



16 June 2017

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday 26 June 2017 in the New Council Chamber, Town Hall, Beeston commencing at 7.00pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors:	E H Atherton (Vice Chair)	S A Bagshaw
	T P Brindley	J C Goold
	J W Handley (Chair)	S Kerry
	J W McGrath	J M Owen
	J C Patrick	K E Rigby

## AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

PAGES 1 - 3

The Committee is asked to confirm as a correct record the minutes of the meeting held on 27 March 2017.

4. CORPORATE GOVERNANCE ARRANGEMENTS PAGES 4 - 27

To inform members of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval for the Annual Governance Statement for inclusion in the Council's published financial accounts for 2016/17.

5. INTERNAL AUDIT REVIEW 2016/17 PAGES 28 - 40

To inform the Committee of the work of Internal Audit during 2016/17.

6. INTERNAL AUDIT PROGRESS REPORT PAGES 41 - 57

To inform the Committee of the recent work completed by Internal Audit.

7. REVIEW OF STRATEGIC RISK REGISTER PAGES 58 - 63

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

8. WORK PROGRAMME PAGE 64

To consider items for inclusion in the Work Programme for future meetings.

## GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

27 MARCH 2017

Present: Councillor J W Handley, Chair

Councillors: E H Atherton  
T P Brindley  
J C Goold  
S Kerry  
R I Jackson  
J C Patrick  
K E Rigby

An apology for absence was received from Councillor J M Owen.

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

The minutes of the meeting held on 28 November 2016 were confirmed and signed.

37. ANNUAL REPORT ON GRANTS AND RETURNS WORK 2015/16

The Committee received the Annual Report on Grants and Returns Work 2015/16 issued by KPMG, the Council's external auditors.

38. EXTERNAL AUDIT PLAN 2016/17

A representative from the Council's auditors KPMG presented the Plan and provided members with an update on the progress in delivering its responsibilities.

39. INTERNAL AUDIT PLAN 2017/18

The Public Sector Internal Audit Standards required the Chief Audit and Control Officer to prepare an annual risk based audit plan.

**RESOLVED that the Internal Audit Plan for 2017/18 be approved.**

40. INTERNAL AUDIT PROGRESS REPORT

The Committee noted a report informing of the work of Internal Audit. Clarification was requested with regard to the financial appraisal of a prospective supplier for Wi-Fi in Stapleford. Members were assured that the Head of Property Services would have undertaken the necessary measures in the selection of a supplier.

41. FRAUD AND CORRUPTION PREVENTION POLICY AND MONEY LAUNDERING PREVENTION POLICY

Members were informed that fraud and corruption were a serious and ongoing threat to the financial health of the public sector. It was estimated that almost £300 million each year was lost as a result of fraudulent acts both against and within public sector organisations. The Council acknowledged the significant negative impact fraudulent and corrupt acts could have on the Council, the delivery of its Corporate Plan and the services provided to residents.

**RESOLVED that the updated Fraud and Corruption Prevention Policy and the Money Laundering Prevention Policy be approved.**

42. REVIEW OF STRATEGIC RISK REGISTER

Following the report to the last meeting of the Committee, and in accordance with the timescales set out in the Risk Management Strategy, the Strategic Risk Management Group met on 8 February 2017 to review the Strategic Risk Register.

**RESOLVED that the amendments to the Strategic Risk Register and the action plans to mitigate risks, as set out in the appendix to the report, be approved.**

43. REVIEW OF GOVERNANCE – RESPONSES TO QUESTIONNAIRE

The Committee received a summary of the responses given to the questionnaire that was circulated with full Council papers for the meeting of the 14 December 2016.

Members stated that the response to the questionnaire was poor and suggested that a possible reason was an overall satisfaction with the current system of governance.

**RESOLVED that no further action be taken with regard to the questionnaire and the Committee consider any further issues that may arise on their individual merits.**

44. WORK PROGRAMME

**RESOLVED that the Work Programme be approved.**

## Report of the Deputy Chief Executive

**CORPORATE GOVERNANCE ARRANGEMENTS - DRAFT**1. Purpose of report

To inform members of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval for the Annual Governance Statement for inclusion in the Council's published financial accounts for 2016/17.

2. Background

Under the Council's constitution this Committee is responsible for overseeing the maintenance of the Council's internal control environment and for monitoring and making recommendations regarding the Council's corporate governance arrangements.

The preparation of an annual governance statement is a requirement of the Accounts and Audit Regulations. The latest iteration was published in February 2015 and applies to accounts for 2015/16 onwards. The regulations require authorities to conduct a review, at least once in each financial year, of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts. To support this process the Council follows proper practice as set out in the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework* (2007, amended 2012).

During 2015/16 the *Good Governance Framework* was revised and an updated version was published in April 2016. The revised framework comes into force in respect of accounts published from 2016/17 onwards. However changes in recommended practice have been taken into account in reviewing the Council's system of internal control. More detail about the framework and what it encompasses is given in appendix 1.

The Governance Statement in appendix 2 has been prepared after consultation with the Chief Executive and other chief officers. Once approved, it will be signed by the Leader of the Council and the Chief Executive prior to inclusion within the published accounts. The Chief Audit and Control Officer has confirmed that he considers that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework.

**Recommendation**

**The Committee is asked to NOTE compliance with the code on delivering good governance in local government and to RESOLVE that the Annual Governance Statement as shown in appendix 2 be approved in principle for inclusion in the Council's Statement of Accounts.**

Background papers: Nil

APPENDIX 1

Background

The CIPFA/SOLACE document *Delivering Good Governance in Local Government: Framework* was published in 2007. In 2012 it was given ‘proper practices’ status by the Department for Communities and Local Government. Local authorities are under a statutory obligation to follow the published approach unless there are valid reasons for not doing so.

In 2015 the Framework was revised and in April 2016 was published with a new set of core principles and sub-principles. There are seven core principles have been developed to bring them more in line with the principles of open government and to establish a greater focus on outcomes, rather than processes. Each is accompanied by numerous sub-principles which provide a very comprehensive set of arrangements for ensuring that good governance exists within the organisation and is embedded in its day-to-day operations.

The seven core principles, and an explanation of the intention behind each one, are as follows:

<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.</p> <p>It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p>	<p>Local government is run for the public good. Organisations therefore should ensure openness in their activities.</p> <p>Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable.</p> <p>Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.</p>

	<p>Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.</p> <p>They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p> <p>Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>
<p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p>	<p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.</p> <p>A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.</p> <p>Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p>	<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the</p>



	<p>implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>

**APPENDIX 2****DRAFT ANNUAL GOVERNANCE STATEMENT****Scope of Responsibility**

Broxtowe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Broxtowe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Broxtowe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes suitable arrangements for the management of risk.

Broxtowe Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2011*. A copy of the code can be obtained from Broxtowe Borough Council, Council Offices, Foster Avenue, Beeston, Nottingham NG9 1AB. The Code is due to be revised to take into account the 2016 revisions to the *Framework*.

This Statement explains how Broxtowe Borough Council has complied with the code in force and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

**Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Broxtowe Borough Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

### **Assessment of the effectiveness of the Governance Framework**

A key component of the Council's governance framework is that the business of the organisation is conducted to achieve effective outcomes and to deliver those outcomes with due regard to the efficient and effective use of resources. The assessment of effectiveness therefore covers the means by which the Council sets its priorities and measures progress towards achieving them and the key structures in place to ensure that progress is made in a constructive manner with appropriate management of the level of risk.

#### **Corporate priorities and policy development**

The Council's Corporate Plan for the period 2016 to 2020 sets out its vision, values, objectives and outcome targets. It is used to support the Council's future budget plans and detailed service plans. The Corporate Plan is available on the Council's website.

During 2015/16 the previous Corporate Plan 2012 to 2016 was updated with a new Corporate Plan 2016-2020 and a new set of objectives which came into force on 1 April 2016 and have been implemented during the course of 2016/17. To support the transition to the new objectives, a revised reporting structure was required to ensure that expenditure and income related to each objective could be presented accordingly. In addition a new Committee system was introduced from May 2016 and changes to the committee structure were implemented during the year as the system developed. The Council's financial statements for the financial year 2016/17 reflect this revised format.

Progress against the Corporate Plan during 2016/17 was monitored by the new Policy and Performance Committee on a quarterly basis. The reports, which are presented along with a brief financial update, highlight the progress against key targets. More detailed monitoring of progress against specific service objectives and plans was undertaken by the relevant policy committees using extract 'scorecard' reports from the Covalent performance management system. Co-inciding with the introduction of the new Corporate Plan, the Council revised its service delivery planning arrangements, retitling the plans "Business plans" to reflect a more commercial approach to business planning, and introducing a hierarchy of performance indicators which distinguished between "critical success Indicators" (CSIs) – the strategic outcome indicators; at the next level the key performance indicators (KPIs) by which forward progress aligned to the corporate plan objectives is measured; and lastly management performance indicators (MPIs) through which Managers track the operational level performance of the services they are responsible for.

Financial information showing the budget for each service area and financial targets expected to be achieved during the financial year are contained in the business Plans and in this way service and financial planning is integrated. This was reflected

in the presentation of business plans and budget proposals, taken together, to the relevant policy committees in February 2016 and a composite suite of reports to the Finance and Resources Committee dealing with the strategic budget decisions and a number of associated strategies. This enabled the Council to ensure that the impact of any service development proposals and budget reductions were clearly taken into account within the Council's overall financial and budget arrangements and that spending decisions were focused on the Council's priorities as laid down in the Corporate Plan.

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including the following:

- Constitution
- Performance Management Framework
- Sustainable Community Strategy
- Crime and Disorder Reduction Strategy
- Capital Programme, Capital Strategy and Asset Management Strategy
- Revenue Budget and Medium Term Financial Strategy
- Treasury Management and Investment Strategies
- Housing Business Plan
- People Strategy and Pay Policy
- ICT Strategy.
- Core Strategy/Local Plan part 2.

All of the above have been reviewed and revised as appropriate during the last three years with the financially based strategic policies being updated annually as part of the budget-setting process. In order to ensure that a comprehensive view is taken of the Council's financial position, and that the controls to ensure that these policies are complied with are in place, all of the appropriate financial reports are brought together to the Finance and Resources committee prior to going forward to full Council for approval.

In 2015/16 the Council adopted a Core Strategy to govern its approach to planning and development. During 2016/17 Part 2 of the Local Plan was developed which sets out detailed planning objectives for the borough. Alongside this, parish and town councils were engaged on developing Neighbourhood Plans for their areas. The key elements of the Local Plan Part 2 were approved by the Jobs and Economy Committee in 2016/17 and the formal plan will be assembled for adoption by the Council in 2017/18.

Other key policy developments during 2016/17 include:

- a Green Infrastructure Strategy and Playing Pitch Strategy were approved to inform planning considerations and to establish the Council's approach to maintaining and developing green spaces and playing fields

- a revised Waste Strategy was adopted to refocus the Council's attention on recycling and sustainable waste management
- a Vulnerable Adults Safeguarding Policy was introduced to complement the Safeguarding Children Policy adopted in November 2015 and an Anti-Social Behaviour policy was introduced alongside a Hate Crime Policy to govern approaches to tackling anti-social behaviour and hate incidents
- a Tenancy Sustainment Strategy was adopted alongside an Income Recovery policy following extensive work on the action plan to address issues with rent recovery identified during 2015/16
- an Aids and Adaptations Policy was approved to support those with specific needs to be able to remain in their own homes
- A Corporate Enforcement Policy was adopted to protect the public, the environment, consumers and legitimate businesses by ensuring that legal requirements are met and that everyone acts/operates within the law.

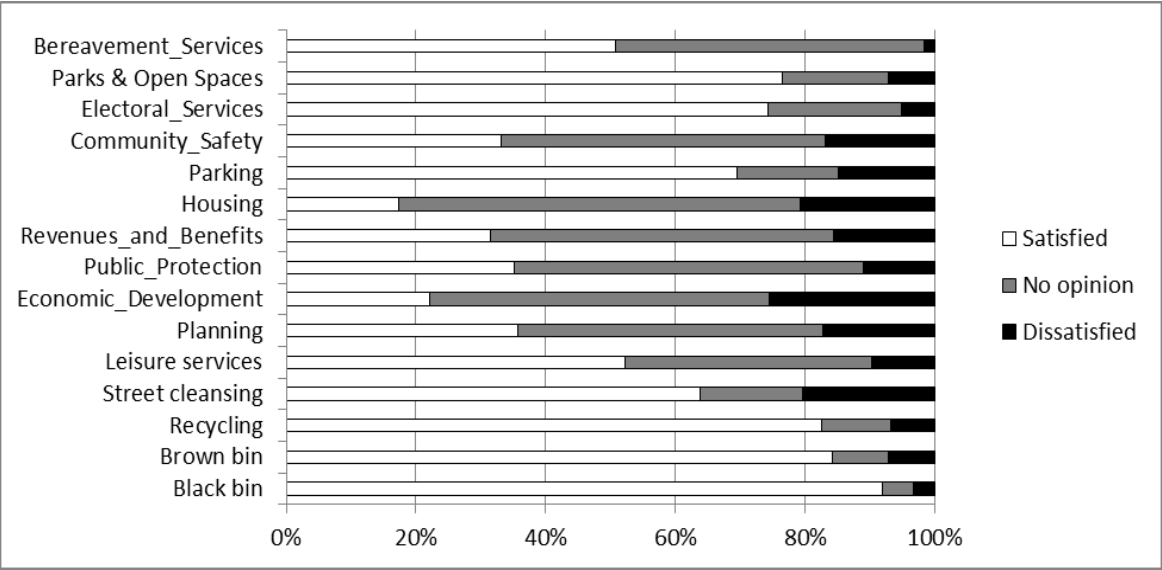
Each of these policies and strategies was accompanied by an Equality Impact Assessment.

The last annual governance report from the Council's external auditors, which covered the 2015/16 financial year, concluded that the Council "had proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

#### Assessment of quality of Services

The Council actively takes part in numerous benchmarking activities and consultation initiatives in order to assess quality, value for money and customer satisfaction. The latest full resident satisfaction survey was conducted in October 2013. Therefore in 2016 the budget consultation exercise for 2017/18 incorporated questions on satisfaction with services and invited commentary both on those services and on the local area. In overall terms, local people are satisfied with the Borough of Broxtowe and the Council's management of it. 84% of people are 'satisfied' or very 'satisfied' with the area in which they live, while 73% are 'satisfied' or 'very satisfied' with the way that the Council delivers services. Figure 1 shows the level of satisfaction with services provided by the Council:

Figure 1: Satisfaction with services provided



As one aspect of the process to review the quality of services, the Council has in place a comprehensive system for monitoring compliments and complaints. The Council’s General Management Team (which comprises the Chief Executive, Deputy Chief Executive and Chief Officers) reviews the results and these are formally reported to the Governance, Audit and Standards Committee. The report provides details, in particular, of those complaints that are referred to the Ombudsman. Any complaints where a financial settlement is appropriate, or has been made, are also reported in detail to the Governance, Audit and Standards Committee.

Each year the Council produces performance data based upon performance indicators agreed by the General Management Team and the Policy and Performance Committee (previously considered by Overview and Scrutiny Committee) detailing performance against targets. An audit of data quality is conducted annually and all performance indicators are required to be signed off at a senior management level to ensure that the quality of any data produced is of a sufficient standard.

The 2015/16 governance report from the Council’s external auditors, commented that “the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources”.

Improvement and Efficiency

The Council continually reviews processes and procedures to achieve cost efficiencies. The Business Transformation Programme, which is of particular significance in this regard, will eventually cover all major services and employee reviews brought about through the vacancy control procedure. A detailed Business Transformation Programme Highlights report is compiled quarterly to chart progress against the improvement activities specified by each department within the programme. This is compiled by the Business Transformation and Project Officer using information compiled by service departments.

The Council's Chief Information Officer monitors benefits realisation using established measurement techniques and reports on these regularly to the General Management Team and Members.

The Council's financial plans are based on a Medium Term Financial Strategy (MTFS) which identifies future budget pressures. This is revised annually as part of the budget setting process and is kept under review throughout the financial year. As at February 2015, the MTFS identified a potential draw on the Council's reserves, due to anticipated reductions in Government funding, amounting to approximately £2.377m over the forthcoming three years.

In order to address the budget gap the General Management Team developed a Business Strategy, designed to ensure that in four years' time the Council will be:

- Lean and fit in its assets, systems and processes
- Customer focused in all its activities
- Commercially-minded and financially viable
- Making the best use of technology.

The Business Strategy identified potential efficiencies and income generation opportunities amounting to around £1.9m over the three years of the MTFS. Year-on-year budget reductions arising from this approach, amounting to approximately £653,000 per annum, were realised during budget setting for 2016/17 and a further £640,000 was achieved during budget setting for 2017/18.

Annual budget setting includes ongoing employee savings targets which provide a significant way of helping to meet the challenges that the Council faces as a result of decreasing government resources. During 2016/17 an Employee Savings Programme was developed to supplement the Business Strategy. This identified £605,000 potential savings, from which an employee savings target of £406,226 was derived. This reflected cashable savings realisable during the 2017/18 financial year only. The employee efficiency target for 2016/17 was met during the financial year.

The Council introduced charges for the collection of garden waste from April 2014 and this income stream continues to grow. Over 18,000 households have now signed up for this service. This has provided a valuable income stream that is assisting the Council with addressing the budget challenges that it faces.

Further opportunities to generate income are being considered for other service areas following the success of this approach. This includes, in particular, increasing facilities for memorialisation at Bramcote Crematorium, greater use of assistive living technology and increased use of Council properties. However increased income generation at Bramcote Crematorium may require a formal trading account to be established and work has been commissioned to develop the business case for change in Bereavement Services.

In May 2016 the Council purchased the leasehold title for Beeston Square from Henry Boot Ltd. This returned full control over the land and buildings in the Square to

the Council to enable development along with the adjacent vacant site. A full risk assessment and business appraisal was undertaken prior to purchase.

The Council continues to pursue opportunities for efficiency savings through shared services and collaborative working. During 2016/17 a shared management service provided by Erewash Borough Council was introduced for Revenues and Benefits and a shared Legal Services arrangement implemented with Rushcliffe Borough Council. The latter arrangement finished at the end of April 2017. The Council's Chief Audit and Control Officer provides management support for Erewash Borough Council's Internal Audit function while the Council's Estates Manager supports Ashfield District Council's property management function. In return, the Council purchases business rates management support from Ashfield.

A Shared Services Board, chaired by the Chief Executive, meets regularly to keep these arrangements under review. Steps were taken to tighten control over shared services arrangements in 2016/17 and a report highlighting the value of these arrangements was presented to Policy and Performance Committee in July 2016.

New service delivery arrangements were considered during 2015/16 following a review of the Council's approach to commercialisation undertaken by external consultants. This resulted in the establishment of a Leisure Services company – Liberty Leisure Ltd – from 1 October 2016. The arrangement includes proposals for reductions in costs and increases in income though the company operating as a commercial entity and opportunities to better fulfil the Council's aims through increased flexibility in day-to-day operations. Full control of the company was retained by the Council through the governance arrangements put in place.

Proposals for the development of a Bereavement Services company and a Housing development company are under active consideration. Electrical maintenance and housing voids repairs functions were brought back in house as a means of reducing cost and improving quality.

The introduction of policy committees from May 2017 has increased the degree of member involvement in considerations of service quality, value for money and financial management. The committee structure allows for a more detailed consideration of matters affecting specific service areas while an overview is maintained by the Policy and Performance Committee and the Finance and Resources Committee which receive reports, and referrals from other committees, on proposed policy changes, staff establishment changes and adjustments to income and expenditure.

#### Revised decision-making structures

In May 2016 the existing Cabinet and Scrutiny model was replaced with a committee structure. In preparation for this, the Council's constitution was reviewed and revised extensively to accommodate the new arrangements. This required a detailed mapping exercise to ensure that the powers vested in Cabinet, Overview and Scrutiny and other committees were transferred to the new committees and adjusted as necessary. In essence, the delegated authority arrangements introduced from May 2016 are as follows:



- The Council decides upon policy and certain other specialist functions that cannot be delegated elsewhere, including the setting of the Council Tax
- The Policy and Performance Committee, which consists of the chairs of all other policy committees, has overall responsibility for developing and delivering policies of the Council and monitoring progress against the objectives of the Corporate Plan
- The Finance and Resources Committee has responsibility for reviewing the Council's budget and financial management and makes recommendations to Council with regard to the setting of Council Tax
- Policy Committees relating to Community Safety, Housing, Jobs and Economy and Leisure and Environment are allocated authority by the Council to develop and deliver policy within their specific remit
- Separate committees exist for Planning, Licensing and Appeals, Alcohol and Entertainments
- Matters relating to governance and standards are dealt with by the Governance, Audit and Standards Committee
- Two joint committees exist: the Economic Prosperity, which consists of the Leaders of all councils in Nottinghamshire to consider County-wide development matters; Bramcote Bereavement Service Joint Committee which oversees the operation of Bramcote Crematorium, which is jointly owned with Erewash Borough Council
- Two internal committees exist governing pay and conditions: the Local Joint Consultative Committee which considers employee related matters and the Independent Remuneration Panel, which considers matters relating to the remuneration of Members.
- Delegation arrangements to officers are set out in detail within the Constitution
- Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The Constitution also includes sections on the conduct of meetings, Financial Regulations, Financial Regulations (Contracts) and codes of conduct for Members and officers. All of these have been updated as part of the overall review of the Constitution following the decision by the Council to change to a committee structure. Each of the functions of the Cabinet and committees were transferred to new committees following approval of the revised constitution in May 2016. Intermediate updates to aspects of the Constitution take place in response to various issues that may arise during the year, including any legislative changes.

As part of the change to the governance arrangements, the Council committed to an on-going appraisal in order to review the system.

The Governance, Audit and Standards Committee resolved at a meeting on 28 November 2016 that all councillors should be asked to appraise the changes through

a written questionnaire designed to elicit as much comment as possible from those returning the forms. The questionnaire produced limited results. The views of those Councillors who responded on the effectiveness of the new system compared with the previous governance system were reported and discussed, and the outcome was that the new system has remained in force..

The Independent Remuneration Panel reviewed Members' allowances in November 2016 and took into account the changes in the role of Members under the new structure. The panel recommended increases in basic allowances and review of allowances for some specific roles. Full Council received the report of the panel's findings on 1 March 2017 but did not accept the recommendations, which would, if adopted, have increased allowances.

### Policies, Procedures, Laws and Regulations

To ensure that decisions are made in compliance with the law and approved policy, Chief Officers are charged with responsibility for the operation of controls within their areas of responsibility and for statutory functions as necessary.

The Council's statutory officers are the Chief Executive (as Head of Paid Service), the Deputy Chief Executive (as Section 151 Officer) and the Director of Legal and Planning Services (as Monitoring Officer). All three officers are members of the General Management Team, which meets weekly, and have the authority to place reports in front of an appropriate member body where an aspect of concern and within their statutory remit comes to their attention. In particular, they are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

Regular discussions are held at General Management Team meetings about issues where governance is of concern and periodically a specific discussion takes place to identify areas of concern on the horizon, whether these may arise from such as legislative changes, changing service demands, political matters or financial problems, risk assessment that has been undertaken and any changes in the risk environment in which the Council is operating, and matters to be reported to future committees.

The Deputy Chief Executive is the Council's appointed Section 151 Officer and is a key member of the General Management Team. Being part of the General Management Team, together with meeting with leading Members and attending full Council and appropriate committees as required ensures that the Section 151 Officer can provide corporate financial advice to the Council at the appropriate level and that financial implications and risks are properly taken into account.

All reports to decision-making committees incorporate a statement on financial implications (where appropriate) which are subject to review by the Section 151 Officer and the Head of Finance Services. As such the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer's responsibilities include ensuring that the General Management Team and senior members are made aware of any financial issues at the earliest opportunity and making sure that these are acted upon as appropriate.

The Director of Legal and Planning Services is the Council's Monitoring Officer and also attends the General Management Team. Part of the Monitoring Officer's responsibilities include ensuring that any legislative changes are known about and implemented as appropriate, together with monitoring that the Council does not act unlawfully.

Chief Officers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Each Chief Officer signs a Statement of Internal Control to acknowledge responsibility in maintaining and operating functions in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

In 2016/17 the Statements of Internal Control identified five specific issues where further strengthening of the control environment can be achieved:

- Improvements in management relating to gas safety
- Improvements in procurement and contract management
- Development and strengthening of whistleblowing procedures
- Strengthening financial management of agency costs
- Reviewing business continuity plans in the light of increased threat of disruption.

These matters have been addressed or are part of ongoing development of increased controls to be implemented during 2017/18.

In addition, during the year a number of complaints and grievances were raised internally and from anonymous sources with the General Management Team and Council Members. An investigation was commissioned into these matters by external legal advisers on the Council's behalf. The report is awaited. This is considered further under 'Conclusion' below.

### Codes of Conduct

The Council's Constitution contains codes of conduct applying to Members and officers as well as a protocol for councillor/officer relationships and the Council's whistleblowing policy. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for Members and officers are maintained by the Head of Administrative Services. An independent person has been appointed to deal with standards issues that arise. Training was given to Members on the former Standards Committee and all Members are regularly requested to complete a register of interests form.

The Constitution was revised in March 2017 to incorporate arrangements governing an Ad Hoc Committee and an Investigation and Disciplinary Committee should circumstances give rise to the need for such committees.

The Council has in place a Whistleblowing Charter and any referrals under the Charter are fully investigated. Notification of such a Charter is included within contracts with major external service providers. Officers are periodically reminded of the requirements to register any personal interests, abide by the Code of Conduct and be aware of the Whistleblowing Charter.

### Audit and Control

The Chief Audit and Control Officer is the Council's designated 'Head of Internal Audit' and is under the management of the Deputy Chief Executive. Whilst the Chief Audit and Control Officer is not a member of the General Management Team, in all other respects the role is in accordance with guidance as laid down in the CIPFA Statement on the Role of the Head of Internal Audit, including attendance at the Governance, Audit and Standards Committee and presenting reports in his own name.

Although it has not proved necessary to date, the Committee is satisfied that it can have independent access to the Chief Audit and Control Officer if it is considered to be necessary. The Chief Audit and Control Officer is satisfied that in all respects he has the necessary resources and authority to assess the Council's governance, risk and internal control environment and highlight any problems that he considers should be drawn to the attention of the Council.

### Role of the Governance, Audit and Standards Committee

The role and operation of the Governance, Audit and Standards Committee is in line with a toolkit and publication produced by CIPFA entitled *Audit Committees – Practical Guidance for Local Authorities*. Specific functions delegated to this Committee include:

- to oversee the arrangements for the maintenance of the Council's internal control environment and to receive reports of the Monitoring Officer and Chief executive in relation to whistleblowing and complaints
- to undertake the functions conferred in relation to standards of conduct by the Local Government Act 2000 and the Localism Act 2011 and associated legislation
- to review and approve the Council's published accounts and associated documents
- to oversee the Council's arrangements for risk management
- to monitor and make recommendations regarding the Council's corporate governance arrangements
- to determine employment policies
- to consider matters in relation to elections, polling districts and ward boundaries.

In addition, the Committee reviews the plans and work of internal audit and receives reports on the findings from each audit that is concluded.

### Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The three-year Internal Audit Strategy covers all activities of the Council at a level and frequency determined using a risk management methodology.

The Internal Audit approach is designed to be risk-based, focusing resources on the key areas of risk facing the Council and freeing up resources to strengthen the accountancy and control functions within Finance Services. The approach includes arrangements for sharing Internal Audit management resources with Erewash Borough Council. The Governance, Audit and Standards Committee approved the Internal Audit Plan 2017/18 plan in March 2017.

The annual Internal Audit Plan governs each year's activity and, at the completion of each audit, a report is produced for management with agreed actions for improvement. Regular reports covering Internal Audit activities are submitted to the Governance, Audit and Standards Committee for scrutiny. This Committee can request further reviews to be undertaken and can request other committees to further investigate matters arising from any activities within their remit.

Recommendations raised as part of the annual audit work are followed up in the subsequent financial year to ensure that management action has been taken to address any control weaknesses identified. Progress on these matters is reported to the Committee on a regular basis.

The latest review of the effectiveness of the system of internal audit was considered by the Governance, Audit and Standards Committee in June 2016. There were no material issues arising that would undermine the Council's governance arrangements.

### External Audit

The external auditor reviews the Council's arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- securing economy, efficiency and effectiveness.

The external auditor gives their opinion on the Council's accounts and whether or not proper arrangements exist to secure value for money.

The Annual Governance Report presented to the Council in September 2016 recommended that further measures be taken to develop arrangements, including

reviewing working practices, to improve the final accounts preparation process. The Council continues to examine the use of financial systems to help produce information for financial management, the capacity of the Finance Services teams and the financial reporting processes used to advise Members during the course of the year.

### Fraud and Corruption

The Department of Work and Pensions (DWP) has established a Single Fraud Investigation Service (SFIS) to manage benefit fraud investigation on a national basis. The officers employed by the Council to investigate benefit fraud transferred to SFIS in November 2015. Any indications of potential fraud in respect of benefits have been forwarded to SFIS for investigation since that date.

An analysis of residual non-benefits related fraud investigation requirements was undertaken prior to the transfer which identified no substantial areas of immediate concern for the Council other than that which can normally be addressed as part of the work of Internal Audit. However a more proactive approach has been undertaken by the introduction of the Fraud and Error Reduction Incentive Scheme (FERIS) approach, sponsored by the DWP, and the introduction of a risk-based assessment framework for benefits applications, including the Local Council Tax Support Scheme, for which the Council remains fully accountable.

For the future, the service specification for the Revenues and Benefits Managed Service arrangements with Erewash Borough Council incorporated collaboration on counter-fraud matters to provide potential resources for tackling non-benefit fraud. The arrangement included investigative resources which can be drawn on as necessary.

The Chief Audit and Control Officer acts as the central contact for fraud allegations. During the year one instance of potential money laundering was identified which was reported to the National Crime Agency as required under the anti-money laundering policy.

Data matching exercises continue to be undertaken by the National Fraud Initiative, now run by the Cabinet Office. A Single Person Discount review is scheduled to be undertaken jointly across Nottinghamshire in 2017/18. The results of these exercises were used to shape future programmes of counter fraud activity.

The Council's Counter-Fraud Strategy and Anti-money Laundering Policy were refreshed and presented to the Governance, Audit and Standards Committee in March 2017.

### Risk Management

The Council's updated Risk Management Policy and Strategy were approved by the Governance, Audit and Standards Committee on 20 June 2016. The Strategic Risk Register is maintained on the Council's website and updated with changes to risks and action taken to mitigate risks. The Council has in place a Strategic Risk Management Group with representation from all directorates which reports to the

General Management Team. The Governance, Standards and Audit Committee will consider and approve updates to the Strategic Risk Register at each committee meeting.

All key decision reports submitted to committees contain a risk assessment where appropriate, which is used to update the Strategic Risk Register. All action points within Business Plans are required to be risk assessed.

The remit of the Audit and Control section includes responsibility for risk management in order to provide a co-ordinated approach to this process. Presentations on risk management have been provided to members by Council officers and external consultants and an e-learning module has been introduced to enable members to access training on risk management whenever convenient to them. These have been designed to promote awareness of risk management.

A corporate Business Continuity Plan exists which seeks to mitigate the effects of a potential disruption to services so that the impact of such a disruption can be minimised and services restored to an acceptable pre-determined level within pre-set timescales. The Business Continuity Plan is kept under regular review by the strategic Risk Management group.

The Health and Safety Committee and Civil Contingencies Planning Group which are chaired by the Chief Executive and comprise relevant senior officers, consider and develop plans to mitigate risks arising in workplace settings, or threats from flooding, major emergency events or risks to health such as pandemic flu.

Given the significance of information and communications technology (ICT) to the Council's operations, a key component of the Corporate Business Continuity Plan is the ICT Business Continuity Plan which is based largely upon sharing staff and other facilities with other organisations.

Testing of the ICT Business Continuity Plans takes place periodically to ensure that it meets the Council's requirements. Arrangements with a third party provider for ICT disaster recovery facilities were re-tendered during 2014/15.

Business Continuity plans are in place for service areas to help ensure that business can continue in the event of severe disruption.

### Development and Training Needs

From June 2016 a web-based learning management system has been introduced. Broxtowe Learning Zone provides great flexibility and access to learning for both officers and members from any digital device with internet connection both at work and home. Employees are automatically enrolled onto specific governance training required of their role. Participation is closely monitored and action is taken to ensure that all required officers complete their courses.

During 2016/17 the following new courses were developed in addition to modules brought forward from the previous development and training regime:

- two year re-certification of the four Level One - Information Management courses, with some staff now being prompted to re-certify their Level Two – Information Management courses.
- Safeguarding for Adults and Safeguarding for Children, along with Prevent Awareness and Autism Awareness training, which is a requirement of Nottinghamshire County Council
- As a requirement of the Equality and Diversity Action Plan, courses have been rolled out covering Autism Awareness, Learning Disabilities Awareness, Dementia Awareness and Deaf Awareness and Communicating with Customers
- In preparation of Performance Appraisals, the Corporate Core Abilities and Performance Appraisal e-learning courses were launched in February 2017.

A Member Training and Development Strategy Working Group, which sought to formulate and deliver suitable learning and development opportunities for Council Members was in operation until June 2016. The group monitored spending on learning and development events and reviewed the effectiveness of all learning and development opportunities for Members whether delivered internally or externally.

From June 2016 all Members have had access to the Councils' Learning Management System, Broxtowe Learning Zone. The following courses have been added during 2016/17 to assist Members:

- Working with the Media for Councillors
- Safeguarding Adults – Awareness for Councillors
- Safeguarding Children – Awareness for Councillors
- Social Media for Members
- Prevent Awareness – for Councillors
- Protecting You and Your Community – Awareness for Councillors

Further courses will be added in 2017/18.

As part of the Corporate Induction programme new employees to the Council are provided with information on the Council's values, key corporate objectives and priorities and are given an overview of the Nolan seven principles of public life by the Chief Executive. The induction programme is under review with the intention of replacing the existing one-day formal programme with a range of advice, support and development opportunities underpinned by programmed use of on-line training delivered through the Broxtowe Learning Zone

### Communication

The Council has continued to grow its digital presence over the past year, with new followers to social media increasing month on month and the Email Me Service reaching 13,000 subscribers. Work to develop these channels to maximise channel shift is on-going.



Digital is combined with more traditional methods of communication and the Council's bi-annual newsletter, Broxtowe Matters has had a much needed redesign to ensure it is attractive to read for residents. Arrangements with an external company to source advertising revenue have helped to cover the cost, as well as helping to promote local services and businesses.

One of the most significant projects of the past year has been the launch of a new Council website to bring it up to date, make it fully responsive and quick and easy for visitors to find the information and transactions they want. Improvements are continual to enable residents to access information and services in a way that is convenient for them and to encourage more channel shift. Since 2013, the number of online transactions has been greater than contacts via the telephone or in person and are expected to reach approximately 300,000 this year.

### Partnerships

The Governance, Audit and Standards Committee has the responsibility to examine further procurement and collaborative working opportunities with the private sector and other local authorities. All of the policy committees have included in their remit the power to direct the work of any delivery vehicles established to deliver services within their remit. This may include partnership arrangements, including those with the voluntary and community sector. Where grants are provided to voluntary sector organisations, conditions are applied regarding the reporting of the activities of the grant-receiving body and its financial standing. In particular, where grant funding exceeds a given value a service level agreement may be used to gain assurance over the use of funds.

The range of partnership arrangements, including shared services, increased significantly during 2015/16 and 2016/17 and a review of governance arrangements relating to shared services was initiated in 2016, as noted above.

### Electoral Arrangements

In 2016/17 there were a number of elections including elections of the Police and Crime Commissioner elections in May followed by the EU Referendum in June and a parish council by-election in July. Because of the level of interest in the Referendum particularly there was a significant increase both in the number of applications to register and in voting by post. A full review of procedures relating to postal vote opening, liaison with polling staff and the count had been undertaken in 2015 and revised arrangements were implemented for the elections. A report presented to the Governance, Audit and Standards Committee in September outlined the impact of the elections and the success of the new ways of working.

The Local Government Boundary Commission for England carried out a review of the County Council's electoral arrangements during 2014/15 which will be implemented from the elections in May 2017. The effect of the review on the Broxtowe Council area is that the number of divisions has been reduced from 8 to 7 and the number of County Councillors from 10 to 9.

The Council has made representations to the Boundary Commission for England on its proposals for a review of parliamentary constituency boundaries which will seek to reduce the number of constituencies from 533 to 501 and the number of MPs from 650 to 600. Commissioners will decide whether to revise the initial proposals in light of comments received during the two consultation stages and will consult on those revisions towards the end of 2017. The Commission is due to publish its final report in September 2018, with the new arrangements coming into effect in May 2019 for the next scheduled parliamentary elections.

Efforts continued to increase the number of registered electors, particularly the under-represented groups, and also the accuracy of the register through data matching. As a result the number of electors is currently higher than it has been for the last 3 years. Regular reports are submitted to the Governance, Audit and Standards Committee on registration initiatives both through the annual canvass and on an on-going basis.

### **Conclusion**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the organisation who have responsibility for the development and maintenance of the governance environment, the Chief Audit and Control Officer's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The operation of the Governance Framework during 2016/17 has provided the Council with assurance that proper practices are in place governing the conduct of the Council's business, subject to the items identified in this statement and specified in the attached action plan.

During the year an investigation was commissioned into a number of complaints and grievances that have been raised internally and from anonymous sources. The review was commissioned by external legal advisers on the Council's behalf. Whilst the external investigator may recommend that disciplinary proceedings should be considered by the Council, it is not within the scope of his instructions to recommend any particular action or reach any conclusions in respect of the findings of any such disciplinary issues.

The report of the external investigator has not been received at the date of publication of this statement. A revised governance statement will be included the audited statement of accounts identifying any issues raised by the investigation and setting out actions to be taken to address those issues.

Implementation of the actions specified in the attached Action Plan will help to ensure that the Council's governance arrangements continue to be fit for purpose in accordance with the governance framework.

**Implementation of previous action plan**

Actions identified in the previous financial year have been implemented as stated above and summarised in the table below:

<p>1. Embed the operation of a new Corporate Plan and a revised committee structure following the May 2015 elections.</p>	<p>New structure in place and operating effectively</p>
<p>2. Revise reporting lines to Members as to how the Council is performing following the transfer of responsibilities of Cabinet and the Overview and Scrutiny Committee to committees under the new governance and leadership structure. -</p>	<p>Business plans and service and financial performance monitoring allocated to policy committees.</p>
<p>3. Address budget challenges and financial pressures by continuing to investigate and pursue opportunities for shared services and increased collaborative working with other authorities where these are of benefit to the Council and by identifying and implementing efficiencies and commercial opportunities.</p>	<p>Implementation of Business Strategy</p>
<p>4. Respond to challenges arising from ongoing changes to the Government's welfare reform programme, most notably the reductions in housing benefits, the increased emphasis on discretionary housing payments, legislation regarding High Income Social Tenants and the introduction of Universal Credit.</p>	<p>Tenancy Sustainment and Income Management policies approved. Shared services in Revenues and Benefits allows cross-fertilisation of approaches and increased resources</p>
<p>5. Establish an appropriate counter-fraud resource following the transfer of benefit fraud officers to the Single Fraud Investigation Service.</p>	<p>New Counter-Fraud Strategy approved and revised money laundering procedures</p>
<p>6. Take appropriate action to respond to the findings of the external auditor as set out in their Annual Governance Report, Audit Opinion Plan and Certification of Claims</p>	<p>Fixed asset software implemented. Accounts working papers review implemented, simplified overhead allocation procedures.</p>

and Returns Annual Report.	
7. Implement the improvement plan in respect of housing rents recovery procedures.	Improvement plan was developed by the General Management Team which is responsible for ensuring that the plan is implemented. Issues raised during the course of 2016/17 have prevented the action plan from being implemented in full. The plan continues to be kept under review pending the resolution of these issues.
8. Undertake and complete reviews under the Business Transformation Programme in accordance with the approved toolkit and report on such reviews accordingly.	Reviews of overtime and administration completed. Customer contact management implemented through increases in electronic transactions and social media. Transformation Programme Highlights report monitored progress.
9. Implement the Capital Strategy, the Asset Management Strategy, the Housing Strategy and the Safeguarding Children Policy approved during 2015/16.	Implemented through management of the capital programme, appointment of Commercial manager to review use of property and purchase of Beeston Square. Safeguarding Children policy implemented through training and partnership across Nottingham.

**Significant Governance Issues – Action Plan**

- 1. Update the Local Code of Corporate Governance in line with the revised principles of the CIPFA/SOLACE *Framework*
- 2. Implement the policies and strategies published during 2016/17 as identified in this Statement.
- 3. In 2017/18 complete a new People Strategy and ICT Strategy; review the Economic Regeneration Strategy; complete a new Leisure Facilities Strategy; and complete the Local Plan part 2 and Neighbourhood Plans.
- 4. Continue to address budget challenges and financial pressures by completing a new Business Strategy and Commercial Strategy and revising the Asset Management Strategy to identify and implement efficiencies and commercial opportunities, making the best use of the Council’s assets and by continuing to investigate and pursue opportunities for shared services and increased collaborative working with other authorities where these are of benefit to the Council.
- 5. Take appropriate action to respond to the findings of the external auditor as set out in their Annual Governance Report, Audit Opinion Plan and Certification of Claims and Returns Annual Report.
- 6. Continue to implement the improvement plan in respect of housing rents recovery procedures.
- 7. Strengthen controls over gas safety procedures.
- 8. Review procurement and contract management arrangements in respect of the Housing Management Software upgrade
- 9. Revise whistleblowing procedures
- 10. Improve budgetary control over staff and agency costs
- 11. Update business continuity plans
- 12. Address the findings of the external investigation.
- 13. Ensure that appropriate governance arrangements are in place for trading companies.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed: .....**  
**R Jackson**  
**Leader**  
**Broxtowe Borough Council**  
**September 2016**

**Signed: .....**  
**R Hyde**  
**Chief Executive**  
**Broxtowe Borough Council**  
**September 2016**

## Report of the Chief Audit and Control Officer

**INTERNAL AUDIT REVIEW 2016/17**1. Purpose of report

To inform the Committee of the work of Internal Audit during 2016/17.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

In accordance with the Public Sector Internal Audit Standards, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA), the Chief Audit and Control Officer must deliver an annual internal audit opinion and report that can be used by the authority to inform its Annual Governance Statement. The Internal Audit Annual Review Report for 2016/17 is included in the appendix.

The Council has to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Review Report and from comments made by the external auditors and other inspectorates.

The system of internal control has been reviewed. It is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework [*... this opinion will aim to align with the Annual Governance Statement*]. In terms of the audits completed, it was found that service areas are operating with appropriate internal controls. Where actions have been agreed, progress is largely being made for their implementation. Where this is not the case, outstanding significant recommendations are reported to this Committee as part of the regular progress reports.

Overall, 91% of the revised planned audits were complete or awaiting finalisation at the year-end, which is above the target of 90%. All outstanding and deferred audits will now be completed as early as practicable in 2017/18.

**Recommendation**

**The Committee is asked to CONSIDER the work of Internal Audit in 2016/17.**

Background papers

Nil

## APPENDIX



## Internal Audit Annual Review Report 2016/17

### 1. INTRODUCTION AND BACKGROUND

This annual review report provides a summary of Internal Audit activities for the year ended 31 March 2017.

The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices. The Public Sector Internal Audit Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Public Sector Internal Audit Standards requires the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and;
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

### 2. OPINION ON THE OVERALL ADEQUACY AND EFFECTIVENESS OF THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT

The Council has to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of senior management within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Review Report and by comments made by the external auditors and other review agencies and inspectorates.

A periodical review of the effectiveness of the system of internal audit helps to ensure that the opinion in this report may be relied upon as a key source of evidence in the Annual Governance Statement. The latest review found Internal Audit to be sufficiently compliant with the requirements of the Public Sector Internal Audit Standards to ensure that the opinion given in this annual review report can be relied upon for assurance purposes.

There are no causes of concern with regard to the independence and objectivity of Internal Audit. Whilst reporting administratively to the Deputy Chief Executive (fulfilling the duties of Section 151 of the Local Government Act 1972), the Chief Audit and Control Officer also has:

- free and unrestricted access to the General Management Team.
- free and unrestricted access to the Governance, Audit and Standards Committee (or equivalent) and attends all of its meetings
- the right to meet with the Chair of the Governance, Audit and Standards Committee (or equivalent) and/or the relevant Member Portfolio Holder to discuss any matters or concerns that have arisen from Internal Audit work.

Internal Audit has reviewed the systems of internal control and should provide an opinion on both the corporate and service specific standards in place.

**It is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. [... this opinion will aim to align with the Annual Governance Statement]**

In terms of audits completed, it was found that services are carried out with the appropriate internal controls. Where actions have been agreed, progress is largely being made for their implementation. Where this is not the case, any outstanding significant recommendation is reported to the Governance, Audit and Standards Committee as part of the regular progress reports.

### **3. QUALIFICATIONS**

The opinions expressed in this report have been based upon the work carried out by Internal Audit for the year ended 31 March 2017 and reports received from the Council's external auditors.

### **4. ISSUES RELEVANT TO THE ANNUAL GOVERNANCE STATEMENT**

The Governance, Audit and Standards Committee will consider significant governance issues as part of the Annual Governance Statement for 2016/17 at its meeting on 26 June 2017.



The Chief Audit and Control Officer has reviewed the Annual Governance Statement for 2016/17. The significant governance issues raised in the latest statement were found to be appropriate. It was also found that the issues carried forward from the previous year had been addressed or were ongoing items that were in the process of being addressed. *[... this opinion will aim to align with the Annual Governance Statement]*

With regard to the audits completed during the year, no actions were classed as being fundamental where action was considered imperative to ensure that the Council was not exposed to high risks. Where a limited assurance opinion was issued, the outstanding actions from these audits are not thought to be relevant to the preparation of the Annual Governance Statement.

## **5. SUMMARY OF INTERNAL AUDIT ACTIVITY 2016/17**

### **5.1 Performance Overview**

A summary comparison of actual coverage in each area of audit activity against the annual plan for 2016/17 is shown in appendix 1. The list of audit reports issued during the year ended 31 March 2017 (and beyond for 2016/17 audits) is included at appendix 2. This list includes the levels of assurance that have been taken from each audit and the number of recommendations that were made.

Overall, 91% of the revised planned audits were completed or awaiting finalisation at the year-end, which is above the target of 90%. A total of 12 audits were planned and completed in respect of the key financial systems, with the audits of Bank Reconciliation, Benefits, Key Reconciliations, Rents and Sundry Debtors being finalised by 30 June 2017. All outstanding and deferred audits will be reconsidered as early as practicable in 2017/18.

During the period April 2016 to March 2017, 35 audit reports were issued (including nine reports in respect of 2015/16) with a further 13 reports awaiting finalisation. The reports included 54 recommendations, of which six were considered to be 'significant'. No recommendation was classed as fundamental where action was considered imperative to ensure that the Council was not exposed to high risks.

A limited assurance opinion was issued in respect of the audits of Counter Fraud Arrangements and Creditors and Purchasing. This opinion is given where Internal Audit considered that controls within the respective systems provided limited assurance that risks material to the achievement of the system's objectives are adequately managed. The outstanding issues from these audits are not thought to be sufficient to affect the overall opinion.

### **5.2 Internal Audit Resources**

All three of the established officers at the commencement of the audit year remained in post throughout the period.

A Senior Internal Auditor had an application for additional unpaid leave approved in 2016/17. Whilst this generated a small financial saving, a total of 15 audit days was lost from the resources available.

No additional resources were required to complete the revised audit plan.

### 5.3 Internal Audit Activity

A comparison of actual audit-days incurred for each area of audit activity against the resources allocated in the audit plan is shown in appendix 1.

A summary narrative of each audit completed during the year was included within the progress reports considered by the Governance, Audit and Standards Committee.

#### a. System, Functional and Departmental Audits

The total time spent on audits was not in accordance with planned allocations due to:

- the need to reassess priorities during the year because of the circumstances identified in some reviews
- adjustment of priorities in order to meet the requirements of senior management and the external auditors
- the need to re-arrange audits and timings to meet the service expectations of client departments
- extra time allocated to complete the following audit areas:

	<u>Audit-days</u>
Beeston Square Development	6
Choice Based Lettings	5
Retirement Living	4
Fuel Management	4

It was considered that the budget allocations for the above areas were insufficient to accommodate the necessary level of testing. This will be monitored in future to assess whether allocations need to be increased or the level of audit coverage decreased. It should be noted that some of the remaining areas within the audit plan provided audit-day savings.

A number of audit reports were still to be finalised as at 31 March 2017, including the reviews of Bank Reconciliation, Beeston Square, Chilwell Olympia, Flexi-time Management, Information Management, Key Reconciliations, Rents and Retirement Living. Only a nominal amount of audit time was needed to finalise these reports. In addition, the following reviews were still to be completed at the year-end. The time anticipated to complete this work in 2017/18 is 18 audit-days:

	<u>Audit-days</u>
Sundry Debtors	10
Shared Services	4
Benefits	4

The audits of Corporate Governance and the Local Authority Trading Company have been deferred for inclusion in the audit plan for 2017/18. The audit of Computer/ICT is nearing completion having been amalgamated with the 2017/18 audit. Following developments during the course of the year, the audit of Central Establishment Charges has been postponed.

#### **b. Contract Audit**

Whilst no specific time has been directly charged to contract audit during the year, Internal Audit has considered contracts as part of service reviews. In addition some audit work has been completed on the following contract related areas:

- assessments of the financial viability of potential contractors, suppliers and service providers applying to be considered for a number of tendered contracts
- reviewing the adequacy of the current arrangements and controls operating within the Environment Division, including Recycling and Fuel Management.

#### **c. Special Investigations**

Internal Audit completed 34 days of work on the following special investigations in 2016/17:

- A confidential investigation into the alleged improper conduct of a Council manager (8 days)
- A confidential investigation into a complaint made by a debtor in respect of outstanding arrears on a 'Lifeline' account (1 day)
- An audit of the Local Authorities Housing Statistics (LAHS) return prior to submission to Central Government (11 days)
- A confidential investigation into a potential money laundering matter (4 days)
- An independent review of Housing stock data provided to the Department for Communities and Local Government (1 day)
- A review of the Pre-Eviction Protocol for Rent Arrears, at the request of the Deputy Chief Executive and the Director of Legal and Planning Services, to confirm that the Protocol complies with legislation and is operating appropriately and effectively (9 days).

**d. Value for Money Reviews (VFM)**

Whilst Internal Audit did not undertake specific VFM project work in 2016/17, all systems and service reviews were completed with due consideration to the principles of economy, efficiency and effectiveness.

**e. Erewash Audit**

The collaboration with Erewash Borough Council to provide joint working and management arrangements of internal audit services commenced from April 2015. The key elements of the proposal were considered by the General Purposes and Audit Committee on 9 March 2015.

During 2016/17, a total of 17 audit days was allocated to work completed on behalf of Erewash, including an element of management time. Internal Audit has completed independent audits of their risk management and insurance arrangements and provided assurances relating to audit work completed at Bramcote Crematorium. A further review of health and safety was finalised in May 2017.

The collaboration with Erewash will continue into 2017/18 with the potential to develop further and allow for opportunities to provide more resilience, help with officer development and produce financial savings for both authorities.

**f. National Fraud Initiative (NFI)**

A total of 7 audit days was utilised to complete elements of the NFI data matching exercise.

The Chief Audit and Control Officer has now taken over the role as 'Key Contact' for the NFI at Broxtowe, following the retirement of the Chief Benefits Officer on 31 March 2016.

The scope of Internal Audit's work in 2016/17 was limited to the data sets in respect of Payroll and Insurance. More extensive data matching work will commence in June 2017.

The audit of corporate anti-fraud arrangements in 2016/17 found that the Fraud and Corruption Prevention Policy was in need of refresh. The updated policy was approved by Governance, Audit and Standards Committee on 27 March 2017 and, as part of the Council's approach to prevent fraud and corruption, Internal Audit will take a more prominent role in leading and co-ordinating anti-fraud and corruption activities from April 2017. The Chief Audit and Control Officer will be supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

### **g. Computer**

The audit plan included a 20-day budget allocation for providing a focused approach to computer audit in areas that were considered to have weaker controls and/or the greatest exposure to risk.

The proposed review for 2016/17 has been amalgamated with the audit included in the approved audit plan for 2017/18 and will be completed by 30 June 2017. Internal Audit has considered ICT controls as part of other systems work during the year.

### **h. General Audit and Non-Audit**

The time allocated to general audit tasks (including the management and general administration of the Internal Audit activity) was 70 audit days, compared to the allowance of 85 days.

The wider remit of the Audit and Control section is reflected in the allocation to 'non-audit' work. The majority of this time reflects the Chief Audit and Control Officer's management of the other control aspects of the section, including corporate performance management and business planning, insurance and risk management, procurement and grant aid, together with an involvement in other corporate management and democratic issues. The time allocated to non-audit activities was 139 audit days, compared to the allowance of 125 days. This overspend was largely attributed to the administrative support provided to the Chief Executive for the elections and referendum during 2016.

## **6. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

### **6.1 Compliance with Proper Practice**

In order to facilitate the review of the effectiveness of internal control required by the Accounts and Audit Regulations 2015, it is necessary for the Council to complete a regular review of the effectiveness of its internal audit.

The latest review was completed on the basis of a self-assessment against 'proper practice' consisting of the Public Sector Internal Audit Standards and the Local Government Application Note. A further review has been programmed in 2017/18, including a formal external assessment, and the findings will be presented to the Governance, Audit and Standards Committee for consideration.

It is important that the effectiveness of Internal Audit is not solely judged against the extent of compliance with the Standards since the review is about effectiveness and not process. In addition to the checklist the following aspects provide evidence to support the review:

- reports on the results of completed audits and setting out significant findings

- reports setting out the Internal Audit Plan for the forthcoming year
- an annual report on the performance of Internal Audit.

The review concluded that a great deal of progress has been made to strengthen the role of Internal Audit at a corporate level, not least through the formal reporting procedures to the Governance, Audit and Standards Committee. Whilst a number of areas where improvements could be made were identified these were not felt to be fundamentally undermining the efficiency and effectiveness of Internal Audit, its role within the organisation or the Chief Audit and Control Officer's ability to assess the internal control environment of the Council.

## 6.2 Quality Assurance and Improvement Programme

Overall, 91% of the planned audits were complete or awaiting finalisation at the year-end, which is above the target of 90%. In addition, 92% of the planned audits in respect of the key financial systems were complete or awaiting finalisation at the year-end.

The audits of Bank Reconciliation, Benefits, Key Reconciliations and Rents have been completed since 31 March 2017. The only outstanding audit, in respect of Sundry Debtors, is nearing completion and will be finalised by 30 June 2017.

The achievement of a percentage completion of the audit plan is not considered to provide sufficient evidence in itself of the quality of the function. The Chief Audit and Control Officer will continue to develop the formal Quality Assurance and Improvement Programme (QAIP) as referred to in the Internal Audit Charter. The QAIP covers all aspects of Internal Audit activity and include both internal and external quality assessments.

The QAIP should provide sufficient evidence of the efficiency and effectiveness of the Internal Audit activity and enable conformance with all aspects of the Public Sector Internal Audit Standards to be evaluated. The programme should identify opportunities for improvement as appropriate.

The following points are noted with regards to the QAIP:

- An annual review of the effectiveness of internal audit, sufficient to meet the requirements of the Accounts and Audit Regulations 2015 was completed and the overall findings were satisfactory.
- Membership of professional bodies and regional audit groups supports the Chief Audit and Control Officer in identifying best practice and other potential service improvements.
- The Chief Audit and Control Officer undertakes regular quality reviews of the work of the internal audit activity to provide assurance that it complies with the Standards and meets the requirements of the Internal Audit Charter and audit manual.

- In addition to the wider service review, each individual audit is subject to management review of the quality of audit working papers prior to the distribution of the draft audit report for discussion and agreement with senior management.
- The Chief Audit and Control Officer will arrange for an external assessment of the efficiency and effectiveness of the internal audit service to be undertaken every five years. The independent review will be conducted by a suitably qualified assessor. The results of the review will be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.
- Any improvement plans arising from any review of internal audit shall be prepared and reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee as appropriate.

## APPENDIX 1

## INTERNAL AUDIT ACTIVITY SUMMARY 2016/17

	<u>Original Planned Days</u>	<u>Actual Days</u>
Deputy Chief Executive's Department		
• Corporate	16	9
• Revenues, Benefits and Customer Services	70	83
• Finance Services	38	26
• Environment	26	33
Chief Executive's Department		
• Corporate	30	26
• Department	56	37
Housing, Leisure and Property Services	88	102
Legal and Planning	20	12
Total Departmental Audit	344	328
Audit Follow-up Work	10	8
Audit Erewash	35	17
Contingency	20	-
- Special Investigations	-	34
- Contract Audit/Financial Appraisals	-	7
- Value for Money and Consultancy	-	-
- National Fraud Initiative	-	7
	409	401
Annual Leave	100	116
Public Holidays	18	18
Sickness and Other Leave	21	11
Training and Seminars	15	13
Audit General	85	70
Non-Audit (including Elections)	125	139
Vacancy / Secondment	10	15
Total Days	783	783



## APPENDIX 2

## INTERNAL AUDIT REPORTS ISSUED APRIL 2016 TO MARCH 2017

No	Audit Title	SIA	Report Issued	Opinion	Significant	Actions Merits Attention	Respective IA Plan Complete
32	Erewash BC – Risk Management	CF	27/04/16	-	-	-	-
33	Rents 2015/16	CF	17/05/16	Substantial	0	0	67%
34	Bank Reconciliation 2015/16	CF	18/05/16	Substantial	0	2	69%
01	Special Investigation – Lifeline	MP	19/05/16	-	-	-	-
35	Information Management 2015/16	WL	24/05/16	Reasonable	0	2	72%
36	Household Refuse/Bulky Waste 2015/16	WL	06/06/16	Reasonable	1	4	74%
37	Trade Waste Refuse Collection 2015/16	WL	06/06/16	Reasonable	1	6	77%
38	Garden Waste Collection 2015/16	WL	14/06/16	Substantial	0	0	79%
02	Erewash – Insurance	CF	13/07/16	n/a	-	-	-
03	Licensing	CF	19/07/16	Substantial	0	1	3%
39	Sundry Debtors 2015/16	CF	29/07/16	Substantial	0	2	82%
04	External Maintenance - Housing Stock	CF	02/08/16	n/a	-	-	-
05	Choice Based Lettings	WL	17/08/16	Substantial	0	2	85% 6%
06	Housing Voids Management	WL	17/08/16	Substantial	0	2	87% 9%
40	Benefits 2015/16	WL	18/08/16	Reasonable	0	3	90%
07	Asset Register (Estates Management)	CF	18/08/16	Reasonable	1	3	11%
08	Creditors and Purchasing	CF	18/08/16	LIMITED	1	2	14%
09	Payroll	CF	08/09/16	Reasonable	1	1	92% 17%
10	Health and Safety	CF	14/09/16	Substantial	0	1	20%
11	Homelessness	CF	29/09/16	Substantial	0	1	23%
12	Members Allowances	WL	06/10/16	Substantial	0	3	26%
13	Treasury Management	CF	06/10/16	Substantial	0	0	29%
14	Prospective Tenant at Durban House	MP	19/10/16	n/a	-	-	-
15	Local Auth. Housing Statistics Return	MP	24/10/16	n/a	-	-	-
16	Bramcote Crematorium	CF	25/10/16	Substantial	0	2	31%
17	Environmental Health	CF	17/11/16	Substantial	0	1	34%
18	Stapleford CCTV	CF	03/01/17	n/a	-	-	-
19	Kimberley Depot Security	CF	19/01/17	Substantial	0	0	37%
20	Recycling	WL	06/02/17	Substantial	0	1	40%
21	Fuel Management	WL	06/02/17	Substantial	0	1	43%
22	Human Resources (Job Evaluation)	CF	19/01/17	Substantial	0	0	46%
23	Counter Fraud Arrangements	CF	28/02/17	LIMITED	1	0	49%
24	Cash Receipting	WL	01/03/17	Reasonable	0	7	51%
25	Council Tax	WL	02/03/17	Substantial	0	1	54%
26	NNDR	WL	02/03/17	Substantial	0	0	57%
Sub-total					6	48	

## INTERNAL AUDIT REPORTS 2016/17 ISSUED POST-MARCH 2017

No	Audit Title	SIA	Report Issued	Opinion	Actions		Respective IA Plan Complete
					Significant	Merits Attention	
27	Key Reconciliations	WL	20/04/17	Substantial	0	1	60%
28	Rent Arrears - Evictions	WL	21/04/17	Substantial	-	-	-
30	Rents	WL	24/04/17	Substantial	0	0	63%
31	Bank Reconciliation	WL	24/04/17	Substantial	0	0	66%
32	Flexi-time Management	CF	11/05/17	Reasonable	1	2	69%
33	Information Management	CF	12/05/17	Reasonable	0	4	71%
34	Shared Services	CF	23/05/17	Substantial	0	0	74%
35	Benefits	CF	24/05/17	Reasonable	1	1	77%
Total					1	8	

## REMAINING INTERNAL AUDIT PLAN 2016/17

No	Audit Title	SIA/ Days	Progress	IA Plan 2016/17 Complete
	Retirement Living (Sheltered Housing)	WL	Draft report issued	80%
	Chilwell Olympia	WL	Draft report issued	83%
	Beeston Square	WL	Draft report issued	86%
	Sundry Debtors	CF	Draft report issued	89%
	Computer/ICT	WL	Ongoing (Amalgamated with 2017/18 audit)	91%
	Local Authority Trading Company	8	Audit deferred to 2017/18	94%
	Corporate Governance	10	Audit deferred to 2017/18	97%
	Central Establishment Charges	8	Audit postponed	100%

## Report of the Chief Audit and Control Officer

**INTERNAL AUDIT PROGRESS REPORT**1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued since January 2017 and progress against the agreed annual Internal Audit Plans for 2016/17 and 2017/18 is included at appendix 1. A brief narrative of the work completed by Internal Audit since the previous meeting of this Committee is also summarised at appendix 1. The summary includes reports in respect of audits outstanding at the end of 2016/17 and completed in this financial year.

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report detailing the overall performance and productivity of Internal Audit for 2016/17 is included elsewhere on this agenda.

**Recommendation**

**The Committee is asked to CONSIDER the report.**

Background Papers

Nil

## APPENDIX 1

## INTERNAL AUDIT REPORTS ISSUED SINCE SEPTEMBER 2016

No	Audit Title	SIA	Report Issued	Opinion	Actions		Respective IA Plan Complete
					Significant	Merits Attention	
09	Payroll	CF	08/09/16	Reasonable	1	1	17%
10	Health and Safety	CF	14/09/16	Substantial	0	1	20%
11	Homelessness	CF	29/09/16	Substantial	0	1	23%
12	Members Allowances	WL	06/10/16	Substantial	0	3 (1)	26%
13	Treasury Management	CF	06/10/16	Substantial	0	0	29%
14	Prospective Tenant at Durban House	MP	19/10/16	n/a	-	-	-
15	Local Auth. Housing Statistics Return	MP	24/10/16	n/a	-	-	-
16	Bramcote Crematorium	CF	25/10/16	Substantial	0	2 (2)	31%
17	Environmental Health	CF	17/11/16	Substantial	0	1	34%
18	Stapleford CCTV	CF	03/01/17	n/a	-	-	-
19	Kimberley Depot Security	CF	19/01/17	Substantial	0	0	37%
20	Recycling	WL	06/02/17	Substantial	0	1 (1)	40%
21	Fuel Management	WL	06/02/17	Substantial	0	1 (1)	43%
22	Human Resources (Job Evaluation)	CF	19/01/17	Substantial	0	0	46%
23	Counter Fraud Arrangements	CF	28/02/17	LIMITED	1	0	49%
24	Cash Receipting	WL	01/03/17	Reasonable	0	7 (5)	51%
25	Council Tax	WL	02/03/17	Substantial	0	1	54%
26	NNDR	WL	02/03/17	Substantial	0	0	57%
27	Key Reconciliations	WL	20/04/17	Substantial	0	1 (1)	60%
28	Rent Arrears - Evictions	WL	21/04/17	Substantial	-	-	-
29	Erewash BC - Risk Management	CF	21/04/17	n/a	-	-	-
30	Rents	WL	24/04/17	Substantial	0	0	63%
31	Bank Reconciliation	WL	24/04/17	Substantial	0	0	66%
01	Erewash BC – Health and Safety	CF	09/05/17	n/a	-	-	-
32	Flexi-time Management	CF	11/05/17	Reasonable	1	2 (1)	69%
33	Information Management	CF	12/05/17	Reasonable	0	4 (3)	71%
34	Shared Services	CF	23/05/17	Substantial	0	0	74%
35	Benefits	CF	24/05/17	Reasonable	1	1 (1)	77%

## REMAINING INTERNAL AUDIT PLAN 2016/17

No	Audit Title	SIA/ Days	Progress	IA Plan 2016/17 Complete
	Retirement Living (Sheltered Housing)	WL	Draft report issued	80%
	Chilwell Olympia	WL	Draft report issued	83%
	Beeston Square	WL	Draft report issued	86%
	Sundry Debtors	CF	Draft report issued	89%
	Computer/ICT	WL	Ongoing (Amalgamated with 2017/18 audit)	91%
	Local Authority Trading Company	8	Audit deferred to 2017/18	94%
	Corporate Governance	10	Audit deferred to 2017/18	97%
	Central Establishment Charges	8	Audit postponed	100%

## REMAINING INTERNAL AUDIT PLAN 2017/18

No	Audit Title	SIA/ Days	Progress	IA Plan 2017/18 Complete
	Capita OPEN Housing System Users	WL	Draft report issued	-
	Asset Register (Estates/Asset Mgmt)	CF	Draft report issued	3%
	Land Charges	CF	Draft report issued	6%
	Computer/ICT	WL	Ongoing (Nearing completion)	8%
	Cash Receipting	CF	Ongoing (Nearing completion)	11%
	Creditors and Purchasing	WL	Commenced	14%
	Payroll	WL	Commenced	17%
	Capital Works (Building Maintenance)	CF	Commenced	19%
	Parks and Grounds Maintenance	10	Expected to commence in Q1	22%
	Car Parks	8	Expected to commence in Q1	25%
	Private Sector Housing/DFGs	8	Expected to commence in Q1	28%
	Housing Repairs	12	Expected to commence in Q2	31%
	Planning Applications and Income	12	Expected to commence in Q2	33%
	Communications	5	Expected to commence in Q2	36%
	HMO Licences	5	Expected to commence in Q2	39%
	Administration - Miscellaneous	5	Expected to commence in Q2	42%
	Financial Resilience	8	Expected to commence in Q2	44%
	Stores	8	Expected to commence in Q2	47%
	Trade Waste Refuse Collection	8	Expected to commence in Q2	50%
	Choice Based Lettings	12	Expected to commence in Q2	53%
	Leisure Membership Scheme	2	Expected to commence in Q3	56%
	Kimberley Leisure Centre	8	Expected to commence in Q3	58%
	Corporate Governance	8	Expected to commence in Q3	61%
	Human Resources	8	Expected to commence in Q3	64%
	Local Authority Trading Company	5	Expected to commence in Q3	67%
	Procurement	10	Expected to commence in Q3	69%
	CCTV	5	Expected to commence in Q3	72%
	Treasury Management	6	Expected to commence in Q3	75%
	Risk Management/Business Continuity	5	Expected to commence in Q4	78%
	NNDR	10	Expected to commence in Q4	81%
	Rents	10	Expected to commence in Q4	83%
	Information Governance (Management)	8	Expected to commence in Q4	86%
	Council Tax	15	Expected to commence in Q4	89%
	Bank Reconciliation	3	Expected to commence in Q4	92%
	Key Reconciliations	2	Expected to commence in Q4	94%
	Benefits	20	Expected to commence in Q4	97%
	Sundry Debtors	15	Expected to commence in Q4	100%

## COMPLETED AUDITS

The Internal Audit Charter framework requires a report to be prepared for each audit assignment. The report will be issued by the Chief Audit and Control Officer to the appropriate senior management at the conclusion of a review and will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of the system's objectives are adequately managed – the opinion being ranked accordingly as either 'Substantial', 'Reasonable', 'Limited' or 'Little' assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions, and;
- identify issues of good practice.

The recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental i.e. urgent action that is considered imperative to ensure that the Council is not exposed to high risks, such as breaches of legislation, policies or procedures
- Significant i.e. action that is considered necessary to avoid exposure to significant risks.
- Merits Attention (Necessary Control) i.e. action that is considered necessary and should result in enhanced control or better value for money.
- Merits Attention i.e. action that is considered desirable that should result in enhanced control or better value for money.

### 2016/17 Audits completed

The following audit reports have been issued with the key findings being as follows:

1. Key Reconciliations Assurance Opinion – **Substantial**

Internal Audit was pleased to report that there continues to be an appropriate framework in place for the Key Reconciliations process.

The review did indicate an area for improvement, with one 'Merits Attention – Necessary Control' action being proposed relating to the need to review and update the Key Reconciliations Manual and master spreadsheet. An action plan was agreed by the Chief Accountant.

2. Pre-Eviction Protocol for Rent Arrears Assurance Opinion – **Substantial**

A review of the Pre-Eviction Protocol for Rent Arrears was completed at the request of the Deputy Chief Executive/Director of Legal and Planning Services.

It was pleasing to report that the Council has an appropriate framework in place in relation to evictions. The Protocol is compliant with legislation. A sample of 10 cases where eviction was considered on the grounds of rent arrears was reviewed. The findings were considered to be satisfactory, with the action taken being reasonable and compliant with the steps outlined in the Protocol.

3. Erewash Borough Council – Risk Management

As part of the Internal Audit Collaboration arrangements, Internal Audit has completed a review of the systems and procedures operating in respect of Risk Management at Erewash Borough Council which was carried out as part of the Erewash Internal Audit Plan for 2016/17.

4. Rents Assurance Opinion – **Substantial**

Internal Audit was pleased to report that there continues to be an appropriate framework in place for the administration of operations in respect of Rents.

Overall, the review did not indicate any significant weaknesses or areas for improvement and, accordingly, a clearance report was duly issued.

5. Bank Reconciliation Assurance Opinion – **Substantial**

No significant areas of concern were noted during the course of the audit. There had been a number of challenges throughout the year that has impacted on the ability of officers to complete the reconciliation in an efficient and timely manner. It was noted though that these matters had been largely resolved and the reconciliation has now been brought back up-to-date in time for the financial year end.

6. Flexi-time Management Assurance Opinion – **Reasonable**

The introduction of the automated Tensor system has generated considerable benefits in terms of increasing the consistency and effectiveness of key controls, improved reporting capabilities and making more efficient use of the centralised administrative support.

There was one 'Significant' action relating to the need to implement the revised Flexible Working Policy, as follows:

Objectives

Internal Audit sought to confirm that a clear policy is in place to govern flexi-time arrangements within the Council and that the policy regarding flexi-time is properly and consistently applied.

Findings – Implementation of Revised Flexible Working Policy

The official 'Flexible Working Hours – Guidelines' have remained largely unchanged since 2005. Over the past 18 months, the policy has been subject to review and the framework for a new policy continues to be trialled by some teams. However, the new policy has yet to be formally approved and adopted.

In addition to the trials, at least one other section is continuing to operate an alternative flexible working scheme entirely separate from either the current guidelines or the new draft policy.

The result of the foregoing is that there is, at present, no authoritative or consistently applied Flexible Working Policy within the Council.

Agreed Action (Significant)

The new Flexi-Time Policy has been considered by Senior Management and will be presented to the Local Joint Consultative Committee on 15 June 2017. Subject to approval, the new policy will then be considered by the Policy and Performance Committee on 4 July 2017 for final approval.

At this point the new policy will be adopted and implemented as appropriate across the Council, with any exceptions being formally agreed and documented.

Managers Responsible

Chief Executive/Human Resources Manager

Target Date: 31 July 2017

The review also indicated further areas for improvement, with a 'Merits Attention - Necessary Control' action being proposed in respect of the need to develop the suite of period-end reports for central production and distribution to line managers for review.

One further best practice action was raised relating to a review of the departmental use of the Tensor system being undertaken, in conjunction with Senior Management Team, with a view to expanding the application of the system wherever practical.

The actions were agreed by the Chief Executive, the Head of Administrative Services, the Human Resources Manager and the Administrative Officer.

7. Information Management Assurance Opinion – **Reasonable**

Internal Audit was pleased to report that there is an appropriate framework in place for information governance.

The review indicated areas for improvement, with three 'Merits Attention - Necessary Control' actions being proposed. These related to the need to progress with the actions agreed to address the issues identified in the Annual Assessment of Information Risk Performance Report (SIRO audit), including:



- Complete the latest SIRO audit and to present the summary findings to GMT for consideration. Chief Officers will be encouraged to consider actions identified during the SIRO audit within their respective departmental management team meetings to ensure transparency and to encourage progress.
- Information Asset Owners to confirm deletion in line with their agreed documented arrangements (Information Asset Register).
- Information Asset Owners to complete a risk assessment to identify any service specific risk(s) and to record appropriate mitigation.

One further best practice action was suggested to remind employees of the need to adhere to the Clear Desk policy.

The actions were agreed as appropriate by the Chief Information Officer.

8. Shared Services Assurance Opinion – **Substantial**

There is a positive and forward looking approach to shared services, with the Council having a suitable strategic framework in place such that it is well-equipped to take advantage of future opportunities. Overall, the review did not indicate any significant weaknesses or areas for improvement and, accordingly, a clearance report was duly issued.

9. Benefits Assurance Opinion – **Reasonable**

The Council has a well-established framework in place for the administration of operations in respect of Benefits.

There was one 'Significant' action relating to the need to ensure that claims assessments and overpayment checks are undertaken regularly as prescribed and the performance monitored, as follows:

Objectives

Internal Audit sought to ensure that Housing Benefit and Council Tax Support are correctly calculated.

Findings – Checking of Claim Assessments and Overpayments

An automatic system module selects a sample of claims assessments for rechecking. The sampling interval is set at 1-in-25 (4%) of all claims for Housing Benefit/Council Tax Support which should be rechecked by a second Benefits Assessor. This is not happening on a regular basis, with the last recorded check having been carried out several months earlier.

Similarly, 4% of all Benefit Overpayment calculations should be checked by a member of the Quality and Control section. Whilst this process is operating correctly, analysis of the reports revealed an error rate on overpayment calculations of around 10%. This is considered high.

Further monitoring and analysis of the financial impact of this should be performed by management.

Agreed Action (Significant)

The checking process for Housing Benefit and Council Tax Support claim assessments and overpayments will be fully reinstated and monitored. The monitoring process is currently performed by the Team Leaders in the Benefits team. Officers have found the maintenance of this task difficult with the increase in their responsibilities over the last twelve months.

Working practices have now been adapted to ensure that the monitoring process is actioned on a regular basis. Some of the monitoring will be undertaken within the Performance team to ensure consistency in the monitoring process. Training will be provided by the Team Leaders to the relevant individual over the coming weeks.

Managers Responsible

Head of Revenues and Benefits Managed Service

Senior Benefits Assistant(s)

Quality and Control Manager

Target Date: 30 June 2017

The review also indicated a further area for improvement, with one 'Merits Attention - Necessary Control' action being proposed in respect of the maintenance of records relating to the annual uprating exercise.

The actions were duly agreed by the Head of Revenues and Benefits Managed Service and will be followed-up by Internal Audit later in 2017.

### **2017/18 Completed Audits**

The following audit report has been issued in 2017/18 with key findings as follows:

12. Erewash Borough Council – Health and Safety

As part of the Internal Audit Collaboration arrangements, Internal Audit has completed a review of the systems and procedures operating in respect of Corporate Health and Safety at Erewash Borough Council which was carried out as part of the Erewash Internal Audit Plan for 2016/17.

Further reviews in respect of Asset Register, Beeston Square, Capita OPEN Housing System Users, Cash Receipting, Chilwell Olympia, Computer (ICT), Land Charges, Sundry Debtors and Retirement Living are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

### **Current Audit Performance**

Overall 11% of planned audits for 2017/18 are near to completion. This level of performance is similar to what was achieved at this stage in the previous year, with the focus of internal audit work being to complete outstanding work from 2016/17. The overall target for 2017/18 is 90% and this is expected to be achieved.

## APPENDIX 2

**INTERNAL AUDIT FOLLOW-UP**

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit.

The table below provides a summary of the progress made with agreed actions for internal audit reports issued between September 2014 and November 2016 (i.e. within six months of completion), excluding clearance reports. Those audits where all actions have previously been reported as completed have also been excluded from this list.

No	Audit Title	Report Issued	Opinion	Actions	
				Significant/ Merits Attention	Progress
14	Leasehold Service Charges 2014/15	19/09/14	Reasonable	6 (0/6)	1 Outstanding
01	Procurement 2015/16	28/05/15	Reasonable	3 (1/2)	1 Outstanding
45	Housing Repairs 2014/15	21/07/15	Reasonable	4 (1/3)	1 Outstanding
09	Anti-Social Behaviour 2015/16	09/09/15	Reasonable	3 (0/3)	1 Outstanding
10	CCTV 2015/16	09/09/15	LIMITED	3 (2/1)	2 Outstanding
29	Main Accounting 2015/16	29/03/16	Substantial	4 (0/4)	1 Outstanding
31	Human Resources – Training 2015/16	31/03/16	Reasonable	3 (0/3)	Completed
35	Information Management 2015/16	24/05/16	Reasonable	2 (0/2)	Current Audit
36	Household Refuse/Bulky Waste 2015/16	06/06/16	Reasonable	5 (1/4)	3 Outstanding
37	Trade Waste Refuse Collection 2015/16	06/06/16	Reasonable	7 (1/6)	1 Outstanding
03	Licensing 2016/17	19/07/16	Substantial	1 (0/1)	Completed
39	Sundry Debtors 2015/16	29/07/16	Substantial	2 (0/2)	Current Audit
06	Housing Voids Management 2016/17	17/08/16	Substantial	2 (0/2)	Completed
40	Benefits 2016/17	18/08/16	Reasonable	3 (0/3)	Current Audit
07	Asset Register (Estates Management)	18/08/16	Reasonable	4 (1/3)	1 Outstanding
09	Payroll	08/09/16	Reasonable	2 (1/1)	2 Outstanding
10	Health and Safety	14/09/16	Substantial	1 (0/1)	Completed
11	Homelessness	29/09/16	Substantial	1 (0/1)	Completed
12	Members Allowances	06/10/16	Substantial	3 (0/3)	1 Outstanding
16	Bramcote Crematorium	25/10/16	Substantial	2 (0/2)	Completed

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

**OUTSTANDING ACTIONS**

<b>1. LEASEHOLD SERVICE CHARGES</b>		<b>April 2014, Reasonable Assurance, Agreed Actions – 6</b>
<b>1.1. Repair Cost Apportionment</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A commitment to improve the arrangements for apportioning repair charges with a view to increasing billing accuracy ('right first time'). A temporary solution will involve the Maintenance Inspector assessing each repair enquiry from a leaseholder by surveying the site and duly reporting his recommendations.</p> <p>Going forward, the Leasehold Officer will quality check the detail of all repair works to be recharged to leaseholders.</p> <p><u>Managers Responsible</u> Housing Allocations &amp; Options Manager/Housing Repairs Manager</p>	<p><u>Management Progress Report of the Housing Allocations and Options Manager and the Housing Repairs Manager</u></p> <p>The Housing Repairs team has reviewed every repair cost relating to leasehold properties in order to identify any anomalies.</p> <p>The upgrade of the housing management system software will provide the necessary functionality to provide this scale of data that would greatly reduce the margin of error previously attached to calculating cost of repairs in connection with leaseholders. The upgrade has commenced and is estimated to be completed in September 2018.</p>	
<b>2. PROCUREMENT</b>		<b>April 2014, Reasonable Assurance, Agreed Actions – 3 (with 1 Significant)</b>
<b>2.1 Procurement e-Learning Package</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>An e-Learning package will be developed to raise awareness of the law, regulations and other matters surrounding procurement and the systems in place at the Council. This will complement the existing support and guidance that is provided by the Procurement and Technical Officer.</p> <p><u>Managers Responsible</u> Head of Finance Services/Procurement and Technical Officer</p>	<p><u>Management Progress Report of the Procurement and Technical Officer</u></p> <p>There were substantial issues experienced following the upgrade of the e-procurement system that has delayed its implementation. The revised target date for launch is now December 2017. The e-Learning package will be developed after this time. In the meantime, regular reminder emails and the 'Procurement Matters' newsletter serves to remind officers of basic procurement requirements.</p>	

<b>3. HOUSING REPAIRS</b>		<b>July 2015, Reasonable Assurance, Agreed Actions – 4 (with 1 Significant)</b>
<b>3.1 Rechargeable Works – Protocol</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A written policy for rechargeable works relating to housing repairs will be prepared and communicated to the relevant teams.</p> <p>A further training programme will be provided for front-line staff involved in this area, including Customer Services, Housing Inspectors and Retirement Living Officers. In addition, a diagnostic package within the Housing Repairs system is being reconfigured to potentially support the recharging process.</p> <p><u>Manager Responsible</u> Housing Repairs Manager</p>	<p><u>Management Progress Report of the Housing Repairs Manager</u></p> <p>This matter is being progressed by the Homes Service Review Group. The group is scrutinising policies and procedures and will visit the Contact Centre as part of their review. The aim of this group is to produce a report recommending improvements to the current service which will then be implemented by the team. Five of the six planned tenant meetings have already taken place and a consultation exercise with tenants is underway. The final report from the group is expected on 1 June 2017. Any changes to the rechargeable repairs policy are to be reflected in the void management policy and tenancy/leasehold agreement.</p>	
<b>4. ANTI-SOCIAL BEHAVIOUR</b>		<b>September 2015, Reasonable Assurance, Agreed Actions – 3</b>
<b>4.1 Training</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention)</p> <p>An ‘at-a glance’ style awareness leaflet will be produced for anti-social behaviour and distributed via the intranet to all employees.</p> <p><u>Managers Responsible</u> Head of Public Protection Chief Public Protection Officer</p>	<p><u>Management Progress Report of the Head of Public Protection</u></p> <p>Following the formal approval of the ASB Policy, the leaflet has been prepared for distribution. This will be completed by the end of June.</p>	

<b>5. CCTV</b>		<b>September 2015, Limited Assurance, Agreed Actions – 3 (with 2 Significant)</b>
<b>5.1 CCTV Management and Control</b>		<b>Progressing</b>
<b>5.2 CCTV Policy</b>		<b>Progressing</b>
<p><u>Agreed Actions (Significant)</u></p> <p>There is consideration of establishing a central management and control function in respect of CCTV at Broxtowe, with the proposal to create this expertise under the revised remit of the Parking Manager.</p> <p>A comprehensive policy/guidance document covering the operation of CCTV systems across the Council will be created having due regard to the relevant legislation, regulations and codes of practice.</p> <p>To support this process, the Parking Manager will initially complete a schedule of visits to all satellite sites with CCTV systems to offer guidance and support. These visits will include a summary review of the respective systems in place and, where appropriate, immediate restrictions will be applied if found to be necessary. Whilst the Parking Manager will be the direct contact for advice and support, a responsible officer will be identified for individual systems at each site.</p> <p><u>Managers Responsible</u></p> <p>Head of Property Services Parking Manager</p>	<p><u>Management Progress Report of the Head of Property Services and the Parking Manager</u></p> <p>Centralised management has taken place in respect of 90% of the Council’s camera surveillance stock and comes under the remit of the Parking Manager. All sites have been visited. The purpose, necessity and need for each system have been reviewed with recommendations made in relation to the appropriateness, centralisation and continued monitoring responsibilities of each system. All officers associated with surveillance systems have received guidance on appropriate use in line with the Government’s Camera Surveillance Commissioner’s principles. The Council is working in accordance with Government guidance, but policies need updating to reflect changes in circumstances.</p> <p>The Parking Manager continues to make progress with centralisation and is advising Liberty Leisure on its operations. The centralisation of all Council systems is difficult and will require further dedicated resources to fully complete this process. A lack of staff resource in Parking Services does not have allow an alternative site visit-based monitoring and enforcement option. Some savings have been achieved by reducing monitoring costs for the shared service from June 2017, however not as much as originally thought, as Gedling BC pulled out of the offer. Negotiations in relation to shared control room and CCTV maintenance management is currently taking place. This will hopefully secure funding for additional resource to support CCTV, Security and Parking Services.</p> <p>The process of developing updated and more accurate comprehensive policies to reflect surveillance activities has been delayed.</p>	
<b>6. MAIN ACCOUNTING</b>		<b>March 2016, Substantial Assurance, Agreed Actions – 4</b>

<b>6.1. Year-End Closedown – Whole of Government Accounts</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The latest closedown timetable will focus on producing the draft Statement of Accounts 2015/16 by 31 May 2016 in anticipation of the requirement to achieve this by 2017/18 as set out in the Accounts and Audit Regulations 2015. This should provide an opportunity to learn lessons and identify potential difficulties and, in turn, should create the capacity to ensure that the WGA return is completed alongside the Statement of Accounts from 2016/17.</p> <p><u>Manager Responsible</u> Head of Finance Services</p>	<p><u>Management Progress Report of the Head of Finance Services</u></p> <p>The closedown timetable for 2016/17 will focus upon producing the draft Statement of Accounts by 31 May 2017 in anticipation of the statutory deadline set out in the Accounts and Audit Regulations 2015 that becomes effective from 2017/18.</p> <p>Due to the staffing situation in Finance Services with new officers and vacant posts, the closedown timetable has not addressed the objective of completing the WGA return alongside the Statement of Accounts.</p> <p>However, work has been undertaken to review a number of financial processes that should create more capacity to allow attention to be given to completing various annual returns (e.g. WGA, RO forms) alongside the production of the Statement of Accounts from 2017/18 onwards.</p>	

<b>7. HOUSEHOLD AND BULKY WASTE</b>		<b>June 2016, Reasonable Assurance, Agreed Actions – 5 (including 1 ‘Significant’)</b>	
<b>7.1 Missed Bin Collections</b>		<b>Progressing</b>	
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Missed bin reports will be provided to management for review. These reports will be used to identify issues relating to particular rounds or addresses in order for suitable action to be taken to reduce the number of missed collections. There will be further evaluation of the policy relating to missed bin collections with a view to reducing costs in this area.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>The policy relating to missed bin is still being reviewed. The policy, including any proposed changes which will improve the efficiency of the missed bin service, will be taken to the Leisure and Environment Committee in September for implementation when the revised collection rounds are implemented.</p>		

7. HOUSEHOLD AND BULKY WASTE (Continued)	
<b>Progressing</b>	
<b>7.2 Review of Collection Rounds</b>	
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A review of the current rounds has been completed with a view to optimising routes and improving working efficiencies. A report has been produced for consideration by the Chief Executive and General Management Team. Further works are in-hand with regards to briefing Members and consulting with the public. The new rounds are anticipated to commence in Spring 2017.</p> <p><u>Managers Responsible</u>                      Head of Environment                      Environment and Business Development Manager                      Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>The rounds for the north of the borough have been agreed by the team. Regular project meetings have been arranged in order to ensure the project remains on schedule. A temporary employee (agency) has been recruited to release staff to work on the south rounds. Implementation for new rounds is scheduled for the week commencing 4 December 2017.</p>
<b>Outstanding</b>	
<b>7.3 Income Reconciliation for Special Collections</b>	
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The formal reconciliation of special collection income (bulky items) will be reinstated and completed on a monthly basis to ensure that all monies received agree to the amounts expected and to the transactions posted on the general ledger. This check will be evidenced by way of a signature.</p> <p><u>Managers Responsible</u>                      Environment and Business Development Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Due to resource issues this has not been actioned. Discussions are taking place to determine how best this can be done within existing resources.</p>



8. TRADE WASTE		June 2016, Reasonable Assurance, Agreed Actions – 7 (including 1 ‘Significant’)
8.1 Review of Collection Rounds		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A review of the current rounds has been completed with a view to optimising routes and improving working efficiencies. A report has been produced for consideration by the Chief Executive and General Management Team. Further works are in-hand with regards to briefing Members and consulting with the public. The new rounds are anticipated to commence in Spring 2017.</p> <p><u>Managers Responsible</u>                      Head of Environment                      Environment and Business Development Manager                      Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>The new collections rounds have been created for implemented in June/July. The start has been delayed due to the availability of resources and to avoid making any changes to collection systems around bank holidays (where collection days change) in order to minimise the demand on the Refuse section with regards to confusion over changes.</p>	
9. ASSET REGISTER		August 2016, Reasonable Assurance, Agreed Actions – 4 (including 1 ‘Significant’)
9.1 Security of Title Deeds		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>An application will be made to the Land Registry to register the titles for Cavendish Lodge (C387) and The Lodge Community Centre (B179). This will be done in conjunction with the ongoing first registration process for other land not yet registered.</p> <p><u>Manager Responsible</u>                      Chief Solicitor and Deputy Monitoring Officer</p>	<p><u>Management Progress Report of the Chief Solicitor and Deputy Monitoring Officer</u></p> <p>Matters relating to first registration of the titles for Cavendish Lodge and The Lodge Community Centre are progressing. The Legal team has been working with the Estates section to attempt to obtain some information to assist with the application as there are no title deeds for either of the properties. Once received, this will be sent to the Land Registry to establish the Council’s title.</p>	

10. PAYROLL		September 2016, Reasonable Assurance, Agreed Actions – 2 (including 1 Significant)
<b>10.1 Independent Reconciliation of Paid Employees</b>		<b>Outstanding</b>
<p><u>Agreed Action</u> (Significant)</p> <p>A full reconciliation of the movement in headcount will be carried out by the Accountancy section.</p> <p>The departmental reports that are distributed by email from Payroll to each department in advance of the monthly pay run should also be copied to Accountancy. Upon receipt of the reports, the Accountancy Assistant will note the number of employees included on each list onto a pro-forma table that collates the details from each report and provides a cumulative total of employees due to be paid in a month. This table will then be authenticated within Accountancy (independent of Payroll) and used to corroborate the total numbers in the BACS Input Report and the monthly Salary Control Sheet.</p> <p><u>Managers Responsible</u> Payroll and Job Evaluation Manager/Chief Accountant</p>	<p><u>Management Progress Report of the Payroll and Job Evaluation Manager and the Chief Accountant</u></p> <p style="background-color: yellow;">To follow...</p>	
<b>10.2 Employee Handbook</b>		<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The 'Your Pay' Employee Handbook available on the Intranet will be updated to take account of the recent changes in pension arrangements and the forthcoming establishment of the Local Authority Trading Company for Leisure.</p> <p><u>Manager Responsible</u> Payroll and Job Evaluation Manager</p>	<p><u>Management Progress Report of the Payroll and Job Evaluation Manager</u></p> <p>An updated version of the Employee Handbook is being produced and will be made available on the Intranet in due course.</p>	

11. MEMBERS ALLOWANCES <span style="float: right;">October 2016, Substantial Assurance, Agreed Actions – 3</span>	
<b>11.1 Advertisement – Independent Remuneration Panel</b>	<b>Outstanding</b>
<p><u>Agreed Action</u> (Merits Attention)</p> <p>There will be consideration of adding information about the Independent Remuneration Panel as part of a dedicated Members’ allowances section on the Council’s website. These webpages could include details of the Panel’s constitution and its membership, along with downloadable copies of the latest minutes of meetings and recommendations.</p> <p>Alternative ways of attracting interest from volunteers to join the Independent Remuneration Panel will also be considered. The Deputy Chief Executive is due to provide an update on recruitment to the Panel at its meeting on 18 October 2016.</p> <p><u>Managers Responsible</u> Head of Administrative Services</p>	<p><u>Management Progress Report of the Head of Administrative Services</u></p> <p>To follow...</p>

## Report of the Deputy Chief Executive

**REVIEW OF STRATEGIC RISK REGISTER**1. Purpose of report

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

2. Detail

Following the report to the last meeting of this Committee and in accordance with the timescales set out in the Risk Management Strategy, the Strategic Risk Management Group met on 10 May 2017 to review the Strategic Risk Register. The General Management Team (GMT) considered the proposals from the Strategic Risk Management Group on 24 May 2017. The objectives of the review were to:

- Identify the extent to which risks included in the Strategic Risk Register are still relevant
- Identify any new risks to be included in the Strategic Risk Register
- Review action plans to mitigate risks.

Details of proposed amendments to the Strategic Risk Register and action plans resulting from the above process are attached in the appendix. A risk map is also included in the appendix to assist the understanding of scores allocated to risks within the Strategic Risk Register.

A revised copy of the Strategic Risk Register incorporating the proposed amendments is available on the intranet. Details of further reviews of the Strategic Risk Register will be reported to future meetings of this Committee.

**Recommendation**

**The Committee is asked to RESOLVE that the amendments to the Strategic Risk Register and the action plans to mitigate risks as set out in the appendix be approved.**

Background papers  
Strategic Risk Register

APPENDIX

**Risk Map**

<b>High</b>	<u>Important risks</u> - which may potentially affect the provision of key services or duties  <p style="text-align: right;"><b>6</b></p>	<u>Key risks</u> - which may potentially affect the provision of key services or duties  <p style="text-align: right;"><b>7</b></p>	<u>Immediate action</u> - to prevent serious threat to provision and/or achievement of key services or duties  <p style="text-align: right;"><b>9</b></p>
<b>Impact</b>	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties  <p style="text-align: right;"><b>3</b></p>	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties  <p style="text-align: right;"><b>5</b></p>	<u>Key risks</u> - which may potentially affect the provision of key services or duties  <p style="text-align: right;"><b>8</b></p>
<b>Low</b>	<u>No action necessary</u>  <p style="text-align: right;"><b>1</b></p>	<u>Monitor as necessary</u> - ensure being properly managed  <p style="text-align: right;"><b>2</b></p>	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties  <p style="text-align: right;"><b>4</b></p>
	<b>Low</b>	<b>Likelihood</b>	<b>High</b>

**Summary of proposed amendments to strategic risks and action plans**

Inherent Risk – Gross risk **before** controls and mitigation

Residual Risk – Risk remaining **after** application of controls and mitigating measures

**STRATEGIC RISK REGISTER**List of risks in order of significance

Risk	Inherent Risk	Residual Risk	Changes
1. Failure to maintain effective corporate performance management and implement change management processes	9	5	No change.
2. Failure to obtain adequate resources to achieve service objectives	9	9	Two new actions have been added to: <ul style="list-style-type: none"> <li>Continue to monitor proposals for greater retention of business rates by local authorities</li> <li>Introduce a charging regime for planning fees in response to recent Government announcements.</li> </ul>
3. Failure to deliver the Housing Revenue Account (HRA) Business Plan	9	7	A completed action point to bring electrical testing and void property management in house was deleted.
4. Failure of strategic leisure initiatives	9	9	No change.
5. Failure to complete the re-development of Beeston town centre	9	9	Two action points were deleted; to commission the necessary studies to assist the Council in securing economic growth in Beeston town centre and to support the Beeston town team.  The action point relating to the Beeston Square Phase 2 project was updated to determining the funding required for the project through the use of specialist advice sourced through a formal tender.
6. Not complying with domestic or European legislation	9	7	A completed action to assess the requirements of the introduction of IR35 (Off Payroll Working in the Public Sector) has been deleted.  An action was added to assess and then address any requirements resulting from the implementation of the General Data Protection Regulations scheduled to take effect from May 2018.

Risk	Inherent Risk	Residual Risk	Changes
7. Failure of financial management and/or budgetary control and to implement agreed budget decisions	9	7	No change.
8. Failure to maximise collection of income due to the Council	9	7	An action point to review the processes for the collection of sundry debtor income and identify and implement improvements where appropriate has been added.
9. Failure of key ICT systems	9	6	No change.
10. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations	9	5	No change.
11. Failure to engage with partners/community to implement the Broxtowe Sustainable Community Strategy 2010 – 2020	9	5	No change.
12. Failure to implement effective Crime and Disorder Reduction Strategy	9	5	No change.
13. Failure to provide housing in accordance with the Local Development Framework	9	9	<p>The Toton/HS2 and Stapleford Working Groups has been deleted as a key control and replaced with Part 2 Local Plan Neighbourhood Plans.</p> <p>The action to develop partnership working with Nottingham Community Housing Association to identify suitable housing proposals has been amended to include reference to other housing providers.</p>
14. Natural disaster or deliberate act, which affects major part of the Authority	9	7	Two new actions were added to assess the likelihood of and potential implications for the Council of a drought in 2017 and to undertake an emergency Control Room exercise.
15. Failure to mitigate the impact of the Government's welfare reform agenda	9	7	The action to bring Job Centre Plus into the Council Offices was deleted.

Risk	Inherent Risk	Residual Risk	Changes
16. Failure to maximise opportunities and to recognise the risks in shared services arrangements	9	7	<p>An action point was updated to report annually to the Jobs and Economy Committee on the shared car parking management arrangements with Rushcliffe BC.</p> <p>Another action was updated to report annually to the Community Safety Committee on the shared CCTV management arrangements with Newark and Sherwood DC and Ashfield DC.</p> <p>A new action point was added to consider the potential to share depot facilities with Erewash BC.</p>
17. Corporate and/or political leadership adversely impacting upon service delivery	9	7	<p>A completed action to develop a core abilities framework was deleted.</p> <p>Two new actions added relating to:</p> <ul style="list-style-type: none"> <li>• Monitor any potential or actual impact upon Broxtowe following the recent change in administration at Nottinghamshire County Council.</li> <li>• Produce a Customer Service Strategy.</li> </ul>
18. High levels of sickness	8	5	An action point was updated to monitor the impact upon sickness levels of structure changes (including staffing reductions).
19. Lack of skills and/or capacity to meet increasing initiatives and expectations.	8	5	See further details below.
20. Inability to attract or retain key individuals or groups of staff	8	5	No change.
21. Failure to achieve recycling targets in a cost effective manner	7	2	No change.
22. Failure to fully utilise investment in ICT infrastructure	7	5	The ICT Strategy has been added as a key control whilst membership of the Nottinghamshire T-Government Group has now been deleted.



Risk	Inherent Risk	Residual Risk	Changes
23. Processes or procedures not followed leading to ill informed decisions and/or abuse of Council facilities	7	5	An action to assess and then address any requirements resulting from the implementation of the General Data Protection Regulation scheduled to take effect from May 2018 was added.
24. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc.	7	5	No change
25. Failure to ensure appropriate levels of data quality	7	5	No change.
26. Unauthorised access of data	7	5	An action to introduce the latest preventative software for the Council's ICT systems to deny unauthorised access has been added.
27. High volumes of employee or client fraud	6	5	The completed action to review the Anti-Money Laundering Policy and report to this Committee has been deleted.  The action point to establish arrangements to draw upon Erewash BC counter fraud resources has been updated to reflect the fact that the Broxtowe Internal Audit team also plays a role in these arrangements.
28. Failure to effectively communicate either externally or internally	5	5	No change.

### Further Details

The following item is highlighted for the attention of Members.

1. Lack of skills/capacity to meet increasing initiatives and expectations (Risk 19)

Comments were made by some group members that the Council's pay and grading model and its application by Job Evaluation Panels may be contributing to recruitment difficulties in certain areas, most notably in ICT Services. As the Council engages in various transformation projects and adopts an increasingly commercial approach in order to maximise the outcomes from its available resources, it will be imperative that the Council has suitable skills and/or capacity to meet these increasing initiatives and expectations.

## Report of the Director of Legal and Planning Services

**WORK PROGRAMME**1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

3. Work Programme

25 September 2017	Internal Audit Progress Report  Review of Strategic Risk Register  Audit of Accounts 2016/17 and Associated Matters  Annual Review of Complaints  External Audit Progress Report
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4. Dates of future meetings

The following additional dates for future meetings have been agreed:

- 4 December 2017
- 26 March 2018

**Recommendation**

**The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.**

Background papers

Nil