer role – preventing unbalanced budget.	2	1	2	-1	Continue to monitor for emerging issues.
S22	2012-13	'Failure to produce a balance Medium Term Financial Plan (3 year horizon)	1	3	3	9	1	1	1	'MTFP balanced over 3 years Track record of achieving efficiencies and budget reductions Regular SLT/Cabinet budget reviews Controlling group manifesto pledges already delivered.	2	1	2	-1	Continue to monitor for emerging issues.
MK75	2013-14	CT Technical Reforms insufficient to fund CTRS scheme payments.	1	3	1	3	1	1	1	Monthly monitoring of CTRS caseload and expenditure for variances.	2	1	2	-1	Review of CTRS scheme affordability.
MK88	2007-08	Inability to maintain current level of income within Leisure Services.	1	3	3	9	1	2	2	New systems and procedures developed for DNA – marketing promotion / sales / retention. New membership options introduced. Ongoing monitoring of competitors.	2	2	4	-2	'Leisure and Community Centre Strategies to be undertaken.

HB18	2007-08	Failure to effectively implement self service for resourcelink leading to failure to secure efficiencies.	5	1	2	2	1	1	1	Project plan drafted. Resource requirements identified and programmed for implementation.	1	2	2	-1	Resource issues – may need to re-prioritise activities.
MK84	2004-05	Inability to finalise/ maintain Joint Use Agreements for all 3 sites, potentially resulting in reduced income, loss of maintenance funding and reduction in provision / service delivery.	6	1	3	3	1	1	1	Enter into new agreements. Ongoing management review. Included in medium term plan.	1	2	2	-1	'New, separate agreement now in place for Calverton with Seely School Governors and with NCC. New Joint Use agreement for all sites are needed. Academy Status at Redhill School and Wheldon School require variations to the existing agreement due to ownership issues. NB - third party reliance (NCC legal services).
HB23	2015-16	Loss of/ damage to original deeds, contracts or agreements in the event of fire. The deeds and contracts/ agreements are not stored in a fire proof room.	6	3	2	6	3	1	3	The majority of the Council's land holding is registered with the Land Registry. However, some remains unregistered and in the event of the loss of deeds, significant work is required to prove title. More recent contracts/ agreements are scanned so the Service holds an electronic copy in addition to the original. A copy of any contract/ agreement could be requested from the contractor if necessary.	3	2	6	-3	Complete process of Voluntary Registration of title deeds at the Land Registry during 2015-16.

S19	2008-09	Failure to deliver housing numbers, including affordable housing.	11	2	3	6	2	2	4	'Continue to engage with HaCA. Review current affordable housing policy (c/f SP15). Progress local development scheme work with conurbation parties and RSL's. In spite of all these measures, current market conditions mean that in short term, target numbers unlikely to be delivered even with all measures in place. Keep under review. Further uncertainty arising from new government policy, including abolition of RSS. Unlikely to be resolved until Localism Bill published at earliest.	2	3	6	-2	Future housing numbers assessment being commissioned. Considering review of Commuted Sum Policy.
DW46	2009-10	Failure to secure ongoing Home Office funding for CCTV and ASB co-ordinator.	11	2	2	4	2	1	2	Monitoring funding source. Consider alternative funding sources.	2	2	4	-2	Monitoring funding source Consider alternative funding sources.
SB64	2012-13	'Failure to implement Community Infrastructure Levy.	11	2	2	4	1	1	1	'Resulting in reduced ability to secure s106 contributions to mitigate the impact of new development. Reviewing introduction of CIL whilst not compromising the viability of the local housing market.	2	1	2	-1	Emerging risk, project developed.
MK95	2012-13	'Failure to develop arrangements for ongoing management and development of Bonnington Theatre.	11	2	2	4	1	1	1	Continue to work with Theatre User Forum and Theatres Trust to establish feasible options. Establish sustainable management structure.	2	1	2	-1	Emerging risk, review options and discussion outcomes.
MK97	2013-14	Inability to maintain current levels and standards of service as a result of budget reductions.	11	2	3	6	1	2	2	Communication plan. Monitoring of complaints and feedback.	1	3	3	-1	Monitor impact on morale, reputation and ability to meet service targets.
MK98	2013-14	Inability to maintain staff morale due to reductions in budgets, services and staff.	11	2	2	4	1	1	1	Communication plan. Monitoring of complaints and feedback.	1	2	2	-1	Increase communication and monitor feedback.

SB69	2015-16	Failure to successfully deliver the Central European Funded Erasmus + Project if funding is secured in July2015.	11	2	2	4	1	1	1	The Project Management team will implement governance procedures to monitor financial and target outcomes to ensure the aims of the project are met within a timely manner (3 year project).	2	1	2	-1
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Report to Audit Committee

Subject: Follow-up of Audit Recommendations

Date: 15th December 2015

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To monitor departmental progress in the implementation of Internal Audit recommendations.

To identify to members where additional action needs to be considered in relation to any outstanding recommendations.

2. Background

Internal Audit follow-up on the implementation of recommendations on a quarterly basis. The results of the initial follow-up are reported to the Corporate Director & Chief Financial Officer, who requests any outstanding recommendations are actioned immediately.

Any recommendations remaining outstanding following this instruction are reported to this committee.

3. Summary of Findings

Recommendations made in the following audit report were followed-up during the period October – December 2015.

- IAR1415-06 Debtors
- IAR1415-15 Waste Income

IAR1415-06 Debtors

The report, issued in October 2015, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Four low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in October 2015. The review confirmed that two recommendations had been fully implanted and two had been partially implemented. The two partially implemented recommendations, relating to the requirement to undertake an annual review of procedure documentation and the timely preparation and review of reconciliations have been reiterated in recommendations one and two of the current report (IAR1516-06).

IAR1415-15 Waste Income

The report, issued in June 2015, provided **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One high, three medium and one low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in October 2015. The review confirmed that four recommendations had been fully implemented, including the high risk recommendation in respect of duty of care waste transfer notes. The medium risk recommendation relating to the development of a management information reporting suite has been partially implemented. A draft set of performance indicators and management reporting arrangements have been developed and will be included in the Waste Service Plan for 2016-17.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.



Report to Audit Committee

Subject: Summary of Audit Activity

Date: 15th December 2015

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To summarise the outcome of Internal Audit activity for the period October to December 2015.

The report will highlight all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

2. Background

The report highlights all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

3. Summary of Findings

Final Reports Issued

The following reports have been finalised for the period October – December 2015.

- IAR1516-04 Lending & Borrowing
- IAR1516-06 Debtors

IAR1516-04 Lending & Borrowing

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. There were no recommendations made in the report.

IAR1516-06 Debtors

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Three low risk recommendations were made relating to low risk procedural issues with respect to annual review of procedural documentation and timely preparation and review of system reconciliations.

Work in Progress

Audit fieldwork and testing has been completed for the review of Housing Benefits. The draft report is being prepared, however, no significant issues have been raised. In addition audit fieldwork and testing is underway for the Council Tax and NDR reviews.

The remaining reviews for the 15-16 audit plan are scheduled to be completed within the financial year, with no reviews scheduled to be carried forward to 2016-17.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.



Report to Audit Committee

Subject: Annual Audit Risk Assessment

Date: 15th December 2015

Author: Service Manager - Audit & Asset Management

1. Purpose of the Report

To provide members with the opportunity to influence the audit risk assessment for the annual audit plan 2016-17.

For members to confirm whether any additional areas of audit work need to be considered.

2. Background

Members will recall a presentation earlier in the year where the current years audit risk assessment and plan were presented. It was agreed that the risk assessment and plan for subsequent years would be presented to the Audit Committee prior to the end of the financial year for consideration and input.

Within the audit risk assessment three areas were identified where members could influence the actual risk assessment. These areas are:

- (C) Impact per the Risk Matrix
- (G) Third Party sensitivity
- (J) Likelihood of occurrence per the Risk Matrix

Appendix A (i) is the Risk Matrix for all audit areas. The current assessment scores from this risk matrix are then summarised in **Appendix A (ii)**.

Appendix B is the Assessment criteria and current assessment results in relation to Third Party sensitivity.

The result of this committee's comments will be considered and included within the overall Audit Risk Assessment, which will be presented to the next meeting of the Audit Committee.

3. Recommendation

Members are requested to advise the Service Manager - Audit & Asset Management on what they consider to be the appropriate assessment for each individual audit in relation to:

1. (C) Impact per the Risk Matrix
2. (J) Likelihood of occurrence per the Risk Matrix
3. (G) Third Party sensitivity

Member's instructions are also requested on any additional areas of audit to be considered in the 2016-17 Annual Audit Plan.

Audit Risk Matrix

With current level of controls

Impact

			No Impact	Minor	Major	Catastrophic
risk score			1	2	3	4
Likelihood	4	Frequent				
	3	Probable				
	2	Possible		Insurance & Inventory, Leisure Income, Officers Disbursements, Risk Mgt, Cash-ups	Debtors, Payroll, NNDR, CTax, Bank Accs, Lending & Borrowing, Cash Receipting, Creditors, Contract, Data Protection, Health & Safety, Performance Inds, Licensing, Capital	HB, FMS Computer
	1	Almost Never			Leasing, VAT	

Assessment results

Appendix A (ii)

<u>Audit area</u>		<u>C</u> Impact	<u>J</u> Likelihood
Housing Benefits		4	2
Creditors		3	2
Leisure Income		3	3
Debtors		3	2
Payroll		3	2
FMS		4	2
NNDR		3	2
Council Tax		3	2
Bank Accounts		3	2
Lending & Borrowing		3	2
Cash Receipting		3	2
Capital		3	3
Insurance & Inventory		2	2
Officers Disbursements		2	2
Risk Mgt/ Corp Gov.		2	2
Cash-ups	Leisure	2	2
Cash-ups	Finance	2	2
Contract	Systems	3	2
Computer Audit		4	2
Data Protection		3	2
Health & Safety		3	2
Performance Indicators		3	2
Leasing		3	1
VAT		3	1
Licensing		3	2

Internal Audit Risk Assessment Model

ASSESSMENT CRITERIA

Assessment results

(G) Third Party Sensitivity

- 1 There are no tax, legal, regulatory or other third party implications
- 2 Minor sensitivity impact (likely to affect two or less customers /client types)
- 3 Typical sensitivity level
- 4 Significant sensitivity impact (Industrial relation impact/ borough wide issue)
- 5 There is very significant third party sensitivity

<u>Audit area</u>		<u>G</u> <u>Sensitivity</u>
Housing Benefits		4
Creditors		3
Leisure Income		2
Debtors		2
Payroll		4
FMS		3
NNDR		3
Council Tax		4
Bank Accounts		3
Lending & Borrowing		3
Cash Receipting		3
Capital		3
Insurance & Inventory		3
Officers Disbursements		2
Risk Mgt/ Corp Gov.		2
Cash-ups		
Cash-ups	Leisure	2
Cash-ups	Finance	2
Contract		
Contract	Systems	3
Computer Audit		4
Data Protection		4
Health & Safety		3
Performance Indicators		3
Leasing		2
VAT		3
Licensing		4

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Report to Audit Committee

Subject: Terms of Reference – Annual Review

Date: 15th December 2015

Author: Service Manager - Audit & Asset Management

1. Purpose of the Report

To undertake an annual review of the Terms of Reference of the Audit Committee and where appropriate update these to reflect the work being undertaken by the Committee.

2. Background

The Audit Committee met for the first time in February 2005. The original Committee Terms of Reference were approved by the Personnel and Resources Committee and full Council in December 2004.

The initial Terms of Reference have been subject to review and update on several occasions to reflect regulatory and organisational changes. In November 2005 CIPFA published a guide outlining suggested Terms of Reference for Local Authority Audit Committee's. These were not considered prescriptive or comprehensive for the Authority's requirements and were revised to ensure appropriateness for Gedling Borough Council. These differ slightly from the guidance and the changes reflect the working practices and delegation arrangements of this authority.

The current Terms of Reference are provided in **Appendix A**.

4. Recommendation

It is recommended that members consider the appropriateness of the current Terms of Reference.

CURRENT TERMS OF REFERENCE

AUDIT COMMITTEE

Audit Activity

- To consider the head of internal audit's annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- To consider summaries of internal audit reports.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To commission work from internal and external audit.

Risk Management

- Receiving quarterly reports with respect to the effectiveness of Risk Management procedures.
- Achievement of Business Continuity Plans.
- Notification of internal audit recommendations in respect of Risk Management procedures.

Regulatory Framework

- To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- To monitor the effective development and operation of risk management and corporate governance in the council.
- To monitor council policies on "Whistleblowing" and the anti-fraud and anti-corruption strategy and the council's complaints process.
- To review the Assurance Statement of the Chief Internal Auditor (Service Manager - Audit & Asset Management), in support of the authority's Annual Governance Statement.
- To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Key Task	Responsibility	Source Of Assurance	Schedule
Audit Activity	To consider the Head of Internal Audit's annual report and opinion and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.	Annual Internal Audit report.	Annually (June)
	To consider summaries of Internal Audit reports.	All audit reports issued in full.	Quarterly
	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Follow-up report of previous audit recommendations.	Quarterly
	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Code of Audit Practice. Statement of Responsibilities. Annual Audit Letter.	Annually – as published
	To consider specific reports as agreed with the external auditor.	Annual Governance Report.	Annually – as published
	To commission work from internal and external audit.	External – Annual Audit Letter. Internal – Annual Audit Plan.	Annually (Sept) Annually (March)
Risk Management	Receiving quarterly reports with respect to the effectiveness of Risk Management procedures.	Corporate Risk Scorecard.	Quarterly
	Monitoring of Business Continuity Plans.	Annual Internal Audit report. Corporate Governance Review.	Annually (June)
	Notification of internal audit recommendations in respect of Risk Management procedures.	Risk Management Strategy.	Ongoing
Regulatory Framework	To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.	Relevant documents available on the council's intranet site.	
	To monitor the effective development and operation of risk management and corporate governance in the council.	Risk Management Strategy. Corporate Risk Scorecard. Corporate Governance Review.	Ongoing Quarterly Annually (June)
	To monitor council policies on "Whistleblowing" and the anti-fraud and anti-corruption strategy and the council's complaints process.	Annual Internal Audit report. Corporate Governance Review. Fraud & Irregularities report.	Annually (June) Annually (June) Annually (June)
	To review the Assurance Statement of the Chief Internal Auditor, in support of the authority's Annual Governance Statement.	Annual Internal Audit report.	Annually (June)
	To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	Annual Internal Audit report. Corporate Governance Review. Risk Management Strategy. Annual Governance Statement.	Annually (June) Annually (June) Ongoing Annually (June)
Accounts	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	Annual Audit Letter. Annual Governance Report.	Annually – as published

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