



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

# Agenda

## **Audit Committee**

Date: **Tuesday 25 March 2014**

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Time: **5.30 pm**

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Place: **Committee Room**

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For any further information please contact:

**Lyndsey Parnell**

Members' Services Officer

0115 901 3910

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# Audit Committee

## Membership

<b>Chair</b>	Councillor Phil McCauley
<b>Vice-Chair</b>	Councillor Meredith Lawrence
	Councillor Chris Barnfather
	Councillor Paul Feeney
	Councillor Tony Gillam
	Councillor Mark Glover
	Councillor Richard Nicholson

## AGENDA

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| <b>1</b>  | <b>Apologies for Absence.</b>   |                |
| <b>2</b>  | <b>To approve, as a correct record, the minutes of the meeting held on 24 September 2014.</b>                                   | <b>1 - 4</b>   |
| <b>3</b>  | <b>Declaration of Interests.</b>  |                |
| <b>4</b>  | <b>Audit Commission Annual Audit Letter 2012/13</b>   | <b>5 - 12</b>  |
|           | Report of KPMG, External Auditors.<br>Item brought forward from meeting of Audit Committee 10 December 2013.                    |                |
| <b>5</b>  | <b>External Audit Plan 2013/14</b>  | <b>13 - 36</b> |
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| <b>6</b>  | <b>Gedling Borough Council Fraud Briefing</b>   | <b>37 - 52</b> |
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| <b>7</b>  | <b>Certification of Grants and Returns 2012/13</b>  | <b>53 - 60</b> |
|           | Report of KPMG, External Auditors   |                |
| <b>8</b>  | <b>Corporate Risk Score Card</b>  | <b>61 - 76</b> |
|           | Report of Service Manager, Audit and Risk Management.<br>Item brought forward from meeting of Audit Committee 10 December 2013. |                |
| <b>9</b>  | <b>Follow-up of Previous Audit Recommendations</b>  | <b>77 - 78</b> |
|           | Report of Service Manager, Audit and Risk Management.<br>Item brought forward from meeting of Audit Committee 10 December 2013. |                |
| <b>10</b> | <b>Annual Audit Plan - Risk Assessment</b>  | <b>79 - 84</b> |
|           | Report of Service Manager, Audit and Risk Management.<br>Item brought forward from meeting of Audit Committee 10 December 2013. |                |

<b>11</b>	<b>Summary of Audit Activity October- December 2013</b>	<b>85 - 86</b>
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<b>13</b>	<b>Corporate Risk Scorecard</b>	<b>91 - 106</b>
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<b>14</b>	<b>Follow-up of Audit Recommendations</b>	<b>107 - 110</b>
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<b>15</b>	<b>Summary of Audit Activity October- March 2014</b>	<b>111 - 114</b>
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<b>16</b>	<b>The Draft Annual Audit Plan 2014-15</b>	<b>115 - 120</b>
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## **MINUTES AUDIT COMMITTEE**

**Tuesday 24 September 2013**

Councillor Meredith Lawrence (Chair)

Present: Councillor Chris Barnfather                      Councillor Richard Nicholson  
            Councillor Paul Feeney

Absent:                                      Councillor Phil McCauley, Councillor Tony Gillam and  
  Councillor Mark Glover

Officers in Attendance:              M Kimberley, L Sugden and V Rimmington

**10            APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Councillors McCauley, Gillam and Glover.

**11            TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE  
MEETING HELD ON 18 JUNE 2013.**

**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 2012/13 financial year and their assessment of the Authority's arrangements to secure value for money in its use of resources.

**RESOLVED:**

To note the report.

**14            STATEMENT OF ACCOUNTS 2012/13**

Consideration was given to a Report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, seeking approval for the Council's Statement of Accounts for the 2012/13 financial year.

**RESOLVED:**

1. To approve the Statement of Accounts for 2012-13.
2. To note the letter of representation.

**15 CORPORATE RISK SCORECARD**

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, updating members on the current level of assurance that can be provided against each corporate risk.

**RESOLVED:**

To note the report.

**16 FOLLOW UP AUDIT RECOMMENDATIONS**

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, updating Members on departmental progress in the implementation of Internal Audit recommendations and highlighting any areas where additional action should be considered.

**RESOLVED:**

To note the report.

**17 SUMMARY OF AUDIT ACTIVITY**

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, summarising the outcome of Internal Audit activity for the period July to September 2013.

**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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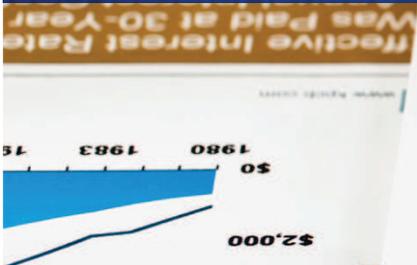
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# Annual Audit Letter 2012/13

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Gedling Borough Council

October 2013



Agenda Item 4

The contacts at KPMG in connection with this report are:

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## Report sections

- Headlines

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## Appendices

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2. Audit fees

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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 has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 03034448330.



## Section one Headlines

**This report summarises the key findings from our 2012/13 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 2012/13 financial statements and the 2012/13 VFM conclusion.**

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<b>VFM conclusion</b>	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 30 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion.</p> <p>We specifically considered the actions being taken by the Authority to achieve the savings identified to meet ongoing financial pressures. The Authority was on target to make the savings required and no additional significant issues had emerged in the year. We were satisfied that sufficient work in relation to this risk was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 30 September 2013. 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>
<b>Financial statements audit</b>	<ul style="list-style-type: none"> <li>■ No adjusted or unadjusted audit differences have been identified as part of the audit;</li> <li>■ We did not identify any significant matters which we were required to report to 'those charged with governance';</li> <li>■ We found that you had good processes in place for the production of your accounts and provided good quality supporting working papers with your draft accounts. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</li> </ul>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements.</p>

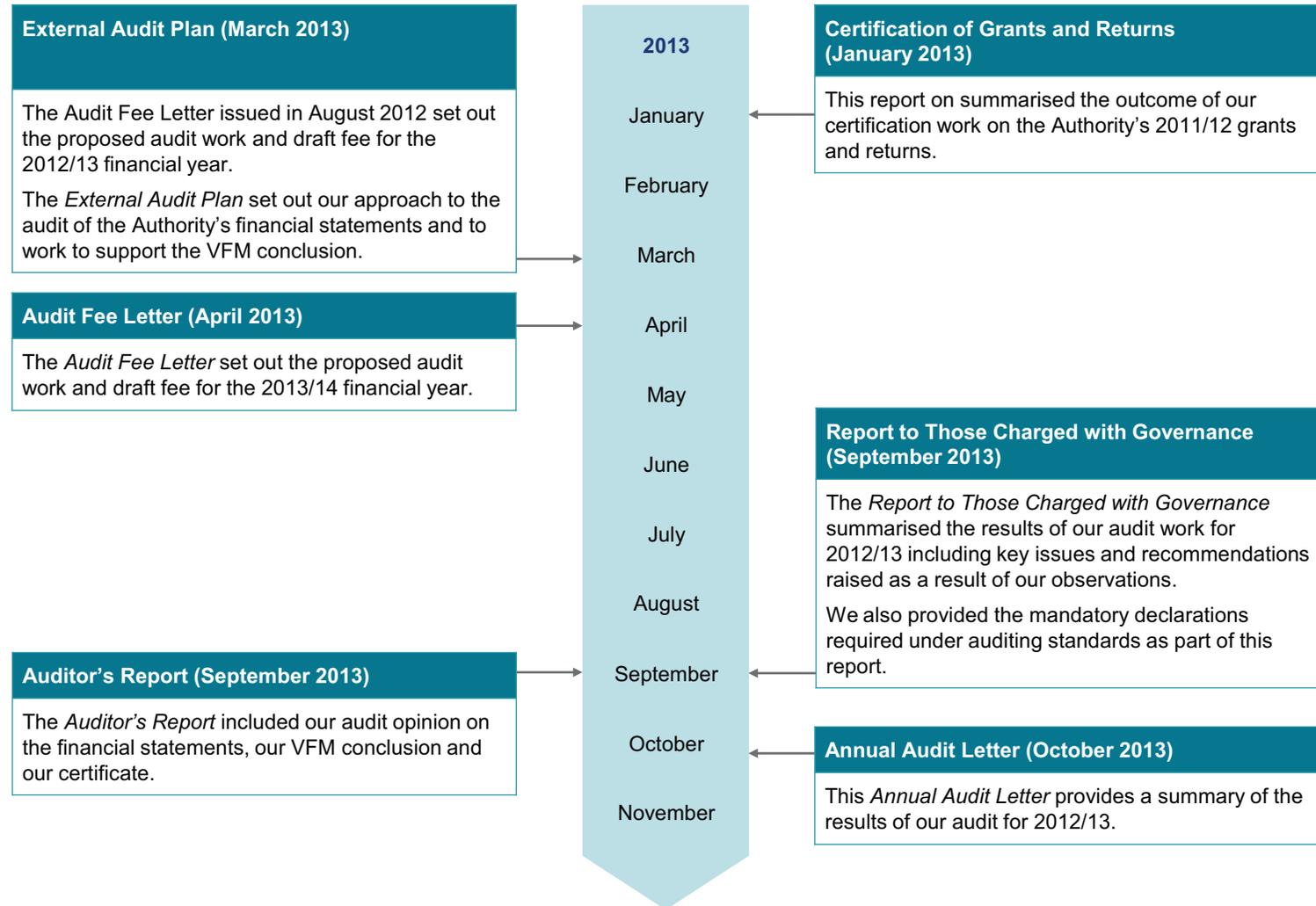


## Section one Headlines (continued)

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

Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
Certificate	We issued our certificate on 30 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2012/13 was £55,860, excluding VAT. Further detail is contained in Appendix 2.

This appendix summarises the reports we issued this year.



**This appendix provides information on our final fees for 2012/13.**

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

**External audit**

Our final fee for the 2012/13 audit of the Authority was £55,860. The Audit Commission's scale fee for the 2011/12 audit was £93,100. The 2012/13 fee reflects the reductions that the Audit Commission has been able to make to its scale fees following the market testing of audit services.

The final fee is the same as the planned fee and we have not needed to submit any additional fee requests to the Audit Commission.

**Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.



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# External Audit Plan 2013/14

**DRAFT**

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Gedling Borough Council

February 2014

Agenda Item 5

The contacts at KPMG in connection with this report are:

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## Report sections

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## Appendices

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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 has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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This document describes how we will deliver our audit work for Gedling Borough Council.

### Scope of this report

This document supplements our *Audit Fee Letter 2013/14* presented to you in April 2013. It describes how we will deliver our financial statements audit work for Gedling Borough Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2013/14.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

### Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

### Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements and Value for Money audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM work
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

### Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

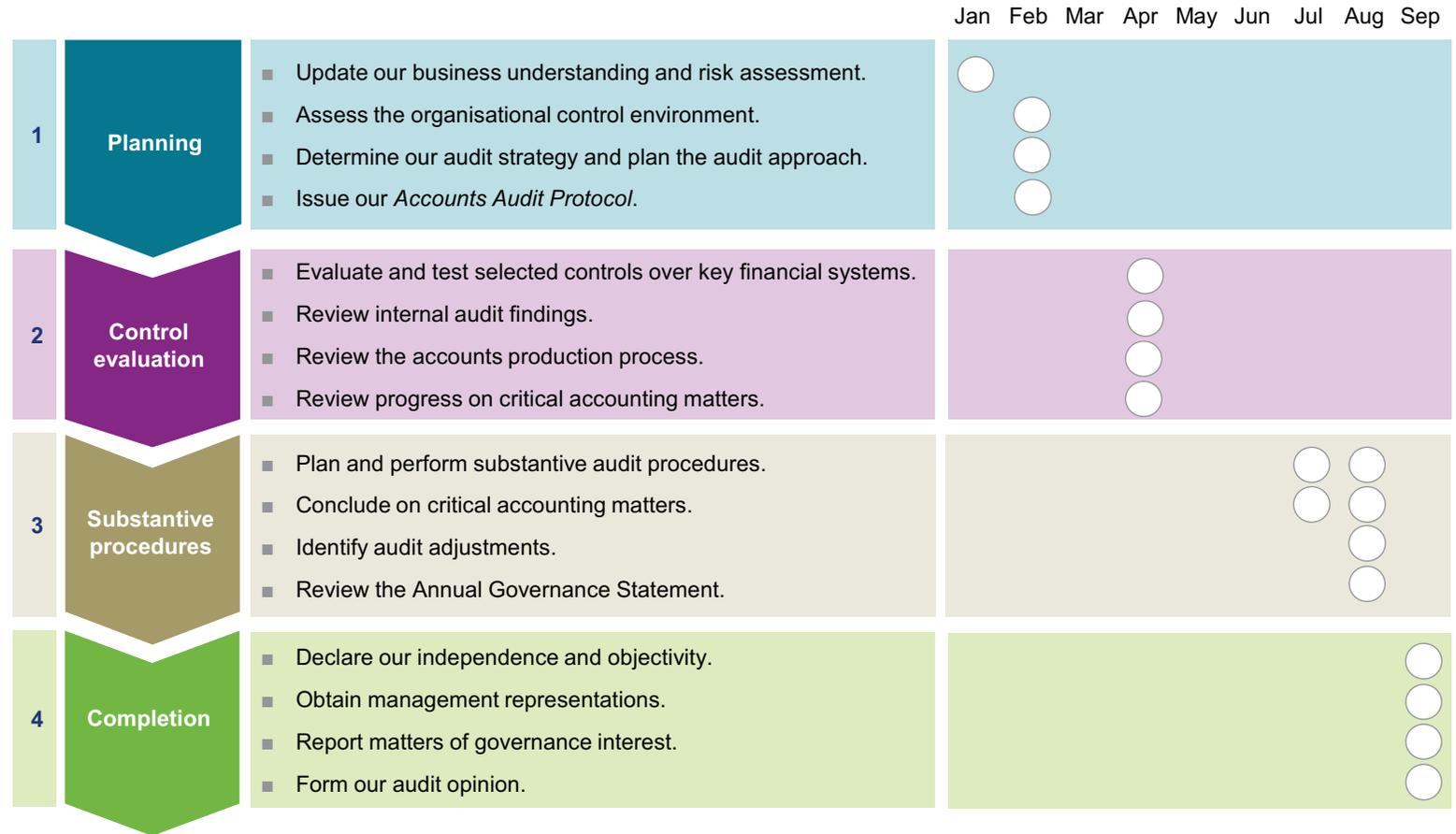
This table summarises the headline messages. The remainder of this report provides further details on each area.

<b>Audit approach</b>	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Chief Finance Officer.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
<b>Key financial statements audit risks</b>	<p>We have completed our initial risk assessment for the financial statements audit and have identified the following significant risk:</p> <ul style="list-style-type: none"> <li>■ During the year, the Local Government Pension Scheme (LGPS) has undergone a triennial valuation with an effective date of 31 March 2013. The IAS 19 numbers to be included in the financial statements of all admitted bodies for 2013/14 will be based on the output of the triennial valuation for the first time. The valuation is rolled forward to 31 March 2014, 31 March 2015 and 31 March 2016 for accounting purposes. As data provided to the actuaries for the triennial valuation (mostly by the pension fund) is more extensive than for the roll forward, it is likely that this year there is a risk around the accuracy of the estimate for pensions liabilities</li> </ul> <p>This is described in more detail on pages 9 to 10. We will assess the Authority's progress in addressing this risk area as part of our interim work and conclude this work at year end.</p>
<b>VFM audit approach</b>	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage.</p>
<b>Audit team, deliverables, timeline and fees</b>	<p>We have refreshed our audit team this year with a new Engagement Lead, and Audit Manager. The in-charge remains unchanged from the previous year.</p> <p>Our year end audit is currently planned to commence on 21<sup>st</sup> July 2014, prior to which we will issue an Accounts and Audit Protocol to set out in more detail the audit plan and working paper requirements. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i> and our Annual Audit Letter.</p> <p>The planned fee for the 2013/14 audit is £55,860. This is unchanged from the position set out in our <i>Audit Fee Letter 2013/14</i>.</p>

We undertake our work on your financial statements in four key stages during 2014:

- **Planning**  
(January to February).
- **Control Evaluation**  
(April).
- **Substantive Procedures**  
(July to August).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:



During January and February 2014 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

We will issue our *Accounts Audit Protocol* following completion of our planning work.

Our planning work takes place in January and February 2014. This involves the following aspects:

### Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

#### Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We have regular contact with the Financial Services Manager and Principal Accountant to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

#### Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

#### Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

#### Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We met with the Financial Services Manager and Principal Accountant in February to discuss mutual learning points from the 2012/13 audit. These will be incorporated into our work plan for 2013/14. We revisit progress against areas identified for development as the audit progresses.

During April 2014 we will complete our interim audit work.

We will assess if controls over key financial systems were effective during 2013/14.

We will work with your finance team to enhance the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Audit Committee.

Our interim visit on site will be completed from 22<sup>nd</sup> April 2014. During this time we will complete work in the following areas:

### Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the findings of the internal audit function.
- Review the accounts production process.
- Review progress on critical accounting matters.

#### Controls over key financial systems

We will update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We will confirm our understanding by completing walkthroughs for these systems. We will then test selected controls that address key risks within these systems. The strength of the control framework informs the amount of scope of substantive testing that we complete during our final accounts visit.

#### Critical accounting matters

Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment in relation to specific risks as part of our interim work.

During July to August 2014 we will be on site for our substantive work.

We will complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas.

We will then agree any audit adjustments required to the financial statements.

We will also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September 2014.

Our on site final accounts visit on site has been scheduled for the period 21st July 2014 to 1st August 2014. During this time, we will complete the following work:

### Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

### Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

### Critical accounting matters

We will conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss the Authority's approach to address the key risk areas with the Financial Services Manager in July 2014, prior to reporting to the Audit Committee in September 2014.

### Audit adjustments

During our on site work, we will meet with the Financial Services Manager on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage of our audit and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

### Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in September 2014.

**In addition to the financial statements, we also review the Authority's Whole of Government Accounts pack.**

**We may need to undertake additional work if we receive objections to the accounts from local electors.**

**We will communicate with you throughout the year, both formally and informally.**

**We will confirm our independence.**

### Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. Our approach has been agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and issue of our opinion on the pack have not yet been confirmed.

### Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 16.

### Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place which, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

### Confirmation statement

We confirm that as of date of this report in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

**In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.**

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this presumed risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The table overleaf sets out the only significant risk we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

We have outlined the impact of our one key risk area on our audit plan.

Key audit risks	Impact on audit
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Pension Liability</li> <li>■ Actuarial gains and losses</li> </ul>	<p><b>Risk</b></p> <p>During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council who administer the Pension Fund.</p> <p><b>Our audit work</b></p> <p>As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data.</p> <p>We will liaise with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf. The Pension Fund may seek to recharge any additional costs arising from this work.</p>

Our approach to VFM work follows guidance provided by the Audit Commission.

### Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

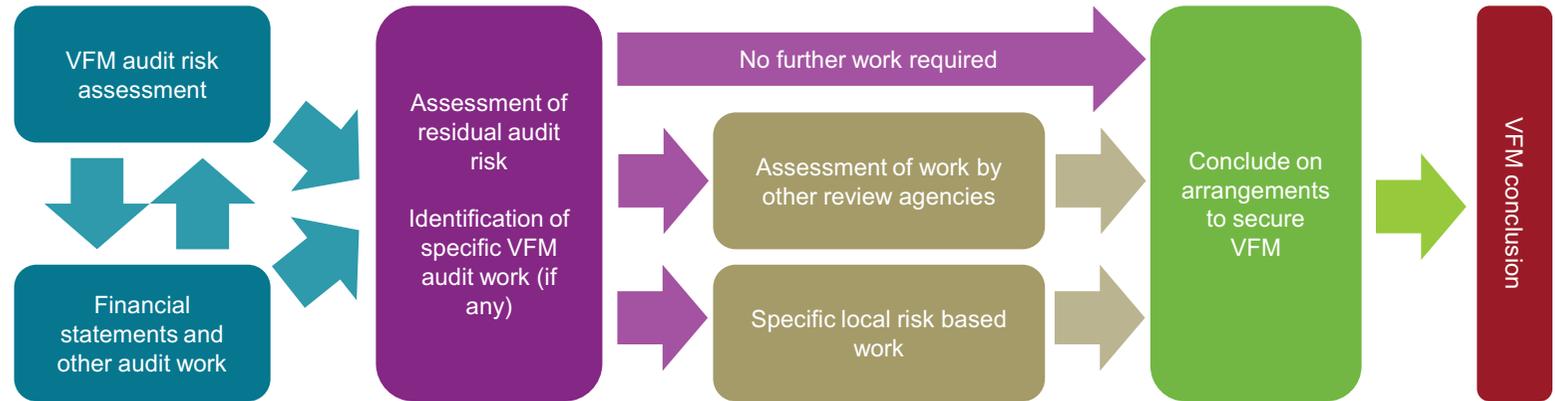
The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing <b>financial resilience</b> .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial governance</li> <li>■ Financial planning</li> <li>■ Financial control</li> </ul>
The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b> .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>	<ul style="list-style-type: none"> <li>■ Prioritising resources</li> <li>■ Improving efficiency and productivity</li> </ul>

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

### Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>information from the Audit Commission's VFM profile tool and financial ratios tool;</li> <li>evidence gained from previous audit work, including the response to that work; and</li> <li>the work of other inspectorates and review agencies.</li> </ul>

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>local savings review guides based on selected previous Audit Commission national studies; and</li> <li>update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Your audit team has been drawn from our specialist public sector assurance department. Our audit team have been refreshed from last year's audit, with a new Engagement Lead and Manager.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Neil Bellamy  
**Director**

"My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit Committee and Chief Executive."



Richard Walton  
**Manager**

"I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with the Director to ensure we add value."



Thomas Tandy  
**Assistant Manager**

"I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants."

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report as appropriate with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
<b>Planning</b>		
<b>External Audit Plan</b>	<ul style="list-style-type: none"> <li>■ Outlines our audit approach.</li> <li>■ Identifies areas of audit focus and planned procedures.</li> </ul>	<b>February 2014</b>
<b>Control evaluation and Substantive procedures</b>		
<b>Report to Those Charged with Governance (ISA 260 Report)</b>	<ul style="list-style-type: none"> <li>■ Details control and process issues.</li> <li>■ Details the resolution of key audit issues.</li> <li>■ Communicates adjusted and unadjusted audit differences.</li> <li>■ Highlights performance improvement recommendations identified during our audit.</li> <li>■ Comments on the Authority's value for money arrangements.</li> </ul>	<b>September 2014</b>
<b>Completion</b>		
<b>Auditor's Report</b>	<ul style="list-style-type: none"> <li>■ Provides an opinion on your accounts (including the Annual Governance Statement).</li> <li>■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>	<b>September 2014</b>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>■ Provide our opinion on the Authority's WGA pack submission.</li> </ul>	<b>September 2014</b>
<b>Annual Audit Letter</b>	<ul style="list-style-type: none"> <li>■ Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>	<b>November 2014</b>

We will be in continuous dialogue with you throughout the audit.

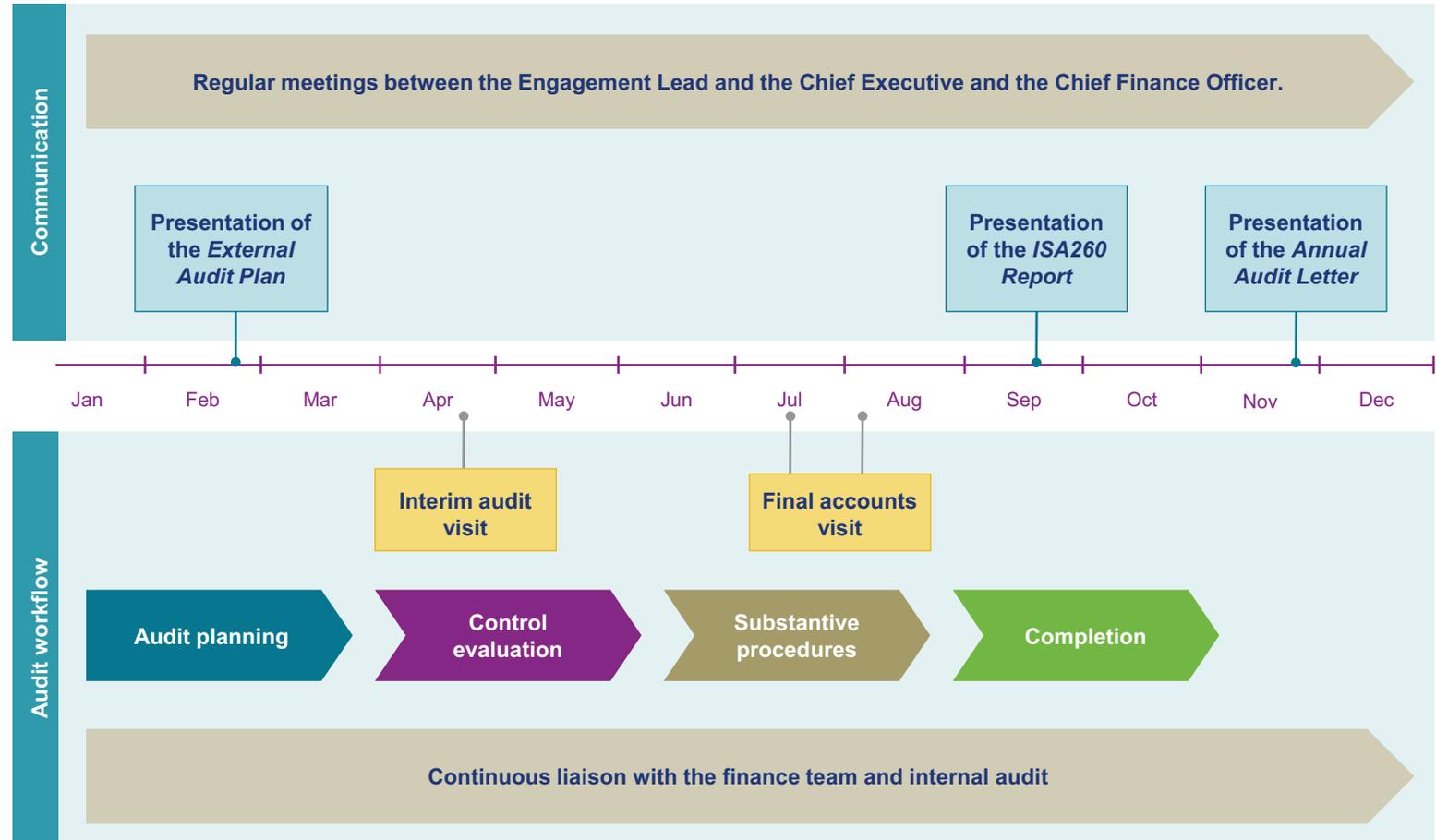
Key formal interactions with the Audit Committee are:

- February – External Audit Plan;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visit during April.
- Final accounts audit during July and August.



Key: ● Audit Committee meetings.

The fee for the 2013/14 audit of the Authority is £55,860. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

### Audit fee

Our *Audit Fee Letter 2013/14* presented to you in April 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2013/14 is £55,860. This is inline with the 2012/13 fee.

### Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

### Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Corporate Director and Chief Finance Officer.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

**Independence and objectivity**

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Neil Bellamy as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

**We continually focus on delivering a high quality audit.**

**This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.**

**Quality must build on the foundations of well trained staff and a robust methodology.**

**Commitment to technical excellence and quality service delivery:**

Our professionals bring you up-to-the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

**Our quality review results**

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.



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# Protecting the Public Purse Fraud Briefing 2013 Gedling Borough Council

Page 37



# Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

*And do not forget*

- Checklist for those charged with governance (Appendix 2 of PPP 2013)*
- Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*

# Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

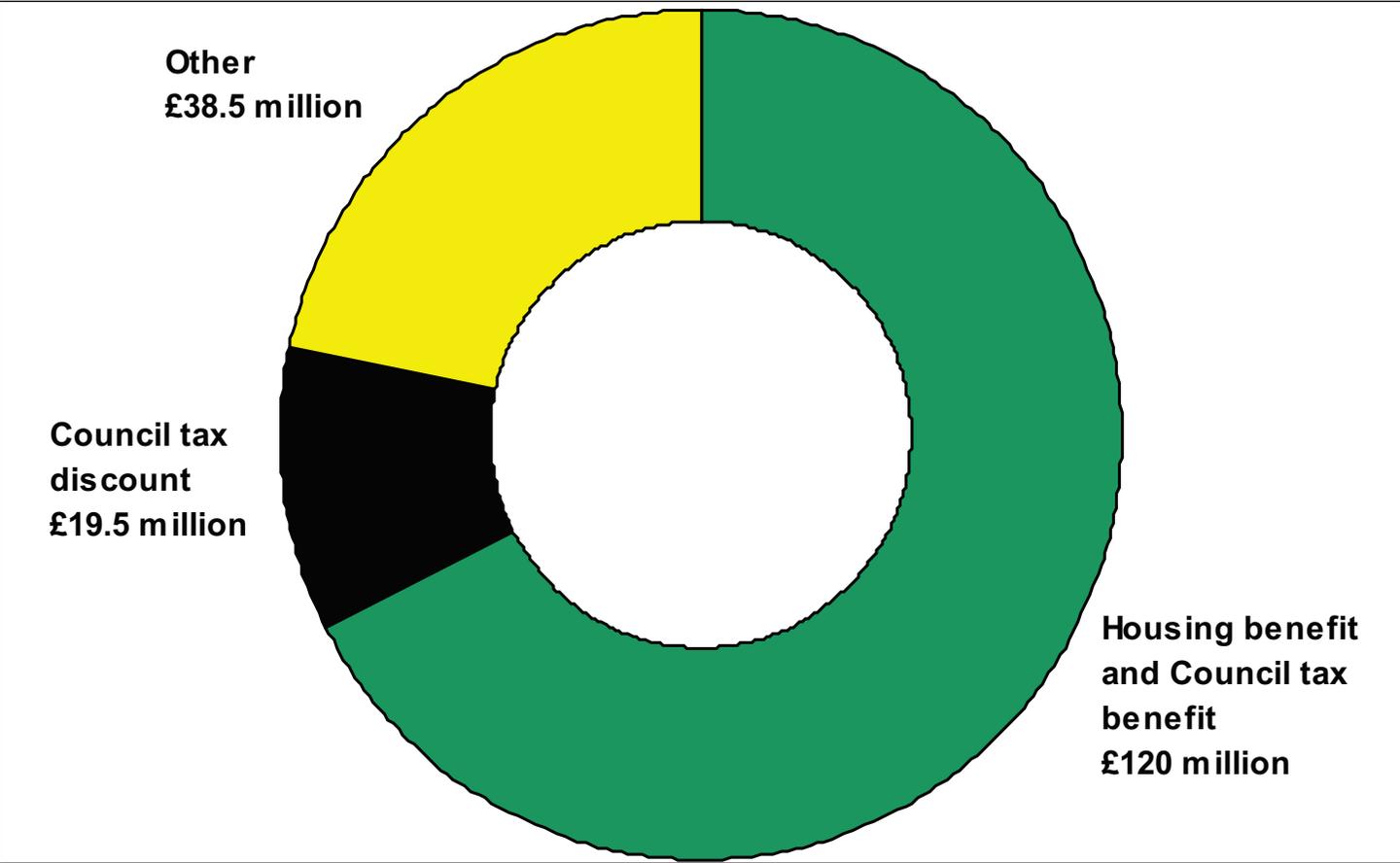


# Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

# National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



*Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%*



# Interpreting fraud detection results

- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

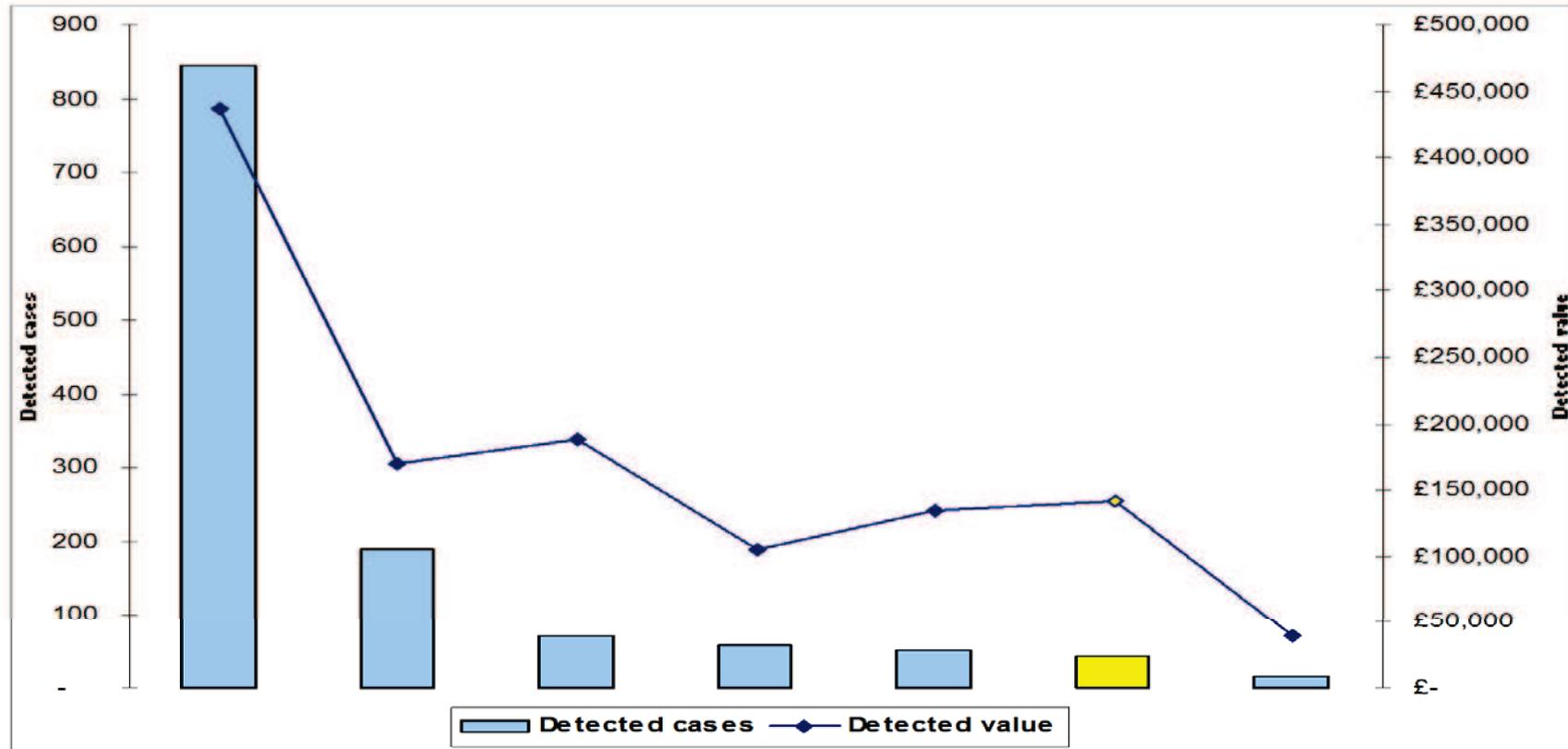
*Your council is highlighted in yellow in the graphs that follow*

# The local picture

## How your council compares to other district councils in your county area

### Total detected cases and value 2012/13

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Gedling detected: 43 cases, valued at £141,913

DC average for your county area: 182 cases, valued at £173,891

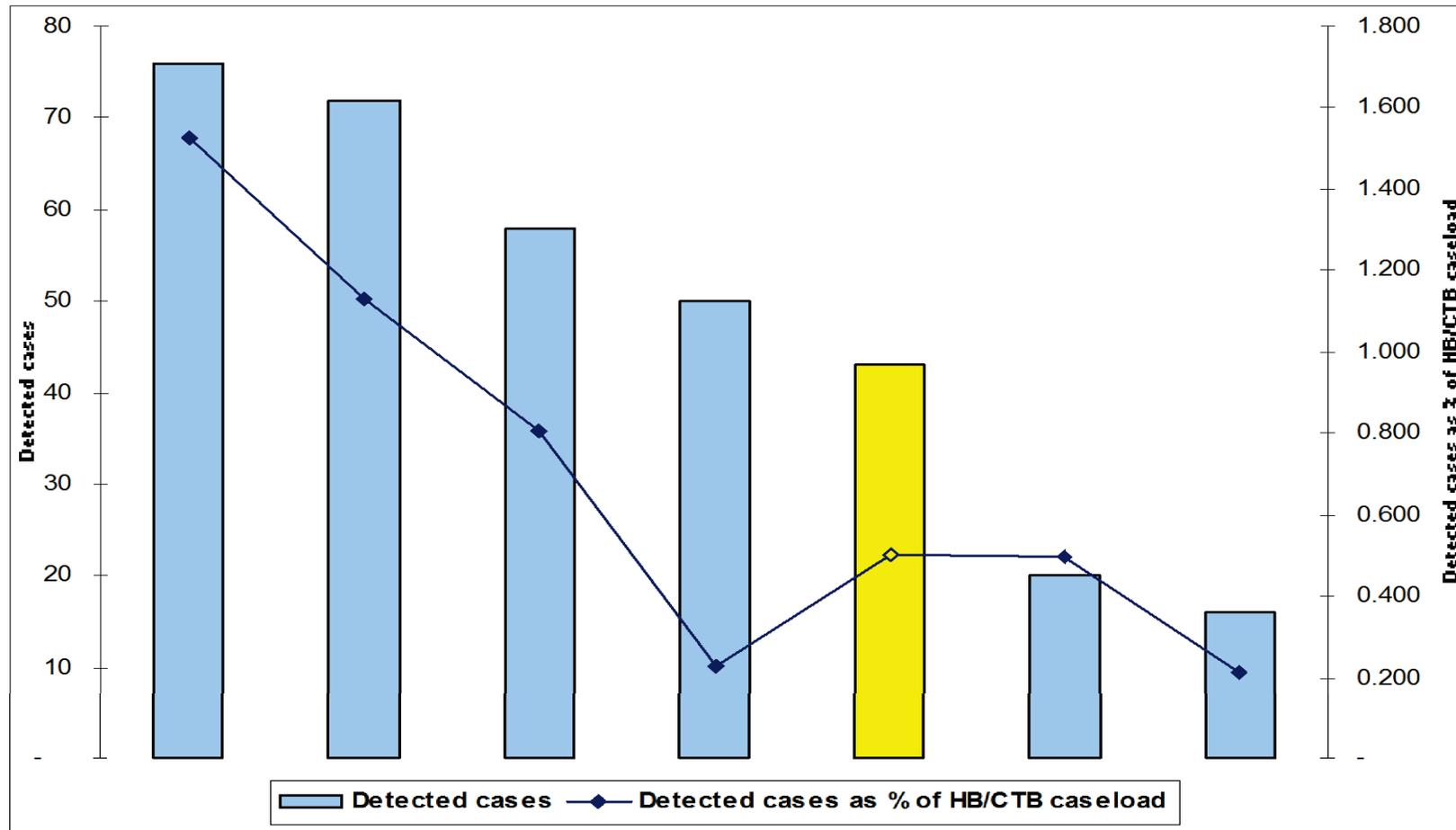


# District councils in your county area 2012/13

## Housing benefit (HB) and Council tax benefit (CTB) fraud

### Detected cases and detected cases as a percentage of HB/CTB caseload

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Gedling detected: 43 cases, valued at £141,913

DC average for your county area: 48 cases, valued at £132,456

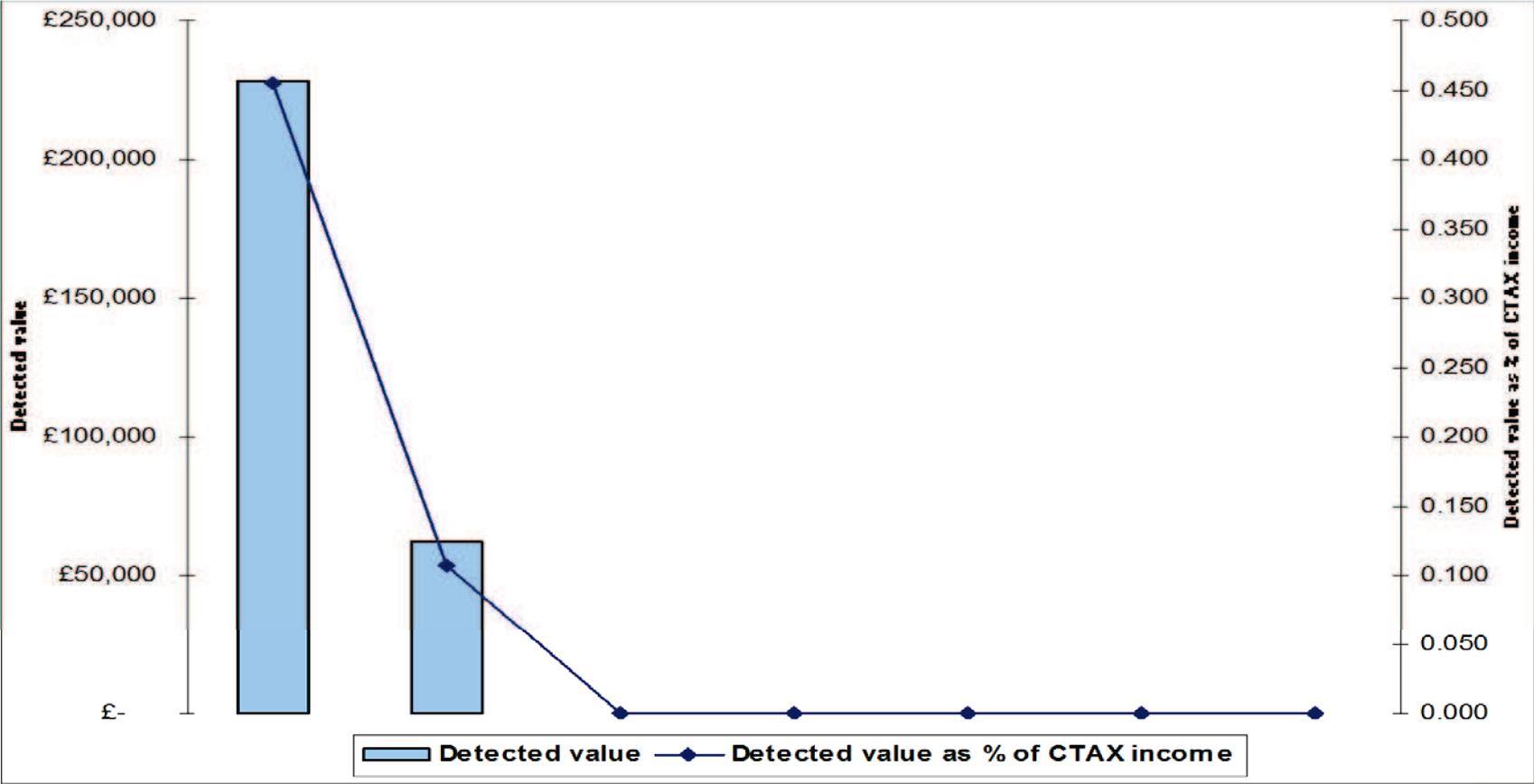


# District councils in your county area 2012/13

## Council tax (CTAX) discount fraud

### Detected value and detected value as a percentage of council tax income

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Gedling detected: no cases

DC average for your county area: 134 cases, valued at £41,435



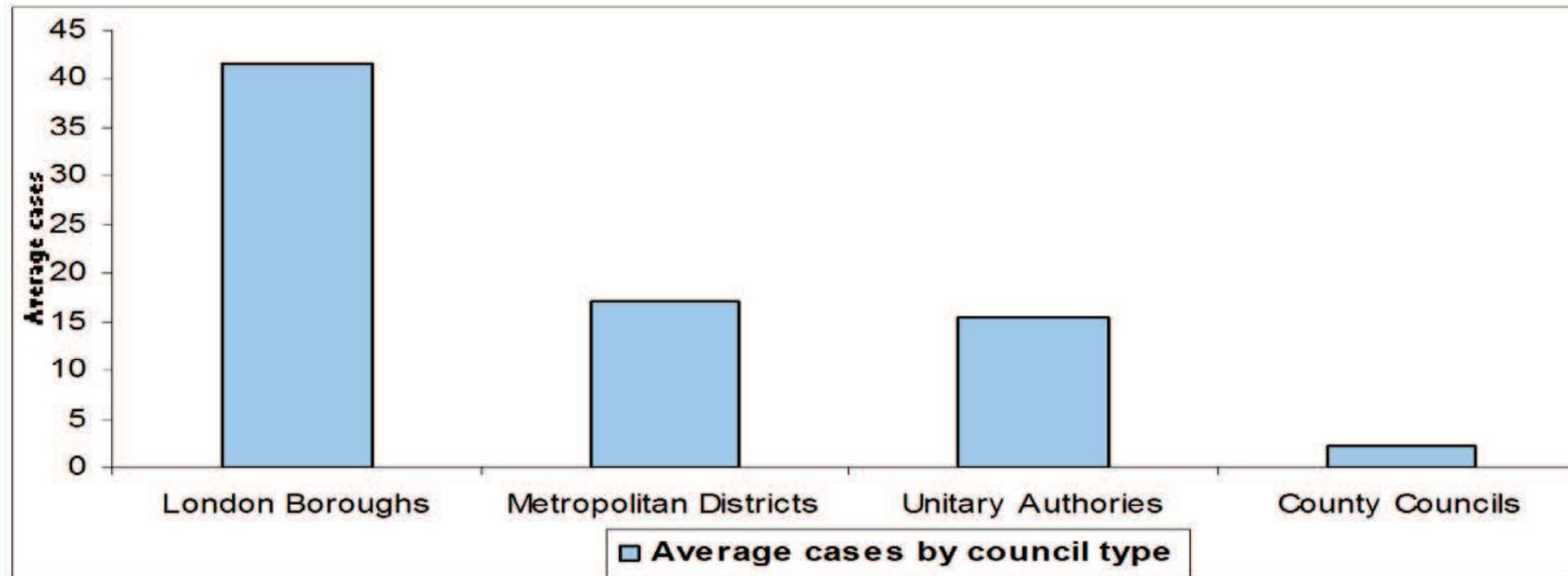
# Gedling Borough Council

## Other frauds

- **Procurement:** no cases  
*(Ave per DC in your county area: no cases  
Total for all local government bodies in your region: 4 cases, valued at £39,044)*
- **Insurance:** no cases  
*(Ave per DC in your county area: no cases  
Total for all local government bodies in your region: 3 cases, valued at £7,300)*
- **Economic & Third sector:** no cases  
*(Ave per DC in your county area: no cases  
Total for all local government bodies in your region: 2 cases, valued at £54,730)*
- **Internal fraud:** 1 case, valued at £1,262  
*(Ave per DC in your county area: <1 case, valued at £2,572  
Total for all local government bodies in your region: 59 cases, valued at £353,807)*

*Correctly recording fraud levels is a central element in assessing fraud risk  
It is best practice to record the financial value of each detected case*

## Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

# District councils without housing stock 2012/13

## Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

# Any questions?



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Corporate Director  
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Our ref **rw**

11/03/2014

Dear Mark

**Audit Commission Fraud Briefing – Gedling Borough Council**

The Audit Commission published ‘Protecting the Public Purse’ on 14 November 2013. The report highlights current and emerging fraud risks in local government and provides summary information on fraud detection activities.

Further to this report the Audit Commission have produced individually tailored fraud briefings for each Council. These briefings have now been issued and I have attached the briefing for Gedling Borough Council.

The briefing provides benchmark information on fraud detection activities for Gedling compared with similar local authorities. It’s prepared mainly for the benefit of senior officers and councillors responsible for governance (i.e. members of the Audit Committee) and provides information to help councils re-evaluate risks and strategies prior to preparing and approving the Annual Governance Statement.

We are happy to present this paper at the next Audit Committee. If you wish to discuss the contents of this briefing then please let me know.

Yours sincerely

Richard Walton  
Manager

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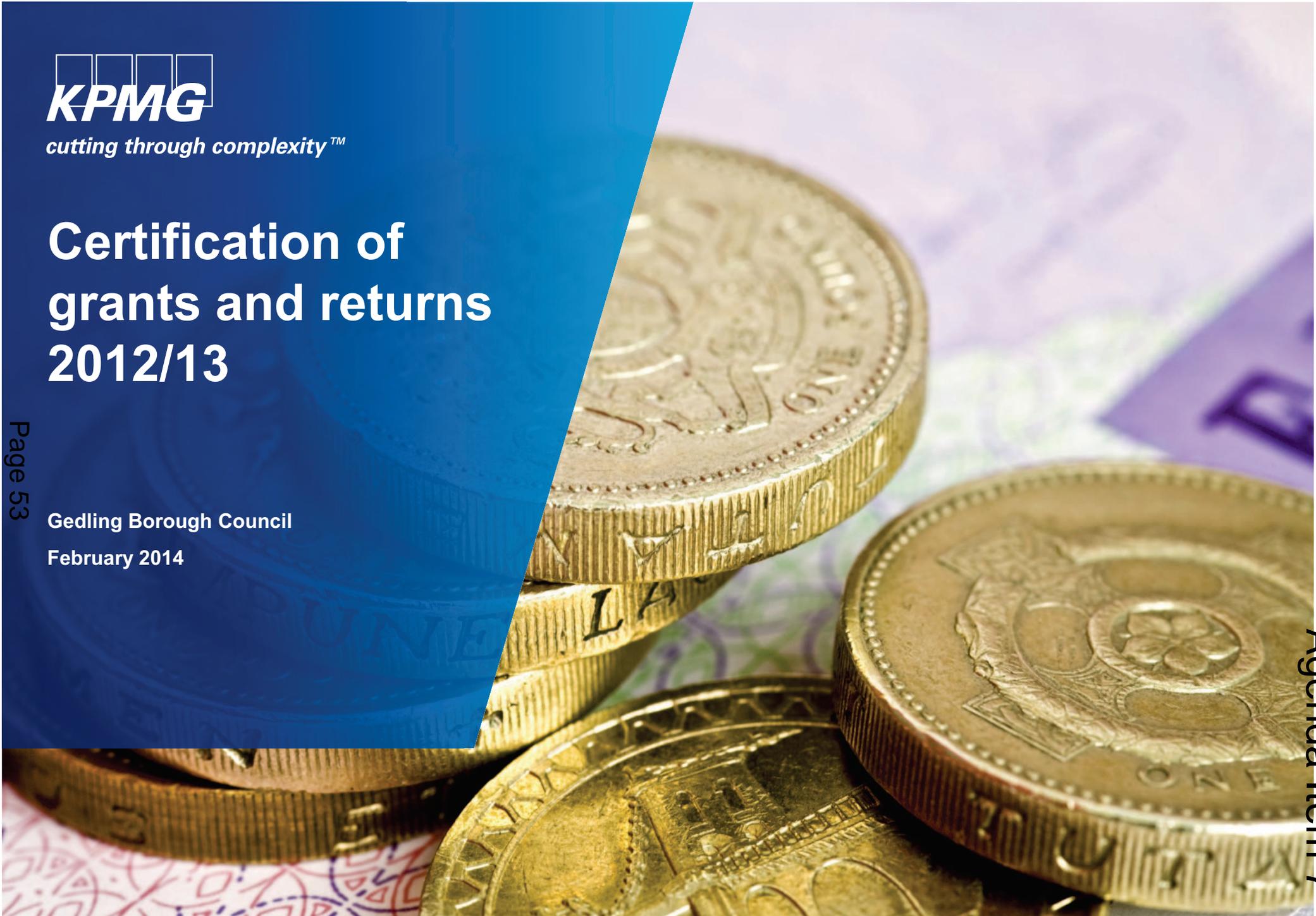
# Certification of grants and returns 2012/13

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Gedling Borough Council

February 2014

Agenda Item 7



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in connection with this  
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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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, who is the engagement leader to the Authority (telephone 0116 256 6082, e-mail [neil.bellamy@kpmg.co.uk](mailto:neil.bellamy@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 444 8330.



## Certification of grants and returns 2012/13 Headlines

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Introduction and background	<p><b>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</b></p> <p>For 2012/13 we certified one claim (Housing and Council Tax Benefits Scheme) with a total value of £34,252k and one return (National Non Domestic Rates) with a total value of £20,512k.</p>	-
Certification results	<p><b>We issued an unqualified certificate for the National Non Domestic Rates return but amendment and qualification was necessary for the Housing and Council Tax Benefit Scheme.</b></p> <ul style="list-style-type: none"> <li>■ For the Housing and Council Tax Benefit Scheme, two different types of errors were identified which required additional testing. The majority of these errors relate to how the system had offset overpayments against prior underpayments of benefit. These errors are not significant individually but required further investigation in line with the DWP approach. In accordance with the certification instructions a qualification was mandated as a result of identifying errors of this nature.</li> <li>■ These results are in line with those for 2011/12 where a qualification letter was also issued in relation to the Housing and Council Tax Benefits claim for similar errors.</li> </ul>	Pages 3
Audit adjustments	<p><b>Two minor adjustments were necessary to the Housing and Council Tax Benefit Scheme as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ These adjustments (totalling £2k) was made to the Housing and Council Tax Benefit Scheme following the Authority being proactive and carrying out further testing following two types of errors found in our initial testing.</li> </ul>	Pages 4
The Council's arrangements	<p><b>The Council has good arrangements for preparing its grants and returns and supporting our certification work .</b></p> <p>All grants were submitted on a timely basis and had been correctly identified as requiring certification in line with the Certification Instruction Index issued by the Audit Commission. The records kept in relation to grants and returns were generally accurate and sufficient.</p>	
Fees	<p><b>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £16,150. The actual fee is in line with the indicative fee.</b></p> <p>The actual fee is in line with the indicative fee due to there being no increase in the number of errors found on prior work and due to the good level of cooperation received from officers at the Authority who enabled the work to be completed to plan.</p>	Page 5

## Certification of grants and returns 2012/13

### Summary of certification work outcomes

Overall, we certified one claim and one grant:

The NNDR return was unqualified with no amendment; and

The Housing Benefit grant required a qualification to our audit certificate, details of which are provided on the following page.

Detailed below is a summary of the key outcomes from our certification work on the Authority's 2012/13 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit	1				
National Non Domestic Rates return	2				
		1	0	1	1

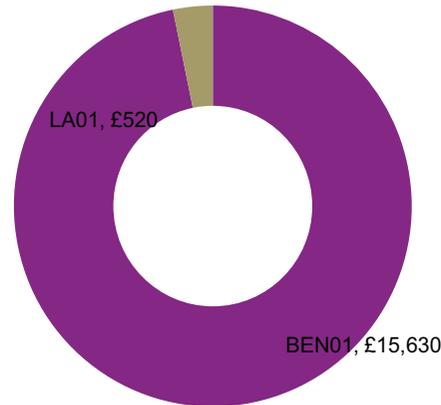
This table summarises the key issues behind the qualification that was identified on the previous page.

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Ref	Summary observations	Amendment
1	<p><b>Housing and Council Tax Benefits scheme</b></p> <p>Amendments to the claim totalling £2k were made to the claim following the audit. This compares to £1k of amendments last year.</p> <p>Prior to starting the 2012/13 claim the certification instructions required us to complete testing on the errors identified during our 2011/12 audit to confirm whether they are still present in the 2012/13 claim. The main issues in 2012/13 related to the offsetting of overpayments against prior underpayments. The system used to administer benefit payments did not do this accurately.</p> <p>Despite raising this with the software provider and implementing actions the provider suggested the errors have again been found in the 2012/13 sample. This is reported in the qualification letter to the DWP. The errors individually and in total are minor rounding differences so there is not a large impact on the claim.</p>	£2k

Our overall fee for the certification of grants and returns has been contained within the original estimate.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	15,630	27,724
LA01 – National Non Domestic Rates return	520	2,170
Reporting	N/A	483
<b>Total fee</b>	<b>16,150</b>	<b>30,377</b>

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £16,150. Based on the actual work we carried out the actual fee we charged was in line with the indicative fee.

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £16,150. This indicative fee was based on the time taken to audit the same returns in 2010/11 and then reduced by 40%. Based on the actual work we carried out this year the actual fee we have charged is in line with the indicative fee.

For the LA01 return we carried out more detailed testing in 2011/12 than this year, which explains why our fee was higher last year. We are required to do more detailed testing at least every three years.



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## Report to Audit Committee

**Subject:** Risk Scorecard

**Date:** 10<sup>th</sup> December 2013

**Author:** Service Manager – Audit & Risk 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

The current Risk Management Strategy was considered and approved by Cabinet in February 2007.

A key deliverable of the 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 2013, 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**.

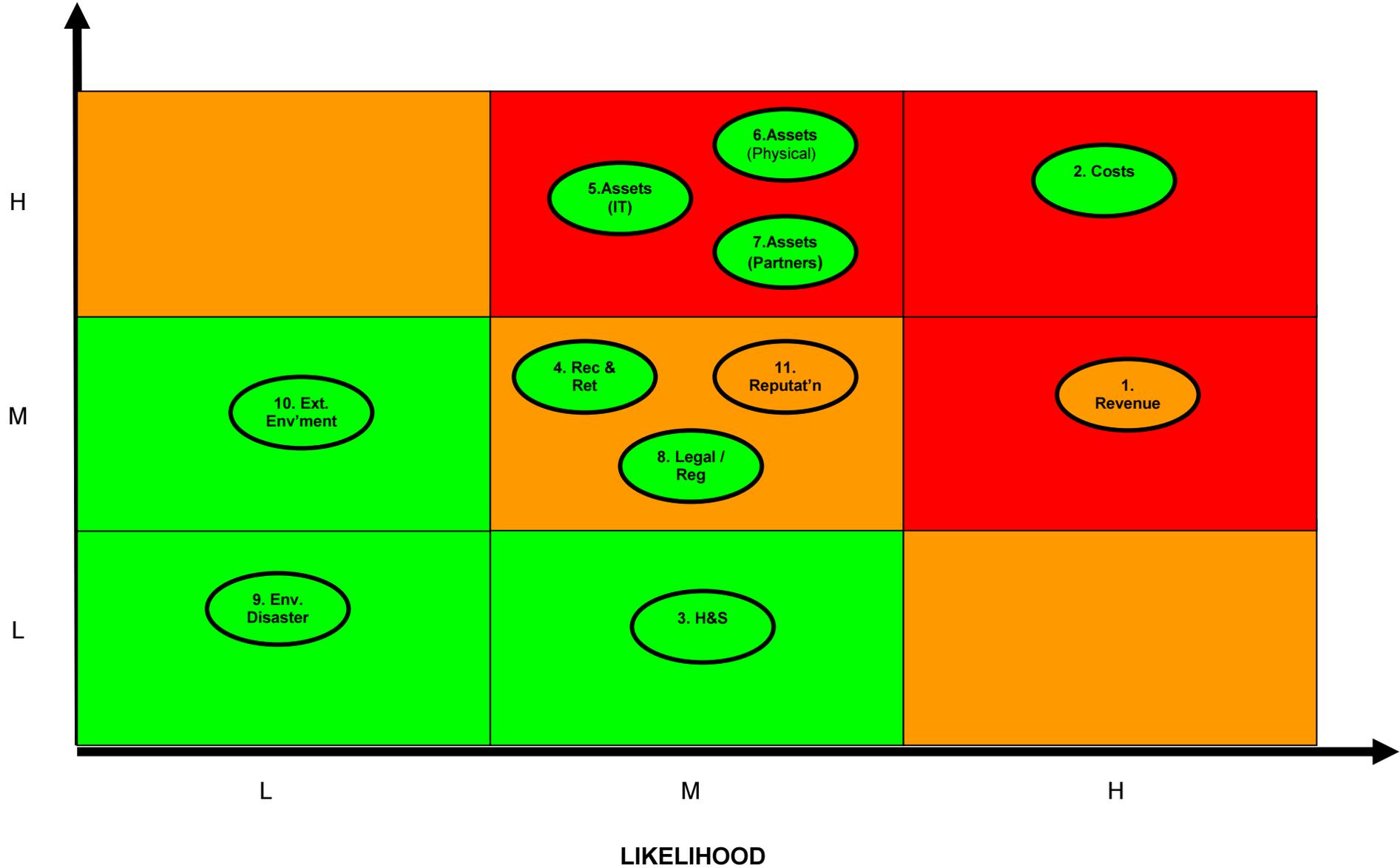
### **4. Resource Implications**

To be delivered within existing budgets.

### **5. Recommendation**

Members are requested to note the report.

**GEDLING BOROUGH COUNCIL**  
CORPORATE RISK SCORECARD – December 2013



**Supporting Comments & Explanations**

1	<p><b>FAILURE TO MAXIMISE REVENUE</b></p> <p><b><u>Owner:</u> Mark Kimberley</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p>There is an overall slight improvement to this risk category.</p> <p><b><u>Audit Recommendations</u></b></p> <p>The number of outstanding medium risk audit recommendations has fallen from 5 to 3.</p> <p>This is the result of the implementation of the two medium and one high risk recommendation made in the previous review of Debtors (IAR1213-06). These relate to need to undertake timely reconciliations between the Direct Services system and the Civica debtor system and similarly between the debt collection agency system.</p> <p>Whilst these recommendations have been fully implemented, an additional medium risk recommendation has been made in the current review (IAR1314-13), relating to the removal of user access for employees leaving the Council.</p> <p>The review of NNDR (IAR1213-12) identified a medium risk recommendation relating to the need to undertake a review of system parameters to ensure that once an account has been awarded Discretionary Relief, a notification letter regarding any changes is automatically sent to the account holder.</p> <p>The review of Debtors (IAR1213-06) highlighted two medium and one high risk recommendation. These relate to need to undertake timely reconciliations between the Direct Services system and the Civica debtor system and similarly between the debt collection agency system.</p> <p>In addition, a medium risk recommendation was reported in the Cash Receipting review (IAR1213-17), relating to the use of user log on's during periods of short breaks.</p> <p><b><u>Risk Register</u></b></p> <p>Pressure is still prevalent on Leisure Income streams, particularly income levels within Leisure Centre's. Income streams within Planning and Environment, both Building and Development Control, are also still subject to pressure, however, these have stabilised.</p>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Inherent Risk</b></td> <td style="background-color: red; width: 30px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;"><b>Residual Risk</b></td> <td style="background-color: yellow; width: 30px; height: 20px;"></td> </tr> </table>	<b>Inherent Risk</b>		<b>Residual Risk</b>	
<b>Inherent Risk</b>						
<b>Residual Risk</b>						

	<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> <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>				
2	<p><b>FAILURE TO MINIMISE COSTS</b></p> <p><b>Owner:</b> Mark Kimberley</p> <p><b>Residual Risk Direction:</b> </p> <table border="1" data-bbox="1010 591 1347 741"> <tr> <td>Inherent Risk</td> <td></td> </tr> <tr> <td>Residual Risk</td> <td></td> </tr> </table> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p>There is no overall change to this risk category.</p> <p><b><u>Audit Recommendations</u></b></p> <p>There are currently five high/medium risk audit recommendations highlighted against this risk category.</p> <p>These relate to the need to review and enhance the management reporting and monitoring arrangements for fuel stocks and enhance the monitoring of the use of fuel key fobs to provide a robust audit trail (IAR1213-03).</p> <p>In addition, a medium risk recommendation was identified in the review of Bin Stocks (IAR1213-04), requiring a review of order levels to minimise stock holding levels and costs.</p> <p><b><u>Risk Register</u></b></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					

3

**HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF**

**Owner:** Mark Kimberley

**Residual Risk Direction:** 

Inherent Risk	
Residual Risk	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium risk audit recommendations relating to this corporate risk.

**Risk Register**

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

4

**FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF**

**Owner:** Stephen Bray

**Residual Risk Direction:** 

Inherent Risk	
Residual Risk	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

5 **FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)**

**Owner:** Mark Kimberley

Inherent Risk	Red
Residual Risk	Green

**Residual Risk Direction:** 

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

There are two minor control gaps identified on the corporate risk register.

These relate to resource issues identified in the planned roll out of further Resourcelink modules and the need to raise staff awareness within Planning & Environment regarding the need to record "Hate Incidents".

6 **FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)**

**Owner:** John Robinson

Inherent Risk	Red
Residual Risk	Green

**Residual Risk Direction:** 

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

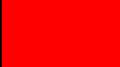
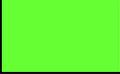
There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

An emerging risk has been identified with respect to the successful delivery of the capital project to refurbish Arnold Leisure Centre.

7

**FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS****Owner:** Mark Kimberley

<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Residual Risk Direction:** **Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium risk audit recommendations relating to this corporate risk.

**Risk Register**

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.

8

**LEGAL / REGULATORY / CONTRACTUAL BREACH****Owner:** Helen Barrington

<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Residual Risk Direction:** **Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are currently no outstanding medium risk audit recommendations relating to this corporate risk.

**Risk Register**

The Leisure Services operational risk register identifies a potential breach of the Data Protection Act relating to transfer of personal data held within DNA and GP referral schemes. Advice has been sought from Legal Services and IT. The Department has also completed work with partner agencies to review working practices.

Management are currently monitoring the situation to identify any instances of transfer of personal data. Once identified management will seek DPA advice from Legal Services and the Authority's Data Security Group. Ongoing

	<p>monitoring will confirm (or otherwise) whether this current approach is sufficient to fully mitigate the risk.</p> <p>An emerging risk has been identified with respect to the payment of holidays for casual employee's. The use of casual employee's is being minimised and case law being monitored for developments.</p>				
9	<p><b>ENVIRONMENTAL POLLUTION / DISASTER</b></p> <p><b><u>Owner:</u> David Wakelin</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <table border="1" data-bbox="962 533 1297 683"> <tr> <td>Inherent Risk</td> <td></td> </tr> <tr> <td>Residual Risk</td> <td></td> </tr> </table> <p><b><u>Summary of Control Weaknesses:</u></b></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></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					
10	<p><b>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</b></p> <p><b><u>Owner:</u> John Robinson</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <table border="1" data-bbox="986 1272 1321 1422"> <tr> <td>Inherent Risk</td> <td></td> </tr> <tr> <td>Residual Risk</td> <td></td> </tr> </table> <p><b><u>Summary of Control Weaknesses:</u></b></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></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					

11 **DAMAGE TO REPUTATION**

**Owner:** John Robinson

**Residual Risk Direction:**



<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

Two emerging risks have been identified. These relate 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.

The significant risk identified within the Parks & Street Care operational risk register, relating to the potential failure to repair and maintain fencing in recreational areas, has been reassessed as a minor control gap. The cause of the control gap is identified as inadequate funding. There have been no identified trends of increased incidents or insurance claims.

A minor control gap has been identified within the Strategy & Performance operational risk register. This relates to the potential failure to deliver housing numbers, including affordable 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.

In addition, a further minor control gap has been identified within Planning & Environment with respect to the potential failure to secure ongoing funding for CCTV and the ASB co-ordinator.

## Assurance Metrics

CORPORATE RISKS			
Assurance Level	No. of o/s Audit Recs. (Med/High)	Risk Register – medium control gaps <sup>*1</sup> (number)	Risk Register – high control gaps <sup>*2</sup> (number)
<b>RED</b>	16+	7+	2
<b>AMBER</b>	8-15	3-6	1
<b>GREEN</b>	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 2013

Number of risk exposures by corporate risk:

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

Figures shown in brackets represent the previous quarter.

Corporate Risks

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	Risk Category	Corporate Risk	Inherent Risk		Risk Owner
			Impact	L'hood	
<b>C U S T O M E R</b>	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	S Bray
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley
		6. Failure to Protect & Utilise Assets (Physical)	H	M	M Kimberley
		7. Failure to Develop & Deliver Strategic Partnerships	H	M	J Robinson
	LEGAL	8. Legal / Regulatory / Contractual Breach	M	M	H Barrington
ENVIRONMENT	9. Environmental Pollution / Disaster	L	L	D Wakelin	
	10. Adverse Events in the External Environment	M	L	J Robinson	
REPUTATION	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		
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.
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	
S20	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	2	4	-3	Continue to monitor for emerging issues.

DW7	2004-05	Failure to repair and maintain fencing in recreation areas.	11	3	3	9	1	1	1	Inadequate funds to complete - further budget bids to be made. Insurance policy in place. No trend identified of incidents/claims.	1	2	2	-1	Monitor success of future budget bids.
PD56	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.	7	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). This is being progressed. Will be subject to 6 monthly review.
PD64	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 13/14.
PD65	2007-08	Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes.	8	3	1	3	1	1	1	Advice sought from legal services/IT. Working with partner agencies to review working practices. Corporate Data Security group established.	2	1	2	-1	Continue to identify instances of transfer of personal data and seek DPA advice from legal services / IT security.

PD71	2012-13	'Failure to deliver Capital project to refurbish Arnold Leisure Centre.	6	2	2	4	2	1	2	Project team established including Project Manager and various technical disciplines.	2	2	4	-2	Emerging risk, project team established, monitor project risks/issues.
PD46	2008-09	Falling DC Income.	1	2	2	4	1	1	1	Introduction of pre-application charges April 2013. Income monitored at actual and underlying levels actual currently holding). Monitoring of fee income by stream (household/commercial). Potential impact of the Planning Guarantee.	1	2	2	-1	'Ongoing management monitoring and reaction to market forces by income stream.
PD47	2008-09	Falling BC Income	1	2	2	4	1	2	2	'Income monitored at actual and underlying levels (actual currently holding). Monitoring of fee income by stream (household/commercial). Using introduction of pre-app service for planning applications to promote the BC service.	2	2	4	-2	'Management monitoring and reaction to market forces by income stream.
PD50	2009-10	Inadequate recording and response to hate incidents against staff.	5	3	2	6	1	1	1	Recording of all incidents. Access to records by all staff who have contact/ enter premises. Staff awareness training.	2	1	2	-1	Regular reviews of accuracy and consistency of recording of incidents. On-going staff training. Quarterly review.
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.

SB11	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.
SB12	2010-11	A challenge is made to the non payment of holidays for casual employees (predominantly in Leisure).	8	2	2	4	1	1	1	Monitoring case law to see if there are developments. Ensuring that as far as possible use of casual employees is minimised, and that casual employees are moved onto permanent or temporary contracts.	2	2	4	-3	There are significant cost implications arising from addressing this risk. However the balance is to continue to monitor the situation rather than take action. The costs to be borne are the same whether there is a legal challenge or we take action.
PD70	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	2	4	-3	Emerging risk, project developed.
PD72	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	-1		Emerging risk, review options and discussion outcomes.



## **Report to Audit Committee**

**Subject: Follow-up of Audit Recommendations**

**Date: 20<sup>th</sup> December 2013**

**Author: Service Manager – Audit & Risk 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 2013.

- IAR1213-06 Debtors
- IAR1213-08 Banking

### IAR1213-06 Debtors

The report, issued in November 2012, provided **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One high, two medium and three low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in October 2013. The review confirmed that the high risk and both medium risk recommendations have been implemented.

In addition, one low risk recommendation has been implemented. The remaining two low risk recommendations have been partially implemented, however, are reiterated in the current Debtors report (IAR1314-13). These recommendations relate to the authorisation of cancellations (recommendation 3) and the need to update procedures relating to Garden Waste (recommendation 1).

### IAR1213-08 Banking

The report, issued in November 2012, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One low risk recommendation was made.

A review of progress of management action against these recommendations was undertaken in October 2013. The review confirmed that the recommendation had been fully implemented.

## **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: 10<sup>th</sup> December 2013**

**Author: Service Manager - Audit & Risk Management**

### 1. Purpose of the Report

To provide members with the opportunity to influence the audit risk assessment for the annual audit plan 2014-15.

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 & Risk 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 2014-15 Annual Audit Plan.

**Audit Risk Matrix**

With current level of controls

Impact
--------

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

**Assessment results**

<b><u>Audit area</u></b>	<b><u>C</u></b> <b>Impact</b>	<b><u>J</u></b> <b>Likelihood</b>
Housing Benefits	4	2
HB Performance Standards	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
Contract   Final Account	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
- 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
HB Performance Standards	3
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   Leisure	2
Cash-ups   Finance	2
Contract   Systems	3
Contract   Final Account	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:** Summary of Audit Activity

**Date:** 10<sup>th</sup> December 2013

**Author:** Service Manager – Audit & Risk Management

### 1. Purpose of the Report

To summarise the outcome of Internal Audit activity for the period October to December 2013.

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 2013.

- IAR1314-08 Banking
- IAR1314-12 Lending & Borrowing
- IAR1314-13 Debtors

#### IAR1314-08 Banking

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One low risk recommendation was made relating to the completion and authorisation of payment card documentation.

### IAR1314-12 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.

### IAR1314-13 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. There were one medium and two low risk recommendations made in the report. Two of the low risk recommendations relate to partially implemented recommendations made in the previous report.

The medium risk recommendation relates to user access rights, whereby an active user had recently ceased employment with the authority.

### **Work in Progress**

Audit fieldwork and testing has been completed for the Creditors and Housing Benefit processes. Draft reports are being prepared for management consideration. No significant issues of concern have been highlighted.

Audit fieldwork has commenced and is ongoing for the Council Tax, NDR, Leisure Income and Insurance & Inventory reviews.

### **4. Resource Implications**

To be delivered within existing budgets.

### **5. Recommendation**

Members are requested to note the report.



## **Report to Audit Committee**

**Subject: Terms of Reference – Annual Review**

**Date: 10<sup>th</sup> December 2013**

**Author: Service Manager - Audit & Risk 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 were subject to review and update in December 2005. 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.

### **3. Historical Development**

The Audit Commission undertook a review of the Authority's Use of Resources, issuing a report in March 2006. The report outlined areas for improvement, which would enable the Authority to achieve the next level of assessment, including the need to undertake an annual review of the Audit Committee's Terms of Reference, taking into account governance developments and how it integrates with other committees within the Authority.

In addition, the Authority has reviewed and updated its Risk Management Strategy, which enhanced the role of the Audit Committee with respect to Risk Management.

In December 2006 the Audit Committee's Terms of Reference were reviewed and updated to reflect these enhanced responsibilities.

To provide assurance that effective reporting and monitoring arrangements are in place to allow the Audit Committee to fulfil its roles and responsibilities the Terms of Reference were further enhanced during 2008 to include a schedule of reporting arrangements into the Audit Committee.

Minor changes to the Terms of Reference and reporting schedule have been during subsequent years, however, these have largely reflected changes to organisational and committee structures.

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 & Risk 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 & Inspection 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 – Audit & Inspection Plan. 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
	Achievement 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 & Inspection Letter. Annual Governance Report. Best Value Performance Plan.	Annually – as published



## **Report to Audit Committee**

**Subject: Corporate Risk Scorecard**

**Date: 25<sup>th</sup> March 2014**

**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**

The current Risk Management Strategy was considered and approved by Cabinet in February 2007.

A key deliverable of the 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 March 2014, 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**.

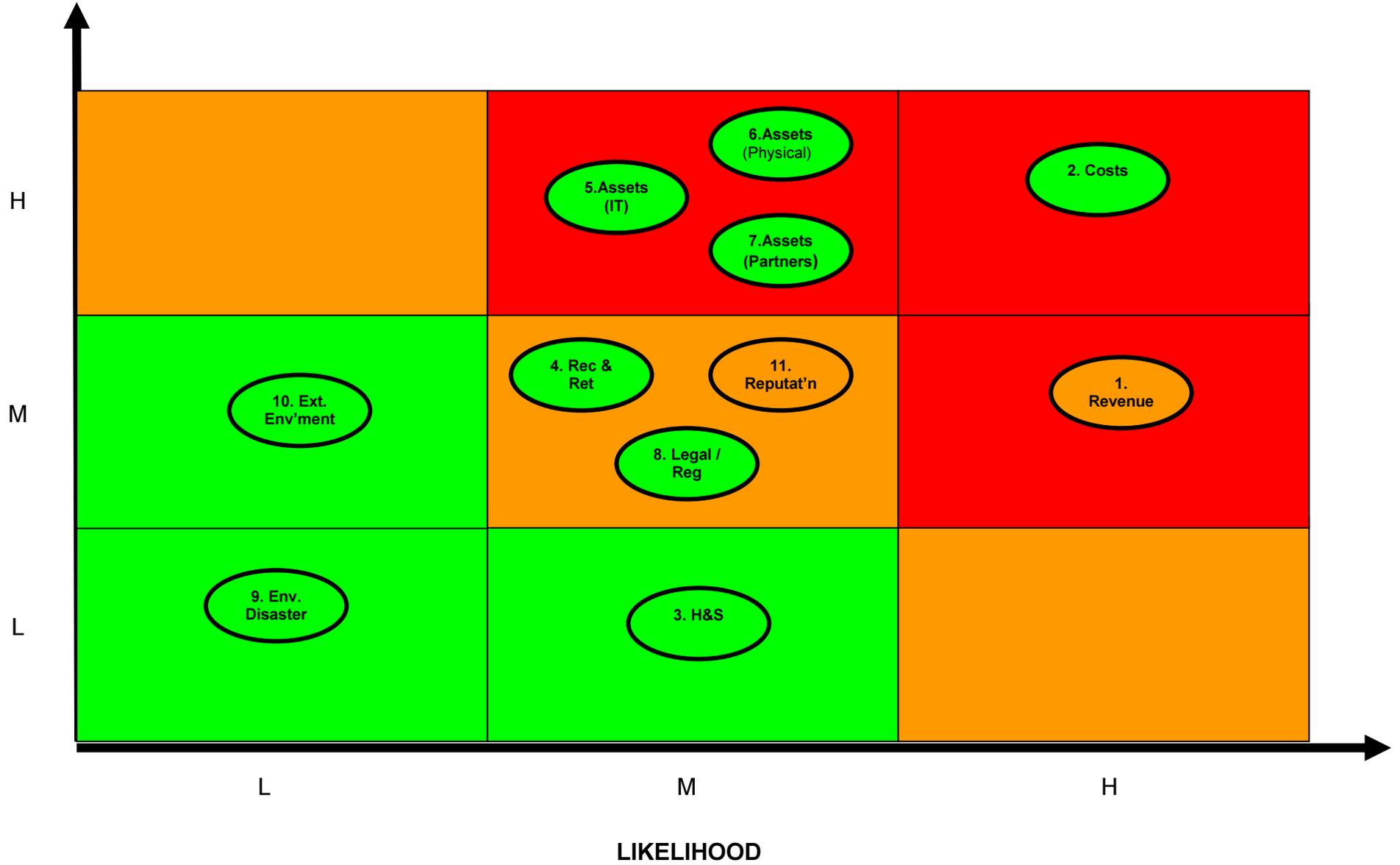
### **4. Resource Implications**

To be delivered within existing budgets.

### **5. Recommendation**

Members are requested to note the report.

**GEDLING BOROUGH COUNCIL**  
CORPORATE RISK SCORECARD – March 2014



**Supporting Comments & Explanations**

1	<p><b>FAILURE TO MAXIMISE REVENUE</b></p> <p><b><u>Owner:</u> Mark Kimberley</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p>There is an overall slight improvement to this risk category.</p> <p><b><u>Audit Recommendations</u></b></p> <p>The number of outstanding medium risk audit recommendations has fallen from 5 to 3.</p> <p>This is the result of the implementation of the two medium and one high risk recommendation made in the previous review of Debtors (IAR1213-06). These relate to need to undertake timely reconciliations between the Direct Services system and the Civica debtor system and similarly between the debt collection agency system.</p> <p>Whilst these recommendations have been fully implemented, an additional medium risk recommendation has been made in the current review (IAR1314-13), relating to the removal of user access for employees leaving the Council.</p> <p>The review of NNDR (IAR1213-12) identified a medium risk recommendation relating to the need to undertake a review of system parameters to ensure that once an account has been awarded Discretionary Relief, a notification letter regarding any changes is automatically sent to the account holder.</p> <p>The review of Debtors (IAR1213-06) highlighted two medium and one high risk recommendation. These relate to need to undertake timely reconciliations between the Direct Services system and the Civica debtor system and similarly between the debt collection agency system.</p> <p>In addition, a medium risk recommendation was reported in the Cash Receipting review (IAR1213-17), relating to the use of user log on's during periods of short breaks.</p> <p><b><u>Risk Register</u></b></p> <p>Pressure is still prevalent on Leisure Income streams, particularly income levels within Leisure Centre's. Income streams within Planning and Environment, both Building and Development Control, are also still subject to pressure, however, these have stabilised.</p>	<table border="1"> <tr> <td style="text-align: center;"><b>Inherent Risk</b></td> <td style="background-color: red;"></td> </tr> <tr> <td style="text-align: center;"><b>Residual Risk</b></td> <td style="background-color: yellow;"></td> </tr> </table>	<b>Inherent Risk</b>		<b>Residual Risk</b>	
<b>Inherent Risk</b>						
<b>Residual Risk</b>						

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.

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.

**2 FAILURE TO MINIMISE COSTS**

**Owner:** Mark Kimberley

**Residual Risk Direction:** 

<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are currently five high/medium risk audit recommendations highlighted against this risk category.

These relate to the need to review and enhance the management reporting and monitoring arrangements for fuel stocks and enhance the monitoring of the use of fuel key fobs to provide a robust audit trail (IAR1213-03).

In addition, a medium risk recommendation was identified in the review of Bin Stocks (IAR1213-04), requiring a review of order levels to minimise stock holding levels and costs.

**Risk Register**

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

3

**HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF**

**Owner:** Mark Kimberley

**Residual Risk Direction:** 

Inherent Risk	
Residual Risk	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium risk audit recommendations relating to this corporate risk.

**Risk Register**

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

4

**FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF**

**Owner:** Stephen Bray

**Residual Risk Direction:** 

Inherent Risk	
Residual Risk	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

5 **FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)**

**Owner:** Mark Kimberley

**Residual Risk Direction:**



Inherent Risk	Red
Residual Risk	Green

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

There are two minor control gaps identified on the corporate risk register.

These relate to resource issues identified in the planned roll out of further Resourcelink modules and the need to raise staff awareness within Planning & Environment regarding the need to record "Hate Incidents".

6 **FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)**

**Owner:** John Robinson

**Residual Risk Direction:**



Inherent Risk	Red
Residual Risk	Green

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

An emerging risk has been identified with respect to the successful delivery of the capital project to refurbish Arnold Leisure Centre.

7

**FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS****Owner:** Mark Kimberley**Residual Risk Direction:**

<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium risk audit recommendations relating to this corporate risk.

**Risk Register**

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.

8

**LEGAL / REGULATORY / CONTRACTUAL BREACH****Owner:** Helen Barrington**Residual Risk Direction:**

<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are currently no outstanding medium risk audit recommendations relating to this corporate risk.

**Risk Register**

The Leisure Services operational risk register identifies a potential breach of the Data Protection Act relating to transfer of personal data held within DNA and GP referral schemes. Advice has been sought from Legal Services and IT. The Department has also completed work with partner agencies to review working practices.

Management are currently monitoring the situation to identify any instances of transfer of personal data. Once identified management will seek DPA advice from Legal Services and the Authority's Data Security Group. Ongoing

	<p>monitoring will confirm (or otherwise) whether this current approach is sufficient to fully mitigate the risk.</p> <p>An emerging risk has been identified with respect to the payment of holidays for casual employee's. The use of casual employee's is being minimised and case law being monitored for developments.</p>				
9	<p><b>ENVIRONMENTAL POLLUTION / DISASTER</b></p> <p><b><u>Owner:</u> David Wakelin</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <table border="1" data-bbox="962 533 1297 683"> <tr> <td>Inherent Risk</td> <td></td> </tr> <tr> <td>Residual Risk</td> <td></td> </tr> </table> <p><b><u>Summary of Control Weaknesses:</u></b></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></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					
10	<p><b>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</b></p> <p><b><u>Owner:</u> John Robinson</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <table border="1" data-bbox="986 1272 1321 1422"> <tr> <td>Inherent Risk</td> <td></td> </tr> <tr> <td>Residual Risk</td> <td></td> </tr> </table> <p><b><u>Summary of Control Weaknesses:</u></b></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></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					

11 **DAMAGE TO REPUTATION**

**Owner:** John Robinson

**Residual Risk Direction:**



<b>Inherent Risk</b>	
<b>Residual Risk</b>	

**Summary of Control Weaknesses:**

There is no overall change to this risk category.

**Audit Recommendations**

There are no outstanding high/medium audit recommendations relating to this corporate risk.

**Risk Register**

Two emerging risks have been identified. These relate 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.

The significant risk identified within the Parks & Street Care operational risk register, relating to the potential failure to repair and maintain fencing in recreational areas, has been reassessed as a minor control gap. The cause of the control gap is identified as inadequate funding. There have been no identified trends of increased incidents or insurance claims.

A minor control gap has been identified within the Strategy & Performance operational risk register. This relates to the potential failure to deliver housing numbers, including affordable 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.

In addition, a further minor control gap has been identified within Planning & Environment with respect to the potential failure to secure ongoing funding for CCTV and the ASB co-ordinator.

## Assurance Metrics

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

\*<sup>1</sup> medium risk control gap = -1 to -3

\*<sup>2</sup> 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 March 2014

Number of risk exposures by corporate risk:

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

Figures shown in brackets represent the previous quarter.

Corporate Risks

	Risk Category	Corporate Risk	Inherent Risk		Risk Owner
			Impact	L'hood	
<b>C U S T O M E R</b>	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	S Bray
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley
		6. Failure to Protect & Utilise Assets (Physical)	H	M	M Kimberley
		7. Failure to Develop & Deliver Strategic Partnerships	H	M	J Robinson
	LEGAL	8. Legal / Regulatory / Contractual Breach	M	M	H Barrington
ENVIRONMENT	9. Environmental Pollution / Disaster	L	L	D Wakelin	
	10. Adverse Events in the External Environment	M	L	J Robinson	
REPUTATION	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		
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.
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	
S20	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	'MFTP balanced over 3 years Track record of achieving efficiencies and budget reductions Regular SLT/Cabinet budget reviews Controlling group manifesto pledges already delivered	2	2	4	-3	Continue to monitor for emerging issues.

DW7	2004-05	Failure to repair and maintain fencing in recreation areas.	11	3	3	9	1	1	1	Inadequate funds to complete - further budget bids to be made. Insurance policy in place. No trend identified of incidents/claims.	1	2	2	-1	Monitor success of future budget bids.
PD56	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.	7	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). This is being progressed. Will be subject to 6 monthly review.
PD64	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 13/14.
PD65	2007-08	Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes.	8	3	1	3	1	1	1	Advice sought from legal services/IT. Working with partner agencies to review working practices. Corporate Data Security group established.	2	1	2	-1	Continue to identify instances of transfer of personal data and seek DPA advice from legal services / IT security.

PD71	2012-13	'Failure to deliver Capital project to refurbish Arnold Leisure Centre.	6	2	2	4	2	1	2	Project team established including Project Manager and various technical disciplines.	2	2	4	-2	Emerging risk, project team established, monitor project risks/issues.
PD46	2008-09	Falling DC Income.	1	2	2	4	1	1	1	Introduction of pre-application charges April 2013. Income monitored at actual and underlying levels actual currently holding). Monitoring of fee income by stream (household/commercial). Potential impact of the Planning Guarantee.	1	2	2	-1	'Ongoing management monitoring and reaction to market forces by income stream.
PD47	2008-09	Falling BC Income	1	2	2	4	1	2	2	'Income monitored at actual and underlying levels (actual currently holding). Monitoring of fee income by stream (household/commercial). Using introduction of pre-app service for planning applications to promote the BC service.	2	2	4	-2	'Management monitoring and reaction to market forces by income stream.
PD50	2009-10	Inadequate recording and response to hate incidents against staff.	5	3	2	6	1	1	1	Recording of all incidents. Access to records by all staff who have contact/ enter premises. Staff awareness training.	2	1	2	-1	Regular reviews of accuracy and consistency of recording of incidents. On-going staff training. Quarterly review.
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.

SB11	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.
SB12	2010-11	A challenge is made to the non payment of holidays for casual employees (predominantly in Leisure).	8	2	2	4	1	1	1	Monitoring case law to see if there are developments. Ensuring that as far as possible use of casual employees is minimised, and that casual employees are moved onto permanent or temporary contracts.	2	2	4	-3	There are significant cost implications arising from addressing this risk. However the balance is to continue to monitor the situation rather than take action. The costs to be borne are the same whether there is a legal challenge or we take action.
PD70	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	2	4	-3	Emerging risk, project developed.
PD72	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	-1		Emerging risk, review options and discussion outcomes.



## **Report to Audit Committee**

**Subject: Follow-up of Audit Recommendations**

**Date: 25<sup>th</sup> March 2014**

**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 – March 2014.

- IAR1213-06 Debtors
- IAR1213-08 Banking
- IAR1213-10 Housing Benefits
- IAR1213-11 Council Tax
- IAR1213-12 NDR
- IAR1213-18 Officer & Member Disbursements

### IAR1213-06 Debtors

The report, issued in November 2012, provided **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One high, two medium and three low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in October 2013. The review confirmed that the high risk and both medium risk recommendations have been implemented.

In addition, one low risk recommendation has been implemented. The remaining two low risk recommendations have been partially implemented, however, are reiterated in the current Debtors report (IAR1314-13). These recommendations relate to the authorisation of cancellations (recommendation 3) and the need to update procedures relating to Garden Waste (recommendation 1).

### IAR1213-08 Banking

The report, issued in November 2012, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One low risk recommendation was made.

A review of progress of management action against these recommendations was undertaken in October 2013. The review confirmed that the recommendation had been fully implemented.

### IAR1213-10 Housing Benefits

The report, issued in January 2013, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Two medium and four low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in December 2013. The review confirmed that one medium and three low risk recommendations had been fully implemented. The remaining three recommendations had been partially implemented and reiterated in the current report (IAR1314-17).

### IAR1213-11 Council Tax

The report, issued in January 2013, 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.

A review of progress of management action against these recommendations was undertaken in December 2013. The review confirmed that all three recommendations had been fully implemented.

## IAR1213-12 NDR

The report, issued in January 2013, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One medium and one low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in December 2013. The review confirmed that both recommendations had been fully implemented.

## IAR1213-18 Officer & Member Disbursements

The report, issued in May 2013, 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 January 2014. The review confirmed that all four recommendations had been fully implemented.

### **4. Resource Implications**

To be delivered within existing budgets.

### **5. Recommendation**

Members are requested to note the report.

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## **Report to Audit Committee**

**Subject: Summary of Audit Activity**

**Date: 25<sup>th</sup> March 2014**

**Author: Service Manager – Audit & Asset Management**

### **1. Purpose of the Report**

To summarise the outcome of Internal Audit activity for the period October to March 2014.

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 – March 2014.

- IAR1314-08 Banking
- IAR1314-12 Lending & Borrowing
- IAR1314-13 Debtors
- IAR1314-11 Leisure Income
- IAR1314-14 Creditors
- IAR1314-15 Council Tax
- IAR1314-16 NDR
- IAR1314-17 Housing Benefits
- IAR1314-19 Officer & Member Disbursements

#### IAR1314-08 Banking

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One low risk recommendation was made relating to the completion and authorisation of payment card documentation.

#### IAR1314-12 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.

#### IAR1314-13 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. There were one medium and two low risk recommendations made in the report. Two of the low risk recommendations relate to partially implemented recommendations made in the previous report.

The medium risk recommendation relates to user access rights, whereby an active user had recently ceased employment with the authority.

#### IAR1314-11 Leisure Income

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One medium and two low risk recommendations were made in the report.

The medium risk recommendation relates to the need for clarification with respect to the wording on electronic application forms. This recommendation has now been implemented.

#### IAR1314-14 Creditors

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Two medium and five low risk recommendations were made in the report.

The medium risk recommendations relate to the need to introduce independent verification checks for details relating supplier change requests and evidenced reviews of the BACS batch payment report.

### IAR1314-15 Council Tax

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One medium and three low risk recommendations were made in the report.

The medium risk recommendations relates to the requirement to complete annual declaration of interest forms.

### IAR1314-16 NDR

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

### IAR1314-17 Housing Benefits

The report provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Two medium and five low risk recommendations were made in the report.

The medium risk recommendations relate to the lack of evidenced reconciliation between the Benefits and Council Tax systems and a lack of evidenced review by an independent officer for any write-off amounts entered on the system.

### IAR1314-19 Officer & Member Disbursements

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 two low risk recommendations made in the report.

### Work in Progress

Audit fieldwork and testing has been completed for the Payroll and FMS reviews. Draft reports are being prepared for management consideration. No significant issues of concern have been highlighted.

The planned review of Cash Receipting will be carried forward to the 2014-15 annual audit plan. This is due to the fact that the proposed replacement of the cash office with an ATM has been fully implemented to allow robust audit testing of new procedures. Internal Audit have been proactively involved in the project in developing control procedures, therefore, it is deemed prudent and sensible to postpone the formal review until the implementation has been completed.

#### **4. Resource Implications**

To be delivered within existing budgets.

#### **5. Recommendation**

Members are requested to note the report.



## **Report to Audit Committee**

**Subject: The Draft Annual Audit Plan 2014-15**

**Date: 25<sup>th</sup> March 2014**

**Author: Service Manager – Audit & Asset Management**

### **1. Purpose of the Report**

To report on the planned audit activity for 2014-15.

Having taken account of any comments made by this committee the final report will be passed to the Chief Financial Officer for approval in line with Financial Regulation 3.27.

### **2. Background**

Previously the Council has received a report which combined the forward plan of activity with an out-turn and assurance report, known as the Annual Audit Report. However, now that Annual Audit Risk Assessments create the plan for the forthcoming financial year, rather than a three-year plan within the Audit Strategy, there is a need to report on planned audit activity prior to the start of the financial year. The Annual Audit Report including the Audit Assurance Statement will be reported to the Audit Committee in June 2014. This report relates solely to the planned internal audit work for 2014-15.

In December 2013 the Audit Committee considered the risk criteria within the Annual Audit Risk Assessment Model and were requested to highlight any additional areas that were not already included. No additions were identified.

### **3. Planned Audit Activity For 2014-15**

#### Audit Reports

The performance target remains at 22 issued audit reports for the 2014-15 financial year.

## Audit Activity Arising From The Use Of Risk Assessment Methodology

The annual audit plan for 2014-15 has been created using an audit risk analysis model.

The model takes account of factors such as the size and complexity of the system, how well it is currently controlled and the level of assurance provided in previous audits and other assurance bodies.

The chart below demonstrates how the Audit Risk Assessment Model evaluates each system to provide a weighted score. The weighted scores for all systems are then prioritised against the audit resources available.

The worked example given is for the Leisure Income system.

<b>Internal Audit Risk Assessment Model</b>						
		Score 1-5	Weighting	Total	max	Weighted Score
<b>SIZE</b>						
A	Value of budget	3	2	6		
B	No. of Employees	4	1	4		
C	Impact per risk matrix	2	3	6		
D	Volume of transactions	5	1	5		
	<b>Total size score</b>			<b>21</b>	<b>35</b>	<b>0.6</b>
<b>CONTROL</b>						
F	Impact – mgt & staff	4	2	8		
G	Third Party sensitivity	2	1	2		
H	Std of internal Control	4	3	12		
J	Likelihood per risk matrix	3	3	9		
	<b>Total Control Score</b>			<b>31</b>	<b>45</b>	<b>0.6889</b>
<b>DETECTION</b>						
K	Effectiveness of audit	3	1	3		
L	Duration of audit	3	2	6		
M	Time since last review	3	2	6		
N	Other review agencies	3	2	6		
	<b>Total Detection Score</b>			<b>21</b>	<b>35</b>	<b>0.6</b>
Multiply each sections weighted total by each other and then by 200						
<b>Weighted Final Score</b>						<b>50</b>

The model shown is applied to each of the risk areas identified for audit in 2014-15. The weighted scores are then prioritised and an assessment of the number of audit days to be assigned to each review is undertaken.

**Appendix A** summarises the resources available and planned activity for 2014-15.

**Appendix B** summarises the results from the audit risk assessment model for 2014-15 planned activity. Additional time has been allocated for the completion of outstanding audits from the 2013-14 audit plan.

#### **4. Resource Implications**

To be delivered within existing budgets.

#### **5. Recommendation**

Members are requested to note the report.

INTERNAL AUDIT RESOURCES

AVAILABLE AND PLANNED ACTIVITY IN 2014-15

	<u>PLANNED DAYS</u>
<b>DAYS AVAILABLE</b>	260
LESS:	
Bank Holidays and Annual Leave	40
Sickness	5
Training	5
Vacancies	0
Meetings/Admin	13
Management	0
	(63)
Externally procured resource	123
<b>AUDIT DAYS AVAILABLE</b>	<b>320</b>
<b>PLANNED ACTIVITY</b>	
Key Financial Systems	175
Other Financial Systems	40
Service Level Reviews	65
Specialist Systems	20
Follow-up Activity	40
<b>Total Planned Activity</b>	<b>320</b>

**AUDIT RISK ASSESSMENT RESULTS**  
**FOR THE 2014-15 ANNUAL PLAN**

AUDIT AREA	SCORE	PRIORITY	DAYS
Housing Benefits	61	2	30
Leisure Income	36	4	15
NNDR	40	3	15
Council Tax	39	3	15
Cash Receipting	43	3	10
Capital / Assets	23	4	10
FMS	30	4	10
Payroll	27	4	15
Bank Accounts	27	4	5
Officers Disbursements	26	4	10
Insurance & Inventory	26	4	10
Creditors	24	4	10
Lending & Borrowing	23	4	5
Debtors	59	2	10
Performance Indicators	41	3	10
Cash-ups Leisure	30	4	3
Cash-ups Finance	17	5	2
Contract (audit review)	23	4	0
Contract (final check)	17	5	10
Computer Audit	39	4	10
Service Reviews / Contingency			55
HR (starters/leavers)	47	3	15
Follow-up Reviews			35
Anticipated finishing time (c/f 13-14)			10
<b>TOTAL</b>			<b>320</b>

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**Report to:** Audit Committee

**Subject:** Standby & Callout Policy

**Date:** 25<sup>th</sup> March 2014

**Author:** Service Manager: Audit & Asset Management

## **1. Purpose of the Report**

- 1.1 To report the findings of a value for money review of the Council's standby and callout policy, and to seek agreement on the required action to address the issues highlighted in the review.

## **2. Background**

- 2.1 As part of the 2013-14 service planning process SLT requested that a review of the standby and call out policy be undertaken. The focus of the review was to ascertain whether the existing policy provides value for money.
- 2.2 The review was scheduled as part of the internal audit plan for 2013-14. The scope of the review encompassed policy documentation and the various roles and responsibilities in relation to providing an out of hour's service. The following services currently operate a formal standby or emergency callout facility:
- Housing & Localities,
  - Caretakers (Facilities),
  - Leisure & Culture,
  - Direct Services (PASC),
  - IT Services.
- 2.3 Figures and financial data for the 2012-13 financial year were used as the basis for the review.

## **3. Recommendations**

- 3.1 Audit Committee note the report.



GEDLING BOROUGH COUNCIL

Standby and Callout Policy - Value For Money Review

Internal Audit Reference – IAR1314-07

Prepared by – Vince Rimmington, Service Manager: Audit & Asset  
Management

Date – 25<sup>th</sup> March 2014

## 1. EXECUTIVE SUMMARY

### 1.1 Introduction

At the request of the Senior Leadership Team, a value for money review of the Council's Emergency Standby and Callout policy and procedures was undertaken as part of the internal audit plan for 2013-14.

The Council has defined the roles of the Standby Duty Officer, Standby Responsive Officer and Emergency Callout as follows:

Standby Duty Officer: Where there is a high and sustained demand for an out of hour's response which may also include specified contractual demands for the service. The nature of these services is that a professional or technical response is required which will necessitate the duty officer to assess the risks and make decisions about the response to be given, including contact with external agencies. Attendance at the scene of an incident may be required.

Standby Responsive Officer: Where a risk to people or property may exist but the level of calls historically is not sufficiently high enough to justify a duty officer, a standby responsive officer role may be utilised. This role also covers functions where there is no professional or technical decision making required. In most situations only one type of response is required. This level of response may require attendance at the scene of the incident.

Emergency Callout: There are some functions where there is a historically low level of callout per annum, however, these emergency situations do occur but do not meet the criteria for establishing a standby arrangement. Attendance at the scene of the incident will be required.

A review of payments made during 2012-13 identified the following services operate a standby or emergency callout facility:

- Housing & Localities – Duty Officer only,
- Caretakers – Responsive Officer and Emergency Callout
- Leisure & Culture – Emergency Callout only
- Direct Services/PASC – Duty Officer, Responsive Officer and Emergency Callout,
- IT Services (internal) – Emergency Callout only.

All duty officer and responsive officer functions are organised on a weekly rota basis between members of staff within the relevant service. Due to the potential risk to the public or property and the potential severity of the out of hours call, members of staff are provided with a mobile telephone and are required to be available to attend a call during their rota.

Due to the low level of calls experienced for those services operating an emergency callout only, no staff rota is required and no mobile telephone provided. Members of staff provide personal home or mobile telephone numbers to appropriate contacts. To recompense members of staff for possible disruption during out of hours, the following fixed payments are made to staff following declaration to the payroll department that a standby or emergency role has been undertaken:

- Duty Officer - £155.82 per week of duty (2013-14 - £157.36),
- Responsive Officer - £119.91 per week of duty (13-14 - £121.10),
- Emergency Callout – 59.92 per callout (13-14 - £60.52).

In addition to the allowances above, staff performing a standby or emergency callout role receive a minimum of two hours pay at the appropriate (substantive) rates from the time the callout commences. For time worked in excess of two hours on a callout, the actual hours worked are reimbursed on a basis of the appropriate premium rates for the individual.

The following financial data was obtained and details the number of standby and emergency duty payments for the financial year 2012-13.

Service	No. of Standby Duty Officer & Responsive Officer Duties (days)	No. of Emergency Callouts	Total Cost (inc NI/Superannuation)
Housing & Localities	362	0	£10,128.30
Caretakers	357	14	£8,404.03
Leisure & Culture	0	11	£627.90
Direct Services (PASC)	755	114	£21,427.48
IT Services	0	6	£668.88
<b>Totals</b>	<b>1474</b>	<b>145</b>	<b>£41,256.59</b>

In addition to the above figures a total of 8 duty/responsive officer days, at a cost of £641.95, were incurred within the Planning & Economic development and Public Protection services. In terms of materiality these were not included as part of the detailed review.

## 1.2 Principal Findings

A summary of the key findings from the review are outlined below.

### Standby & Callout Policy

The policy is inconsistently applied across the Council. The policy should be updated to set the default payment as emergency call out, with all payments aligned to benchmark figures.

### Caretaking

The total callouts for Leisure and Culture (11) is a similar figure to that for the Caretakers (14). However, the annual costs associated with Leisure and Culture (£627.90) are substantially lower than that for the Caretakers (£8,404.03).

Consideration should be given to utilising the existing contract in place within Leisure & Culture, with Foremost Security Limited, to maximise any benefits and cost savings that may accrue from economies of scale.

### Housing & Localities

The service should review its current arrangements of providing a Standby Duty Officer role for the provision of an out of hour's service to ensure the service provides maximum value for money.

There have been 148 recorded cases of actual assistance provided over a four year period which equates to an average of 37 per year. A similar model to that adopted within IT services may be appropriate whereby Emergency Call out payments only provide the best value for money.

By paying only the Emergency Call Out rate would reduce the annual cost of providing the out of hours service from £10,128.30 to £2,217.04 (37x£59.92).

### Direct Services (PASC)

The service should review its current arrangements for the provision of an out of hour's service and specifically consider the necessity for two standby roles with a view to merging the Responsive Officer role into a single Duty Officer role.

### Generic Issue

The Council does not currently utilise call tracking or call recording facilities. Such facilities may assist in protecting staff from violent or aggressive service users. In addition, these facilities may assist management in aligning duty roles to call demand. Therefore, a cost benefit analysis should be completed to assess the provision of number tracking and call recording facilities.

The detailed findings and associated recommendations are provided in section two of the report.

### **1.3 Assurance Statement**

A total of seven (five medium and two low risk) recommendations are made.

Internal Audit can provide **Limited Assurance** with respect to the degree of Value for Money provided by the Standby and Callout policy.

## **2. DETAILED FINDINGS**

### **2.1 Standby and Callout Policy**

Gedling Borough Council's Standby and Callout policy is detailed in Appendix 17 of the Council Employee Handbook. The handbook is available on the Council's intranet. A review of the policy was undertaken in January 2013 by the Service Manager: Organisational Development, however, this review mainly focused upon required changes to job roles and organisational structures. All definitions of standby roles and levels of remuneration remained unchanged.

The policy currently in use contains details of the definitions of Standby Duty Officer, Standby Responsive Officers and Emergency Callout. The policy also details the level of recompense an employee receives when performing either a standby role or emergency callout role together with details of the compensatory time off provision.

The policy does not, however, make reference to the methods to be employed by Service Managers or delegated employees for the recording of duty rotas or callouts. Evidence to support callouts must be recorded and retained to ensure management checks can be undertaken to prevent abuse of the payment system and provide documentation to support any review of the service level of response e.g. an amendment from Standby Duty Officer to Standby Responsive Officer, should callout figures indicate a change of response level in accordance with the definitions of the policy.

The levels of compensatory payments to staff are defined in the policy document. However, the policy does not identify whether standby and emergency callout payments maybe made in combination. In addition, there is no guidance as to the parameters that dictate which of the three payments are appropriate in given circumstances. This has resulted in service areas defining their own limits to payments which has resulted in the policy being applied inconsistently across the Council.

This situation is evidenced with a comparison of payments between the Housing and Localities service, the Direct Services (PASC) and the Caretakers. The Standby Duty Officers within Housing and Localities are in receipt of the appropriate payment for the standby duty, however, no further payment is received for emergency callouts. This is in contrast to Direct Services and Caretakers. Furthermore, IT Services only make Emergency callout payments.

In reviewing the policy, the opportunity has been taken to do some basic benchmarking of the Council's existing approach with that of other Authorities. For example, standby payments at Leicester City Council and Hinckley and Bosworth Borough Council are limited to £100 per week. Furthermore, whilst standby and callout payments are made at Charnwood Borough Council, employees graded at PO1 and above receive time off in lieu rather than a payment.

## Recommendation 1 (Medium Risk)

The Standby and Callout policy should be updated to:

- Set the default payment as emergency call out, only where there is a business case should standby payments be permitted,
- The standby and call out payments should be amended and aligned to benchmark figures at comparative authorities,
- The policy should set standards and guidance for the recording and retaining of supporting evidence of rotas and actual callouts.

## 2.2 Leisure & Culture

The Leisure and Culture service is responsible for five Leisure Centres and seven Community Centres. The level of emergency callouts at these sites is relatively low, 11 in 2012-13. The service does not operate a Standby Duty Officer or Standby Responsive Officer as defined in the policy, as it is deemed the level of emergency callouts do not justify establishing such arrangements.

As an alternative, the service utilises a third party private contractor, Foremost Security Limited, to act as key holders for the various sites during out of hours. Should an alarm system be activated the contractor is responsible for first attendance to establish the nature of the incident. Where an incident requires escalation by the contractor, one of the leisure centre managers is contacted to attend.

The utilisation of a third party key holding service is considered by the Service Manager to represent best value for money. The standard operating costs of the key holding service is £16.00 per month, plus £20.00 for each emergency callout.

No rota is maintained for the callout of leisure centre managers, however, the key holding contractor has been provided with a list of private telephone numbers for all managers of each specific site. Following a callout the attending member of staff completes a standard form which is authorised by the General Manager (or deputy) and forwarded to the payroll team for an emergency callout payment.

An incident log detailing the time of call, nature of incident and time spent on site is not maintained within the service. Due to the extremely low level of incidents resulting in the call out of a member of staff, it is recommended that a centralised log for all sites is maintained by the General Manager or Service Manager to evidence call out payments.

#### Recommendation 2 (Low Risk)

The Leisure & Culture service instigates a centralised log to record details of emergency call outs including, time of call, nature of incident, time spent on site and resulting action.

### 2.3 Caretaking

Three caretakers are currently employed on a part time basis to attend the sites at Arnot Hill House, the Civic Centre and Jubilee House. There is a shared responsibility with the PASC team for the gates within the depot area. The senior caretaker is currently employed for 20 hours per week and performs the role of liaison between caretakers to ensure coverage is maintained. The remaining two caretakers are employed for 12.5 hours, completing morning or evening shifts of 2.5 hours per day.

The team operates a standby duty mobile telephone which is available 24/7. The three caretakers form a rota for the Standby Responsive Officer role and attend emergency callouts as required by the monitoring stations for the site alarm systems and emergency services.

During out of hours a caretaker may be called by the alarm system monitoring stations to attend one of the sites to check on the activation of an alarm. The caretaker will attend the premises and either rectify the problem or escalate the incident.

Following an out of hours callout the caretaker reports to the Facilities Manager the details of the incident, including nature of incident and action taken, time called out and duration spent on site. Requests for payment of emergency callouts are completed on a monthly basis by the caretakers using the standard finance department form which is authorised by the Facilities Manager.

The level of emergency callouts is relatively low, 14 during 2012-13. The Caretaking service should adopt the use of a third party key holding service similar to that utilised by the Leisure and Culture service. The use of a key holding service should negate the requirement for standby responsive payments to be made.

Consideration should be given to utilising the existing contract with Foremost Security Limited, to maximise any benefits and cost savings that may accrue from economies of scale.

It should be noted that the total callouts for Leisure and Culture (11) is a similar figure to that for the Caretakers (14). However, the annual costs associated with Leisure and Culture (£627.90) are substantially lower than that for the Caretakers (£8,404.03).

### Recommendation 3 (Medium Risk)

The Caretaking service should adopt the use of third party key holding and monitoring services. Consideration should be given to utilising the existing contract arrangements within Leisure & Culture.

## 2.4 Housing & Localities

The Council transferred its Housing stock (in excess of 3000 properties) in November 2008, to Gedling Homes, an external Housing Association. Post property transfer it was recognised that the majority of out of hours calls involved cases of homelessness.

The statutory requirement for the provision of an out of hours homelessness officer may be a matter of interpretation of the Housing Act 1996 in which provision must be made to assist those in need. The Council recognises that this need may be out of regular office hours and as such provides the facility of Standby Duty Officer.

The duty officer provision within the Housing and Localities service is provided on a rota basis between the Service Manager and the Senior Housing Needs Officer on a week on / week off basis. The Standby Duty Officer payment is apportioned accordingly. An internal department decision was made that staff receiving the Duty Officer payments would not receive further payments for Emergency Callouts or time off in lieu. This is in contrast to that for the Caretaking staff.

The Council operates a Freephone telephone number for members of the public or external organisations (e.g. Police, Social Services, Women's Aid, Street Outreach workers) to contact the Duty Officer in time of need. The Freephone number is redirected to the Duty Officer's mobile telephone.

The Council does not currently record telephone calls or utilise telephone number tracking (caller ID) which may assist the service in tracing persons when no telephone number is left by the caller. The recording of calls may assist in protecting staff in cases of dispute or aggressive behaviour by callers. The utilisation of a recording facility may also assist the Council to monitor the effectiveness of the service.

Duty Officers are at risk from potentially violent or aggressive behaviour from members of the public requiring their assistance and therefore attempt, where possible, to deal with calls without making a site visit. Should the case arise in which the Duty Officer must attend a known violent or aggressive incident, the staff member not currently on standby will assist and claim a one-off emergency callout payment. No such payments were made during 2012-13.

#### Recommendation 4 (Medium Risk)

A cost benefit analysis should be completed to assess the provision of number tracking and call recording facilities.

Detailed records are kept for callers in which the service has been able to assist in accordance with current legislation (148 cases in four years). Duty Officers receive requests from callers which must be redirected to other agencies or departments or indeed calls for services outside the remit of the Housing and Localities service. These are currently not recorded.

To provide the Council with an understanding of the call level received by nature of call, all calls to the duty officer should be logged detailing date/time of call, nature of call and any subsequent action taken.

#### Recommendation 5 (Low Risk)

The service logs all calls made to the Standby Duty Officer, not just the cases in which assistance is provided.

The 148 recorded cases of actual assistance provided over a four year period equates to an average of 37 per year. A similar model to that adopted within IT services may be appropriate whereby Emergency Call out payments only provide the best value for money.

By paying only the Emergency Call Out rate would reduce the annual cost of providing the out of hours service from £10,128.30 to £2,217.04 (37x£59.92).

It should be noted that the provision of the out of hours service for the Housing/Homelessness service is currently under review.

#### Recommendation 6 (Medium Risk)

The current review of the out of hours service arrangements should reflect the proposals outlined above in recommendation 1:

- The default payment should be set as emergency call out,
- Payments should be amended and aligned to benchmark figures at comparative authorities.

## 2.5 Direct Services (Parks & Street Care)

Direct Services provide the largest and busiest out of hour's service to the general public and external agencies with tasks ranging from street cleansing and sewage, vandalism clearance, flood clearance, road traffic accident clearance to the removal of dead animals from the highways. Although certain tasks are undertaken by Council staff, many tasks are the responsibility of Nottinghamshire County Council. The standby roles are undertaken by senior members of the Direct Services team (mainly Parks & Street Care) on a rota drafted by senior management.

The service operates a Standby Duty Officer and a Standby Responsive Officer 24/7. Out of hours calls are routed through the Council's main switchboard and transferred to the Duty Officer's mobile telephone. Call statistics over a prescribed period may indicate if the level of out hours cover is adequate/proportionate to the level of call demand.

### Cross reference Recommendation 4 (Medium Risk)

A cost benefit analysis should be completed to assess the provision of number tracking and call recording facilities.

Following the receipt of a call, a decision is made by the Duty Officer as to where the responsibility lies between the Council or Nottinghamshire County Council, and the appropriate level of response required where responsibility rests with the Council.

Where possible, the Duty Officer role is undertaken without attending the incident. Should on-site attendance be required, the Standby Responsive Officer is despatched to appraise the scene of the incident and to assess if external agencies are required and whether Council staff are required on an Emergency Callout basis.

In accordance with the Council's policy, the Responsive Officer role should not include technical or professional decision making, however, it is evident that a Responsive Officer may be required to make such decisions at the scene of an incident and is effectively performing the role of Duty Officer. The service should consider a review of the requirement for two standby roles and the associated costs.

### Recommendation 7 (Medium Risk)

The service should review its current arrangements for the provision of an out of hour's service to ensure the service provides maximum value for money.

In exceptional circumstances e.g. flooding, the Responsive Officer may call upon members of the wider Direct Services team to assist with the response. Staff members called upon to assist receive an emergency callout payment. Neither the Duty Officer nor the Responsive Officer are in receipt of emergency call out payments in combination with regular payments for these roles. During 2012-13, 114 payments for emergency callouts were made to staff.

Detailed records are maintained by the service identifying out of hours responses to incidents. All claims for Duty Officer, Responsive Officer and Emergency Callout payments are authorised by the Service Manager, or their deputy, prior to processing by the payroll team.

## **2.6 IT Services**

IT services provide Emergency Callout payments only to staff. There are no Standby Duty Officer or Standby Responsive Officer roles. This is in contrast to the out of hours models adopted within Caretaking and Housing and Localities.

This approach does represent Value for Money and enables an appropriate and effective out of hours service to be maintained. As outlined above, this approach should be established as the default position for the provision of an out of hours service, other than where third party provision is not deemed feasible for reasons of technical specialism.

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