



## **AUDIT AND STANDARDS COMMITTEE AGENDA**

**Monday 25 April 2016 at 10.00 am in the Blaydon Room - Civic Centre**

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From the Chief Executive, Jane Robinson

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Item Business

**1. Apologies for Absence**

**2. Minutes** (Pages 3 - 6)

The Committee is asked to approve, as a correct record, the minutes of the meeting held on 7 March 2016.

**3. Declarations of Interest**

Members to declare interests in any agenda items.

**4. External Auditor: Audit Progress Report** (Pages 7 - 20)

Report of the Strategic Director Corporate Resources

**5. The Internal Audit Strategy Statement and Annual Plan 2016/17**  
(Pages 21 - 36)

Report of the Strategic Director Corporate Resources

**6. Corporate Risk Management 2015/16 - Quarterly Report to 31 March 2016**  
(Pages 37 - 52)

Report of the Strategic Director Corporate Resources

**7. Exclusion of the Press and Public**

The Committee may wish to exclude the press and public from the meeting during consideration of the exempt items in accordance with Schedule 12A to the Local Government Act 1972.

EXEMPT ITEM

**8. Internal Audit Plan 2015/16 - Quarterly Monitoring Report to 31 March 2016**  
(Pages 53 - 62)

Report of the Strategic Director Corporate Resources

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**GATESHEAD METROPOLITAN BOROUGH COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE MEETING**

**Monday, 7 March 2016**

**PRESENT:** Councillor B Coates

Councillors: N Weatherley, P Dillon, J Green, L Green,  
J McClurey, J McElroy and G Clark

ASC9 **APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of J Common and B Jones.

ASC10 **MINUTES**

The minutes of the meeting held on 1 February 2016 were approved as a correct record.

ASC11 **DECLARATIONS OF INTEREST**

No interests were declared.

ASC12 **COUNCILLOR ENGAGEMENT AND DEVELOPMENT FRAMEWORK**

The Committee received a report on the Councillor Engagement and Development Framework (the Framework).

It was explained how, over the years, the Council has developed a number of procedures, processes and protocols which, taken together, are intended to help guide councillors on how they undertake their duties (in respect of consultation, engagement, training and development).

On 9 September 2015, the Councillor Support and Development Group approved a draft overarching councillor engagement and development framework. Before submitting the framework to Cabinet, the group considered it appropriate to seek the views of this Committee because of the framework's obvious link to the promotion of high standards.

In respect of the Protocol for Communicating and Consulting with Councillors, it was clarified that officers are expected to consult and communicate with councillors and respond promptly to their queries whilst councillors should be mindful of the increasing pressure placed on officers due to reduced capacity and resources.

It was queried whether communication and consultation with councillors has been a weakness. It was confirmed that two protocols were in place relating to communicating and consulting with councillors, these have been reviewed and merged to provide a more pragmatic approach which acknowledges reductions in

capacity and resource.

It was suggested that, where practicable, the protocols for attendance on outside bodies be reflected in the Framework, particularly in relation to conflicts of interest.

RESOLVED - That the views of the Committee be used to inform the ongoing development of the Framework.

#### ASC13 **LOCAL CODE OF GOVERNANCE**

A report was presented to the Committee, requesting it to consider an updated version of the Local Code of Governance (the code).

The code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services.

The code is based on the Council's existing constitution, protocols and procedures and has been updated to include changes to these documents. The code will be reviewed annually to support the Council's Annual Governance Statement.

It is anticipated that a revised framework document and guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) will be issued later in 2016. This will probably require a fundamental redrafting of the Council's code.

RESOLVED:           i)       The Committee approved the updated Local Code of Governance.  
                          ii)       The Committee agreed to receive a further report in due course, in relation to the updated CIPFA Framework document and guidance note.

#### ASC14 **MAZARS CERTIFICATION OF CLAIMS AND RETURNS 2014/15**

The Committee received the external auditor's (Mazars) annual report on Certification of Claims and Returns. The report set out an update of Mazars' external audit work in respect of the following:

- Housing Benefit Subsidy Return,
- Pooling of Housing Capital Receipts,
- Schools Centred Initial Teacher Training (SCITT),
- Health Act 2006 (s526) – review of annual vouchers and;
- Teachers' pension contributions.

RESOLVED:           The Committee agreed to note the contents of the external auditor's report.

ASC15 **MAZARS AUDIT STRATEGY MEMORANDUM YEAR END 31 MARCH 2016**

The Committee received the external auditor's Audit Strategy Memorandum for the year ended 31 March 2016.

The report summarised the audit approach and highlighted significant audit risks and areas of key judgment.

Changes to the timetable of audit work were reported and the Committee agreed the approach would provide practical benefits arising from the audited accounts being available two months earlier than in previous years. It was also considered appropriate to change the work programme timetable now as a means of testing the timetable two years before the new deadlines are set in statute.

It was suggested that a July meeting of the Committee should be convened, so that the external auditor's report can be considered in accordance with the revised timetable of work.

- RESOLVED:
- i) The Committee agreed to note the contents of the external auditor's report.
  - ii) That the timings of reports to the Committee be amended, as appropriate, to reflect the changes to the timetable of audit work.

ASC16 **TREASURY POLICY STATEMENT AND TREASURY STRATEGY**

To ensure that the Council fully complies with the requirements of good financial practice in Treasury Management, the Committee received a report requesting it to review the proposed Treasury Policy Statement and Treasury Strategy for 2016/17 to 2018/19, and to submit any comments to Cabinet.

In respect of the Council's deposits with Heritable Bank, the Committee was pleased to note that dividends totalling £2.736m (98.00p in the £) have been received. It was reported that the administrators do not intend to make any further distributions of dividend, until the resolution of the ongoing litigation of their claim with Landsbanki.

- RESOLVED: The Committee endorsed the Treasury Policy Statement and Treasury Strategy.

ASC17 **INTERNAL AUDIT UPDATE**

The Committee received an update report on activity undertaken by the Internal Audit and Risk Service.

The update covered the work undertaken in relation to:

- Governance,
- Public Sector Internal Audit Standards (PSIAS),
- Counter Fraud,
- Fraud Bulletin,

- CIPFA Fraud and Corruption Tracker
- CIPFA Counter Fraud and Corruption Toolkit
- National Fraud Initiative.

Those involved with the review of the Council Tax Single Person Discount (SPD) were congratulated on the successful collection of undue funds totalling £328,464.

It was reported that the work around the SPD represented a proactive approach taken by officers within Corporate Resources. It was noted that there is some scope to carry out further similar activity.

The Committee was pleased to note that the Council works with other benefit agencies such as the DWP to cross-reference claims and identify fraud.

RESOLVED:                   The Committee agreed to note the contents of the report.

**Chair.....**

**TITLE OF REPORT: External Auditor: Audit Progress Report**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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### **Purpose of the Report**

- 1 This report requests that the Committee note the external auditor's progress against planned work.

### **Background**

- 2 The report summarises the following:
  - Accounts workshop for officers.
  - North East Governance Forum.
  - Changes impacting on the Statement of Accounts; Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.
  - National publications and other updates.
- 3 The external auditor's report is attached at Appendix A.

### **Recommendation**

- 4 The Committee is requested to note the contents of the external auditor's report.

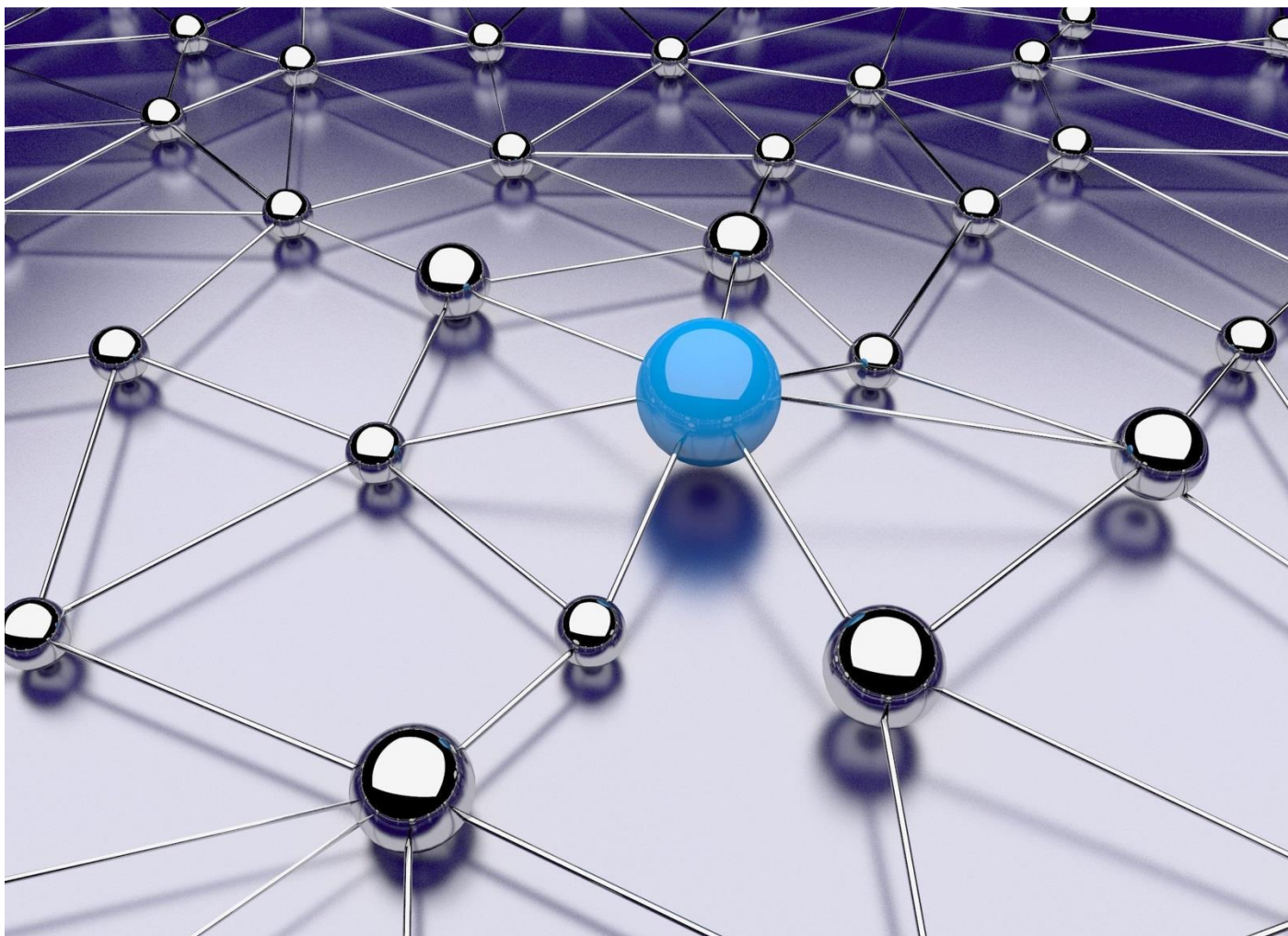
<b>Contact name: David Johnson Ext - 3711</b>
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# Gateshead Council Audit Progress Report

April 2016



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*Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Gateshead Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.*

# 01 Introduction

The purpose of this report is to update the Audit and Standards Committee of Gateshead Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

# 02 Summary of audit progress

## 2015/16 planning

We have now completed our audit planning and our Audit Strategy Memorandum was presented to this Committee at the meeting held on 7 March 2016.

## Accounts workshops for officers

In January 2016, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2015/16 statement of accounts. The workshop was well attended and well received by our clients. Some of your officers attended the workshop.

This year we also provided an additional workshop on infrastructure assets, an area where the accounting requirements change significantly next year. Highways engineers and accountants were brought together for this workshop, and the officers who attended, including your officers, found the workshop helpful as part of their preparations for these changes.

## First meeting of the North East Governance Forum

In January 2016, we also held the first meeting of our North East Governance Forum at Durham County Cricket Club. The forum was established for officers and Members, particularly Chairs and Vice Chairs of Audit Committees, with the aims of:

- promoting good practice in governance;
- facilitating dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- providing a safe and valued forum for discussion.

Most local authorities and related bodies in the North East were represented at the forum, including Gateshead Council.

The topics discussed at the first meeting included:

- Audit Committee effectiveness;
- devolution; and
- future issues (horizon scanning).

There was a consensus among those attending that the forum was valuable, and a second meeting has been arranged for June 2016. It is proposed that the forum will meet twice each year.

## Changes impacting on the public inspection of the accounts

The Accounts and Audit Regulations (2015) have made changes to, amongst other things:

- the roles and responsibilities associated with informing electors of their rights; and
- the publication of draft and audited statements of account and information that accompanies those statements.

It is now the Responsible Financial Officer's responsibility to publish a statement that includes details of the period for the exercise of public rights. It is also now the Responsible Financial Officer's responsibility to inform the auditor of the date on which that period commences; previously the auditor was responsible for 'calling the audit' and appointing a specific date on which electors could ask questions relating to the audit.

The period for the exercise of public rights must be a single period of 30 working days. Electors can only exercise their rights of inspection and objection, as set out in the Local Audit and Accountability Act 2014, during this period. The period must include the first 10 working days of July for this year's audit and, as a result, the earliest date that the audit of a local authority can be completed for 2015/16 is 15th July 2016.

The Regulations also set out the revised timetable for the preparation and audit of the Council's financial statements from 2017/18 that we have mentioned in previous audit progress reports / audit committee meetings. We continue to work closely with the Council's finance team to ensure that we both meet the revised timetable.

Further details on the requirements are set out in the Appendix to this report.

# 03 National publications and other updates

This section contains updates on the following:

1. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**
2. **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**
3. **Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**
4. **Cipfa: Guide to auditor panels, December 2015**
5. **Mazars: Public services blog 'Let's talk public services'**

## 1. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**

Public Sector Audit Appointments Ltd (PSAA) has published its Corporate Plan for the period to 2018. The Plan sets out how the company will discharge the functions delegated to it by the Secretary of State for Communities and Local Government which include managing audit contracts originally let by the Audit Commission and supporting a smooth transition to the new audit regime introduced by the Local Audit and Accountability Act 2014.

PSAA's work programme involves two parallel strands: ensuring that the existing audit contracts continue to deliver good quality and positive value for audited bodies and effective assurance to the public; and, providing as much support as possible to assist local bodies to prepare for, and be ready to meet, their new responsibilities as the legislation is fully implemented.

The plan was informed by the fact that the timetable for the expiry of the existing audit contracts is now clear. For NHS bodies and smaller local authorities (mainly parishes and internal drainage boards) existing arrangements will cover the audits up to and including 2016/17. For these bodies the new regime will therefore apply to the audits of the financial year 2017/18 and onwards. For principal local authorities and criminal justice bodies the existing arrangements are expected to run for a further year covering the audits up to and including 2017/18. For these bodies the new regime will apply to 2018/19 audits and beyond.

As part of its role in supporting local bodies to prepare for their responsibilities under the new regime, PSAA has set up on its website a dedicated Supporting the transition area containing resources to assist local public bodies in making the transition to the new arrangements.

<http://www.psa.co.uk/supporting-the-transition/>

A further important aspect of PSAA's work in relation to the new regime will involve working with the Local Government Association and the Improvement and Development Agency to explore the feasibility of PSAA seeking to become a 'sector-led body' with the ability to enter into contracts and appoint auditors to local bodies in the new regime. Further information will be provided on PSAA's website as this work progresses.

## **2. Guidance for Directors of companies partly or fully owned by the public sector, January 2016**

This guidance, which has been published by the Cabinet office, is to help directors of companies owned by the public sector, in full or in part, to understand their duties and responsibilities, including identifying and managing conflicts of interest. As local government and related bodies increasingly explore alternative models of service delivery, including establishing local authority trading companies, this guidance is of relevance.

<https://www.gov.uk/government/publications/guidance-for-directors-of-companies-fully-or-partly-owned-by-the-public-sector>

An additional guidance paper referred to in the Cabinet Office report is a National Audit Office paper produced in January 2015 on Conflicts of Interest. This is also of relevance to authorities that are operating in an increasingly complex environment of related entities.

<https://www.nao.org.uk/report/conflicts-interest-2/>

## **3. Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**

This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors' work at 509 principal bodies and 9,755 small bodies for 2014/2015. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/2015 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.

Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/2015 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies (at the time of this report being written). The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.

For small bodies, auditors were able to issue their opinion on the annual return by 30 September 2015 at 99 per cent of parish councils and internal drainage boards. This is consistent with the previous year.

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

#### **4. Cipfa: Guide to auditor panels, December 2015**

This publication is aimed at those within local authorities who will have a role to play in deciding how and who to appoint as their organisation's local auditors.

It has been commissioned by DCLG, and a working group including DCLG, NAO, Public Sector Audit Appointments Limited (PSAA) and other stakeholders have ensured that the guidance is relevant and specific to authorities.

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

#### **5. Mazars: Public services blog 'Let's talk public services'**

Mazars has launched a blog 'Let's talk public services' where Mazars' team of auditors and advisors working with UK public service organisations can provide a place in which public service practitioners can exchange experience and ideas relevant to their jobs. The blog can be found here:

<http://blogs.mazars.com/lets-talk-public-services>



# 04 Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

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# Appendix

## **Changes arising from the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015**

Changes to legislation which sets the framework for the work we undertake on local authority statement of accounts will lead to changes in the audit process and timetable.

The relevant legislation can be found here:

The Local Audit and Accountability Act 2014:

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

Accounts and Audit Regulations 2015:

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

### Arrangements for the publication and audit of the statement of accounts

The changes to legislation do not change the publication and audit process to a great degree, however there are differences that we, and our clients need to be aware of. These, and the timings involved, are set out in the table below:

	Action	Regulation	Timing (15/16 and 16/17)	Timing (17/18 onwards)
1	RFO signs and dates the statements and confirms that they present a true and fair view	9(1)(a)	Prior to publication of draft statements (see below)	Prior to publication of draft statements (see below)
2	RFO must publish (including publication on the authority's website): <ul style="list-style-type: none"> <li>• The statement of accounts and an accompanying declaration that they are unaudited and subject to change</li> <li>• The AGS (whether approved or not)</li> <li>• The Narrative Statement</li> <li>• A statement that sets out <ul style="list-style-type: none"> <li>○ The period for the exercise of public rights</li> <li>○ Details of the manner in which notice of the intention to documents should be given</li> <li>○ The name and address of the auditor</li> <li>○ The provisions of section 26 and 27 of the LAAA 2014</li> </ul> </li> </ul>	15(2)	By 30th June* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of July as per 15(1)(a) as adjusted by 21(b).	By 31st May* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of June as per 15(1)(a).
3	RFO must commence the period for the exercise of public rights and notify the auditor of the date on which the period commences. The period must be a single period of 30 working days as per regulation 14(1) and must include the first 10 working days of July (for 2015/16 and 2016/17) as explained above.	9(1)(b) And 9(1)(c)	The day following the date on which the RFO has met the responsibilities in (2) above.	The day following the date on which the RFO has met the responsibilities in (2) above.

## Changes arising from the Local Audit and Accountability Act and The Accounts and Audit Regulations 2015

4	Following conclusion of the period for exercise of public rights the accounts must be: <ol style="list-style-type: none"> <li>1. considered by members (committee or meeting as a whole)</li> <li>2. re-confirmed by the RFO on behalf of the authority that the statement of accounts presents a true and fair view before the accounts are approved</li> <li>3. approved by the same committee or meeting</li> <li>4. signed – this must be by the person who presides over the meeting where the accounts were considered and approved.</li> </ol>	9(2) and (3)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July
5	The approved and audited accounts, approved AGS, and Narrative Statement, must be published (including on the authority's website)	10(1)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July
6	An authority must publish (including on the authority's website) that the audit has been concluded and that the statement of accounts has been published.	16 (1)and (2)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July

*\* The exact date will depend on when the first working day falls in July (for 2015/16 and 2016/17) and in June (for 2017/18 onwards).*

### Further information on public rights under the LA&A Act

#### Period for exercise of rights

The period for questions to the auditor is now restricted to the 30 days of the inspection period, there is no appointed date for questions to the auditor. As noted above, the period must include the first 10 working days of July in for the audit years 2015/16 and 2016/17 under the transitory arrangements.

Calling the audit is no longer the responsibility of the auditor; it has been superseded by the notification of the period for public rights by the RFO (point 3 in the table above).

There is no longer a set date for questions to the auditor, but a local elector must be given the opportunity to question the auditor about the accounting records if they request it (section 26(2) of the LA&A Act). Rights of objection also remain (section 27 of the LA&A Act). All objections to the auditor must be made in writing and be copied to the authority. Regulation 14(1) makes it clear that the rights conveyed by sections 26 and 27 of the Act may only be exercised within the single 30 day period.



**Audit and Standards Committee  
25 April 2016**

**TITLE OF REPORT:**           **The Internal Audit Strategy Statement and Annual Plan 2016/17**

**REPORT OF:**                 **Darren Collins, Strategic Director, Corporate Resources**

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## **Purpose of the Report**

1. The report sets out the proposed Audit Strategy Statement and annual plan of work to be undertaken by the Internal Audit & Risk Service in 2016/17.

## **Background**

2. The terms of reference for Internal Audit are laid down in Financial Regulations, which forms part of the Council's Constitution and the Audit Charter.
3. The Internal Audit & Risk Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Council's resources.
4. The Strategic Director, Corporate Resources has delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations 2015 also require Councils to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*".
5. The Chief Internal Auditor manages the Internal Audit & Risk Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a systematic review and evaluation of all aspects of the internal control environment.
6. The principal objective of the Internal Audit & Risk Service is to assist service managers in delivering the priorities of the Council and its partners, through the assessment of exposure to risk and the continuous improvement of the control environment.

## Basis for the Plan

- 7 Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). PSIAS state that the Chief Internal Auditor *“must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”*.
- 8 In accordance with the PSIAS, the input of senior management must be considered in this process. All Service Directors were given the opportunity to contribute towards the plan and there was a 95% take-up of this offer.
- 9 The Chief Internal Auditor forms an annual assurance opinion based on the programme of audit work as well as assurance obtained from other means. Combined assurance aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers. This is a key area where development work is planned for 2016/17 to formalise assurance mapping across the Council.
- 10 In addition to audit, the Chief Internal Auditor considers any issues identified through counter fraud and irregularities or developing systems and processes insofar as they impact of the effective operation of governance, risk management or internal controls.
- 11 The plan includes allocation for advice and consultancy to all services and partnerships where appropriate. This is an increasing area of focus given the amount of change ongoing across the Council and our partners. Time is allocated to support developing systems, ensuring early engagement and audit support across the Council.
- 12 The plan has moved from a traditional cyclical-based approach to one focused on the main risks to the Council. It provides a balanced approach to traditional compliance work with advisory work as a catalyst for service improvement and to sharpen focus on emerging risks. The plan is flexible and is reviewed and adjusted throughout the year as necessary in response to changes in policies, systems, processes, risks and controls across the Council.
- 13 The audit plan has been mapped to the Strategic Risk Register. As reported elsewhere on the agenda, this is being reviewed to ensure it is relevant and covers all the key risks facing the Council. Once this is finalised, the audit plan will be revisited to ensure appropriate coverage of strategic risks.
- 14 The Audit Strategy Statement and the annual plan for 2016/17 are attached at Appendix A. The approach to the plan is that it is flexible, supportive, challenging, prioritised and timely, all characteristics endorsed by PSIAS which ensures the plan maintains focus on emerging risks and that assurance is continually focused on the most important risks to the Council, retaining flexibility to reprioritise assurance activities as required.

## **Recommendations**

15 The Committee is asked to:

- agree the Audit Strategy Statement and the annual plan of work to be provided by the Internal Audit & Risk Service for 2016/17.
- agree to receive quarterly monitoring reports showing progress made against the plan.

<b>Contact name: David Johnson – Ext. 3711</b>
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# The Internal Audit Strategy Statement & Annual Plan 2016/17

David Johnson  
Chief Internal Auditor  
Internal Audit & Risk Service – Corporate Resources

## Introduction

1. The Internal Audit & Risk Service for Gateshead Council plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2016/17 has been formulated from a review of the major risks that the Council faces. The plan therefore focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed. The Service's objective is to promote and champion sound governance and effective and efficient internal controls throughout the Council and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Council Plan and Vision 2030.
2. The Council's internal audit function is provided by the Internal Audit & Risk Service which is based within the Corporate Finance Service within Corporate Resources.

## Purpose

3. This document sets out Internal Audit's Strategy and Annual Audit Plan for Gateshead Council for the financial year 2016/17.
4. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
  - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that require the Chief Internal Auditor to produce a risk based annual plan taking into account the need to give an independent annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
  - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
  - Ensure effective audit coverage and provide a mechanism to deliver independent and objective assurance in particular to the Audit and Standards Committee and Senior Managers.
  - Identify the key risks facing the Council that could prevent it from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls.
  - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money.
  - Support the Strategic Directors of Corporate Resources and Corporate Services and Governance in fulfilling their obligations as the Council's Section 151 and Monitoring Officers respectively.

## Key Outputs Statement

5. The Internal Audit & Risk Service will deliver key responsibilities as follows:
  - To provide ongoing assurance to management on the Council's control environment comprising systems of governance, risk management and internal control;
  - To support the Council's values and expected standards of behaviour;
  - To be responsive to transformational change and service demands;
  - To work together with the Council's external auditors to ensure reliance can always be placed on audit work where appropriate;
  - To continue to develop joint working relationships with other related regional and national groups and bodies;
  - To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across the Council;
  - To ensure agreed management actions to audit recommendations made are fully implemented;
  - To deliver the statutory requirements of the Accounts and Audit Regulations 2015;
  - To continue to develop and have a lead role in the Council's corporate governance arrangements including their review and the production of the Annual Governance Statement;
  - To provide an effective corporate counter fraud & corruption service and response in accordance with the Council's Counter Fraud & Corruption Policy and the Local Government Fraud Strategy - "Fighting Fraud and Corruption Locally".

## Key Characteristics of the Annual Plan

6. Having regard to the current risk profile of the Council, the following main areas have been included in the Annual Plan for 2016/17:

### Scale and Pace of Change

7. The scale and pace of change of the financial challenge continues to have a significant impact on the Council. Changes have taken place in the Council's structure with ongoing activity to identify and deliver savings across all areas of Council services including a significant Change Programme. The implementation of changes and public service reform with a reduced workforce and reduced funding, whilst delivering business as usual and achieving priorities remains a key challenge and risk for the Council during 2016/17 and beyond.
8. Internal Audit cannot manage risks directly; however, it can play an important role by developing a flexible audit approach and a dynamic plan to address emerging risks as well as those risks yet to be identified. This is particularly relevant for 2016/17 as changes are agreed through the Change Programme with detailed work ongoing to confirm how these will be delivered.

9. As such, there are areas where Internal Audit work cannot be fully defined at this stage but where allocation of resources are required to help support good governance, risk management and control. Rather than define specific audits, the plan includes allocations of work which will be applied to specific aspects of audit activity throughout the year based on on-going consultation with Service Directors to reassess key risks. Examples include call-off hours allocated to each Strategic Group, the Change Programme and the Digital Strategy.
10. Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The significant reduction in the workforce for example provides a potential for breakdown in controls as well as an opportunity to consider alternative more efficient ways of organising people, systems and processes without impacting negatively on the control environment. To reflect this, the draft plan includes time for advice and consultancy and developing systems support to officers to support and challenge them in the establishment and development of their systems of governance, risk management and internal control. An important distinction is that Internal Audit's work will be challenging and advisory, rather than design of controls which are a management responsibility.
11. The plan also includes time for audits brought-forward from 2015/16 for completion in early 2016/17 to allow for the finalisation of workload that spanned year-end.
12. The challenge is to ensure that there is a balance between responding to these risks and ensuring that there is sufficient coverage of key systems. The Audit Plan must balance the need to:
  - Provide assurance on the effectiveness of internal controls operating within the Council.
  - Adequately review the assurance provided by key financial systems for management and the external auditor to place reliance on.
  - Allow for the Internal Audit Service to offer advice and guidance on control and efficiency issues.
  - Investigate suspected or detected frauds or irregularities.
  - Provide time to allow the Internal Audit Service to carry out unplanned or consultancy work requested by Service Directors.
13. The continued pace of change across the Council requires assurance that is prioritised and timely and the plan must provide for this assurance to enable remedial action or controls to be implemented in a timely manner. Based on experience and feedback from Service Directors, there is a need for shorter, more focused and practical audits in areas of emerging risk. Regular attendance at Group Management Teams and close liaison with Business Partners will facilitate a continuous review process to ensure the plan remains relevant.

## 2016/17 Annual Planning Process

14. The approach to audit planning in the Council for 2016/17 has been based on the following:

- The Council's priorities;
- The risks documented in the Council's strategic and operational risk registers;
- Consultation with Service Directors and the external auditors;
- Changes in legislation;
- The scope of planned external audit work;
- The implications of external inspection reports;
- Findings and outcomes from audit and investigation work in 2015/16 and earlier years;
- Consultation with colleagues across the region;
- Time elapsed since the previous audit; and
- The availability of resources.

15. The audit plan has been mapped to the Strategic Risk Register. As reported elsewhere on the agenda, this is being reviewed to ensure it is relevant and covers all the key risks facing the Council. Once this is finalised, the audit plan will be revisited to ensure appropriate coverage of strategic risks.

16. Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, complexity, potential for fraud and sensitivity. Based on a score derived from these assessments audits are categorised as either high, medium or low priority which dictates where they will be audited within a 3-year cycle. High priority areas are audited on an annual basis. On completion of each audit, the risk profile is revisited to ensure it remains up to date.

17. The audit plan for 2016/17 is based on resources of 12.3 full time equivalent employees (FTE) (12.4 FTE's for 2015/16). Auditor's time has been allocated on the basis of an estimate of 69% productive hours after allowing for non-productive time including annual leave, sickness absence and training.

18. On this basis, the plan for 2016/17 has been broken down into 16,435 productive hours (16,745 productive hours for 2015/16) as shown below in paragraph 22.

### Plan Structure

19. Based on the above, the Chief Internal Auditor considers that assurance is best obtained through a combination of different "types" of audits. This is not an uncommon approach but reflects a changing emphasis for the approach to the plan tailored to the specific needs of the Council during a period of significant change.

20. There are five different types of audit activity in the plan:

- **Assurance review** – to provide assurance that systems and controls are operating as intended and defined by risk profiles of each audit area. The risk based approach also takes into consideration the views of Service Directors.
- **Advice and Consultancy** – early involvement of Internal Audit in new initiatives, ways of working or systems, particularly through periods of significant change, can help to maintain a robust control environment.
- **Key systems** – assurance on core financial systems that are considered high risk requiring regular assurance. This work is important in providing annual assurance to the Council and to support the requirements of the Council’s external auditors.
- **Grant Certification** – assurance on grant returns and compliance with grant determinations.
- **Investigation** – proactive and reactive audit work on counter fraud and irregularity issues.

21. A balanced approach of using different types of audit and other work is considered the most effective way to deliver the Strategy for Internal Audit.

## Plan Content

22. Following the planning process outlined above and the principles of the PSIAS, a draft plan has been developed. As outlined, the plan needs to remain flexible and will be subject to continuous review in consultation with Service Directors and the Audit and Standards Committee. A summary of the draft plan is shown below with further detail in Appendix 1.

<b>Groups and Services</b>	
Care, Wellbeing and Learning	1,714
Communities and Environment	1,662
Corporate Resources	1,085
Corporate Services and Governance	802
Office of the Chief Executive	1,075
Schools	959
Key Systems	1,914
<b>Corporate</b>	
Counter Fraud	1,100
Grant Certification	425
Audit Planning and Management	1,435
<b>External Bodies</b>	
Gateshead Housing Company	1,575
Northumbria Police	2,690
<b>Total Productive</b>	<b>16,435</b>
Non-productive	7,304
<b>Total Hours</b>	<b>23,739</b>

<b>Audit Type</b>	<b>Audit Hours</b>
Advice and Consultancy	1,670
Assurance Review	5,876
Key Systems	1,864
Grant Certification	425
Investigation	900
Audit Planning and Management	1,435
Non-productive	7,304
<b>Total Council Plan</b>	<b>19,474</b>
<b>External Bodies</b>	
Gateshead Housing Company	1,575
Northumbria Police	2,690
<b>Total Hours</b>	<b>23,739</b>

23. Audit Planning and Management covers other audit activities including involvement in corporate initiatives, preparation of audit committee reports, audit planning, preparation of the Annual Governance Statement, liaison with the external auditors and development and support for new financial and internal audit management systems.

## How the service will be provided

24. Internal audit provision is delivered by the in-house team supplemented by a joint working arrangement with Newcastle Council for ICT auditing. This arrangement will be kept under review on an annual basis.

25. In order to deliver the Annual Audit Plan at the required quality and professionalism, the team undertaking internal audit activity have the required mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants, qualified Association of Accounting Technicians or studying for professional qualifications.

26. Professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:

- The complexity of the areas to be reviewed;
- Factors such as number of locations, number and frequency of transactions; and
- Assurance that can be brought forward from previous audits and other internal and external reviews carried out.

27. Staff development needs are continually assessed to ensure that the optimal level and mix of skills required to deliver a highly professional and added value internal audit function is maintained.

## Performance Management

28. The standards for 'proper practice' in relation to internal audit are laid down in the PSIAS and compliance with these professional standards will be ensured through a combination of internal and external reviews of compliance and quality. The outcome of external assessment against PSIAS was reported to the Audit and Standards Committee on 26 January 2015. A number of actions were identified and will be continuously reviewed and reported to the Audit and Standards Committee. Further examples include:

- Internal self assessments by the Chief Internal Auditor.
- Customer satisfaction questionnaires.
- Annual CIPFA benchmarking information.
- External assessment every 5 years by a recognised, qualified and independent assessor.

29. To achieve the planned coverage for 2016/17, deliver a high standard of customer care and demonstrate effectiveness of the service, the internal audit function has well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee:

Performance Indicator	Target
Productive (Chargeable) time as a % of overall time	69%
Number of planned audits completed  Whilst this will be measured, the approach to the plan in 2016/17 is flexible and continuous review of the risks may mean changes are required to redirect resources to emerging risks	90% (annual)
Actual hours against planned hours achieved in 2016/17	97.25%
Number of audit recommendations implemented: High Medium	100% 90%
Audits completed within agreed time (budgeted hours)	90%
Customer satisfaction: Issued Returned Average score (maximum 4)	100% 100% 3.4 (85%)
Average cost per chargeable day	Lower than average



## Appendix 1

<b>Care, Wellbeing and Learning</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Youth Offending Team	Low	40
	Youth and Community Learning	Medium	100
	Fostering Services	High	80
	Children's Care Homes	Medium	40
	Primary Care Contracts	New	100
	Adoption Services	High	80
	Safeguarding - Adult Services	High	100
	Adaptations	Medium	100
	Promoting Independence Centres	Medium	30
	Annual Governance Statement Follow Up	High	30
	Social Enterprises	Low	70
	Direct Payments and Individual Budgets	High	100
	Pooled Budgets and the Better Care Fund	New	150
	Inspection Team	Medium	100
	Independent Supported Living Schemes	Low	50
	Public Health - Commissioning of Internal Services	New	100
	Commissioning Adult Services	High	100
	Commissioning of Children's Services	High	100
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		144
	<b>Total Assurance Review</b>		<b>1,664</b>
<b>Total Audit Hours</b>			<b>1,714</b>

<b>Communities and Environment</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Economic Growth	New	60
	Commercial Contracts	New	120
	Licencing	Low	100
	Trading Standards Annual Accounts	High	25
	Transport Strategy	Medium	75
	Waste Collection and Disposal	Medium	100
	Facilities Management	New	50
	Housing Company Monitoring	Medium	70
	Council Housing	Medium	70
	Commercial house building	Medium	50
	Resilience Planning	Low	40
	Services to Schools	Low	60
	Hire of Plant and Equipment	Low	70
	Quality Inspection	Low	30
	Vehicle Trackers	New	60
	Repairs and Maintenance contract	New	100
	Capacity Building Fund	New	75
	Volunteering	Low	60
	Housing Joint Venture	New	70
	Trading Company	New	80
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		197
	<b>Total Assurance Review</b>		<b>1,612</b>
<b>Total Audit Hours</b>			<b>1,662</b>

<b>Corporate Resources</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		150
	Agresso Cloud	New	40
	Digital Change	New	150
	<b>Total Advice and Consultancy</b>		<b>340</b>
<b>Assurance Review</b>	Wireless Security	New	80
	Data Centre Maturity	New	80
	Digital Gateshead Programme	New	80
	Network Design	New	80
	Joint Finance-Care Packages	Medium	40
	Fees and Charges	High	40
	Insurance	Medium	70
	School Budget Support	Low	50
	Trinity Square	New	60
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		115
	<b>Total Assurance Review</b>		<b>745</b>
<b>Total Audit Hours</b>			<b>1,085</b>

<b>Corporate Services and Governance</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Elections	Medium	60
	Litigation	Medium	60
	Training and Development	Low	50
	Bereavement Services	Low	70
	Corporate Procurement	Medium	100
	Property Management	Medium	30
	Corporate Asset Management	Medium	80
	Mayor's Charity Fund	High	15
	Complaints	Low	60
	Health and Safety	Low	60
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		117
	<b>Total Assurance Review</b>		<b>752</b>
<b>Total Audit Hours</b>			<b>802</b>

<b>Office of the Chief Executive</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		50
	Change Programme: - Ways of Working - Trading - People - Place - General/Cross-cutting	New	150 150 150 150 150
	<b>Total Advice and Consultancy</b>		<b>800</b>
<b>Assurance Review</b>	Communications	Medium	60
	Performance Indicators and Data Quality	Low	60
	Partnership Arrangement	High	100
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		5
	<b>Total Assurance Review</b>		<b>275</b>
<b>Total Audit Hours</b>			<b>1,075</b>

<b>Schools</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	Advice and Consultancy		130
	<b>Total Advice and Consultancy</b>		<b>130</b>
<b>Assurance Review</b>	School Audits	Low	530
	Audit Follow Up and Additional Contingency		200
	Audits brought forward from 2015/16		99
	<b>Total Assurance Review</b>		<b>829</b>
<b>Total Audit Hours</b>			<b>959</b>

<b>Key Systems</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy		50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Key Systems</b>	Corporate Payroll and Human Resources	High	150
	Corporate Debtors and Income	High	120
	Corporate Creditors	High	120
	NNDR and Council Tax	High	150
	BACS Bureau	High	40
	Council Tax and Housing Benefits	High	150
	Budgetary Control	High	40
	Main Accounting System	High	70
	Capital Accounting System and Programme	High	80
	Risk Management and Business Continuity	High	150
	Counter Fraud Arrangements	High	80
	Housing Revenue Account (HRA)	High	80
	Treasury Management	High	50
	Annual Governance Statement Assurances	High	100
	VAT Arrangements	High	40
	Service Debtors	High	80
	Service Creditors	High	80
	Audit Follow Up Contingency		50
	Audits brought forward from 2015/16		234
	<b>Total Key Systems</b>		<b>1,864</b>
<b>Total Audit Hours</b>			<b>1,914</b>

<b>Counter Fraud</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	Advice and Consultancy		200
	<b>Total Advice and Consultancy</b>		<b>200</b>
<b>Investigation</b>	National Fraud Initiative	High	250
	Proactive Counter Fraud Work	High	150
	Investigations	High	500
	<b>Total Investigation</b>		<b>900</b>
<b>Total Audit Hours</b>			<b>1,100</b>

<b>Grant Certification</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Grant Certification</b>	Grant Certification Contingency	High	150
	School Fund Audit Certification	High	275
	<b>Total Grant Certification</b>		<b>425</b>
<b>Total Audit Hours</b>			<b>425</b>

**TITLE OF REPORT:** Corporate Risk Management 2015/16  
Quarterly Report to 31 March 2016

**REPORT OF:** Darren Collins, Strategic Director, Corporate Resources

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## **Purpose of the Report**

1. This report makes the Committee aware of developments in Corporate Risk Management during the period 1 January 2016 to 31 March 2016 in compliance with the requirements of good corporate governance.

## **Background**

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy approved by Council on 6 June 2013.
3. The report covers progress against the corporate risk management Developmental Objectives for 2015/16 as cited in the Corporate Risk Management Annual Report 2014/15 and any other risk management issues emerging within the quarter under consideration.

## **Developmental Objectives 2015/16**

4. An Action Plan for the delivery of the Developmental Objectives for 2015/16 incorporating progress to date is shown at Appendix 1.
5. A reports is being taken to Strategy Group in April to request Strategic and Service Directors to review both the Strategic Risk Register and business continuity plans an ensure they remain relevant and cover all existing and emerging risks facing the Council.
6. The outcome of the review will form part of the evidence base for the governance framework which feeds into the Annual Governance Statement. A report will be brought back to Audit and Standards Committee in July detailing the outcome of the review.
7. The Council's current Strategic Risk Register is attached at Appendix 2 for information.
8. As part of the review a revised risk template has been developed, an example of this attached as Appendix 3 for comment.

## CIFPA Fraud Toolkit

9. As reported to Committee on the 7 March 2016 the Internal Audit Service were in the process of completing a self-assessment against the CIPFA Counter Fraud toolkit. The questions within the toolkit were structured around the five key areas in the Code of Practice. These are:
- **Acknowledge responsibility**  
The governing body should acknowledge its responsibility for ensuring that risks associated with fraud and corruption are managed effectively across all parts of the organisation.
  - **Identify risks**  
Fraud risk identification is essential to understand specific exposure to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.
  - **Develop a strategy**  
An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibility for action.
  - **Provide resources**  
The organisation should make arrangements for appropriate resources to support the counter fraud strategy.
  - **Take action**  
The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.
10. The self-assessment is now complete and enables a baseline to produce an action plan, which will be used as the basis for the proactive counter fraud work included in the 2016/17 audit plan. The Counter Fraud policy will also be reviewed as part of this work.

## Recommendation

11. It is recommended that the Committee note the report.

## Corporate Risk Management: Developmental Objectives 2015/16

Ref:	Objective	Target Implementation Date	Progress to date
<b>1</b>	Business Continuity Plans will be updated, enhanced and subject to testing. The focus for 2015/16 will be to ensure the Business Continuity Plans have been updated to reflect the Councils functional review and the refreshed Council Plan.	December 2015 Revised date July 2016	It was agreed that this work will be finalised after the budget is agreed in February 2016 due to the potential impact on Services and their key objectives and risks.  A report will be taken to Strategy Group.
<b>2</b>	The Strategic and Operational Risk Registers will be reviewed as an integral part of the 2016/17 to 2020/21 Business Planning Process.	December 2015 Revised date July 2016	It was agreed that this work would be finalised after the budget is agreed in February 2016 due to the potential impact on Services and their key objectives and risks.  A report will be taken to Strategy Group.
<b>3</b>	The Council's Risk Management and Business Continuity Policies will be reviewed to ensure they comply with best practice and are responsive to the challenges facing the Council	March 2016 Revised date July 2016	A report will be taken to Strategy Group.
<b>4</b>	The provision of further Risk Management training to Councillors and officers appropriate to their responsibilities.	July 2015	The training was delivered 27 July 2015.

Ref:	Objective	Target Implementation Date	Progress to date
5	Assess the risk management performance indicators obtained through the participation in the ALARM/CIPFA benchmarking club to identify any areas of best practice that can be incorporated into the Council's Risk Management arrangements.	December 2015	Complete
6	Further development of the Risk Management Information System to ensure that it is fit for purpose, supports best practice and delivers value for money. The operational functionality of the system will be assessed to identify any scope for the inclusion of the Strategic Risk Register and the Community Risk Register. The system will also be updated to reflect any ongoing organisational changes.	December 2015	<p>The Community Risk Register has been integrated into the Councils Risk Managements Information System.</p> <p>All organisational changes have been incorporated into the system.</p>



## GATESHEAD COUNCIL STRATEGIC RISK REGISTER

Strategic risks are events that could impact upon the Council's ability to achieve the objectives of the corporate plan and the longer term objectives of Vision 2030. They include significant events that could impact upon on the infrastructure and efficient operation of the Council.

The Council Plan 2012-2017 will focus on the following priorities:

- 1 Meeting the needs of Gateshead residents and reducing inequality.
- 2 Delivering our long term strategy, Vision 2030.
- 3 Delivering our ambition of sustainable economic growth and well being.
- 4 Focusing on our 'have to do', statutory functions (strategic, democratic, safety).

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
1	Reduction in local government finance	Government formula is partly influenced by factors such as size of population and areas of deprivation. Static or falling population within Gateshead and rural/urban mix may lead to unfavourable settlements. The March 2014 budget identified that resources to the local government budget were to be reduced from £16.6bn in 2013/14 to £13.8bn in 2014/15 and £12.1bn in 2015/16. The Chancellor also indicated that further cuts to public services of around £25bn were to be expected and these were likely to include additional cuts to councils. Central Government commitments to eliminating the budget deficit and to reducing the overall levels of public debt would indicate at least four more years of significant reductions in government grant. The Council will need to take into account local economic growth assumptions, potential future business growth and demand for council tax support when assessing future funding levels.	Strategic Director, Corporate Resources	4	4	RED 16	<p>1) Implementation of Medium Term Financial Strategy.</p> <p>2) Effective financial and business planning process in place.</p> <p>3) Lobbying of central government through various bodies e.g. ANEC, SIGOMA, LGA etc</p> <p>4) Actions to achieve Vision 2030 targets on population growth.</p> <p>5) Exit strategies for priority initiatives and significant partnerships contained within service plans.</p> <p>6) Transformation programme to transform the way we deliver services to ensure council services are efficient and effective.</p>	<p>Strategic Director, Corporate Resources</p> <p>Service Directors</p> <p>Asst Chief Executive</p> <p>Asst Chief Executive</p> <p>Strategic Director, Corporate Resources</p> <p>Asst Chief Executive</p>	4	2	RED 8	<p>1) Explore implications of Localism Agenda.</p> <p>2) Tighter monitoring of business rate collection and increased forecasting/modelling to manage risk and plan ahead for worst case scenarios.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources.</p>
2	Uncertainty over availability of capital finance to support key priorities.	Several major capital and regeneration projects require external funding to support the plans.	Strategic Director, Corporate Resources	4 External funding falling off due to economic recession and change in regional policy. Also own funding pressure has increased.	3	RED 12	<p>1) Explore new funding mechanisms</p> <p>2) Ability of Gateshead to demonstrate success with previous projects helps to secure external partners and external funding (building on reputation).</p> <p>3) Proactive engagement with potential public and private sector partners.</p> <p>4) Engagement of specialist consultants to advise and assist with projects.</p> <p>5) Scale down expectations of external funding.</p> <p>6) Make propositions more attractive to funders, which may include considering alternative models of project delivery and the level of match funding.</p> <p>7) MTFS includes target external funding levels and confirmed external funding levels to assist with the development of the Capital Programme.</p> <p>8) Do not commit to projects until firm commitment to funding.</p>	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	3 May influence likelihood through more effective / appropriate bidding, lobbying, etc.	3 Unable to reduce impact	RED 9	<p>1) Add external funding regime update as standard agenda item for capital monitoring meetings.</p> <p>2) Explore implications of Localism Agenda.</p> <p>3) Strategic Investment Plan including Capital Programme</p>	<p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>
3	Clawback of grant funding for previous projects due to failure to meet grant conditions / targets.	Gateshead Council is the accountable body for a number of prestige projects e.g. The Baltic. If grant conditions not met the Council could be liable to repay the funding body.	Strategic Director, Corporate Resources	4	4 Potential for clawback in excess of £10 million if grant conditions not met.	RED 16	<p>1) Financial control measures for projects are in place and implemented (including the requirement for Finance to consider and approve any accountable body requests).</p> <p>2) Project Management, data retention and monitoring processes are in place and implemented.</p> <p>3) An earmarked reserve is set aside within the Med. Term Financial Strategy for grant clawback and is reviewed on an annual basis.</p> <p>4) Internal Audit activity.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	2	3	AMBER 6	<p>1) Asset Management Plan</p> <p>2) Issue External Funding Protocol to clarify External Funding processes</p> <p>3) Central register of external funding</p> <p>4) Agresso asset register module to record details of external funding for each asset</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
4	Reduced financial resource due to higher than anticipated costs from implementation of the Council's workforce transformation strategy and residual equal pay claims.	As part of the workforce transformation strategy a voluntary redundancy exercise has been implemented the eventual cost of which has yet to be determined. The Workforce Transformation strategy has been successfully implemented, through phases of voluntary and compulsory redundancy and other operational changes to save employment costs. Further redundancies are likely to be required in future years. Residual costs of Equal pay are being managed.	Strategic Director, Corporate Services and Governance	4	2	RED 8	1) Reserves set aside within Medium Term Financial Strategy. 2) Proactive HR strategy to issues. 3) Capitalisation, use of reserves for management of workforce to produce savings.	Strategic Director, Corporate Resources.  Strategic Director, Corporate Services and Governance.  Strategic Director, Corporate Resources	2	2	AMBER 4		
5	Failure or delay in the transformation programme impacting on ability to deliver necessary scale of budget savings & long term planning.	<ul style="list-style-type: none"> <li>The Programme fails to have clear strategic buy in, commitment and drive from the top, through to all levels of management</li> <li>The governance structure does not facilitate timely decision making at the appropriate level of the organisation using sound evidence / information, which impacts on the ownership, accountability, pace and deliverability of the overall programme</li> <li>The programme structure does not manage the aggregation of risks and issues from within individual projects (which may result in a greater cumulative impact on the council)</li> <li>The programme structure does not effectively manage links and interdependencies across the 5 transformation projects and other related work, resulting in sub-optimal benefits, double counting of savings and duplication of effort</li> <li>Failure to correctly assess ability to adhere to statutory duties and legislative requirements</li> <li>Failure to correctly assess the governance of any new delivery models and potential legal action and service failure</li> <li>Delays leading to non achievement of key milestones, leading to short term decision making and an unsustainable budget position</li> <li>Poor resource planning and scheduling of activities</li> <li>Ineffectives stakeholder engagement – focusing on residents, partners and suppliers as well as employees, councillors and trade unions leading to service failure, reputational damage, breach of legislation</li> </ul>	Strategy Group	3	4	RED 12	<ul style="list-style-type: none"> <li>Strategy Group is utilised as a programme board. Regular update and progress reports to allow timely decision making</li> </ul>	Strategy Group	2	3	AMBER 6		
		<ul style="list-style-type: none"> <li>The programme structure does not manage the aggregation of risks and issues from within individual projects (which may result in a greater cumulative impact on the council)</li> <li>The programme structure does not effectively manage links and interdependencies across the 5 transformation projects and other related work, resulting in sub-optimal benefits, double counting of savings and duplication of effort</li> <li>Failure to correctly assess ability to adhere to statutory duties and legislative requirements</li> <li>Failure to correctly assess the governance of any new delivery models and potential legal action and service failure</li> <li>Delays leading to non achievement of key milestones, leading to short term decision making and an unsustainable budget position</li> <li>Poor resource planning and scheduling of activities</li> <li>Ineffectives stakeholder engagement – focusing on residents, partners and suppliers as well as employees, councillors and trade unions leading to service failure, reputational damage, breach of legislation</li> </ul>	Strategy Group	3	4	RED 12	<ul style="list-style-type: none"> <li>Risk log to be managed by each board and consideration as a whole by transformation team on a regular basis</li> <li>Weekly team meeting to discuss activities within each area .Contact established across a network of key service areas to ensure areas of activity are acknowledged and fed into boards to ensure alignment</li> <li>Each board has a mixture of expertise including legal, HR, policy, ICT and finance as well as Service specific which will ensure the ability to meet current stautory and legislative requirements in any new arrangements will continue</li> <li>Specific professional advice will be sought at the appropriate point to assess any new arrangements that may be set up</li> <li>The programme is managed through Strategy Group and the Chief Executive allowing the drive and pace to be set from the most senior officers</li> <li>Key Milestones and project planning managed effectively by designated project managers</li> <li>Implement effective Communication and Engagement Plan for the transformation programme in a timely manner.</li> </ul>	Margaret Whellans	2	3	AMBER 6		
6	Failure to maintain or improve positive direction of travel in new environment of less centralised regulation.	Gateshead has a reputation as a Council that performs well. Failure to demonstrate continuous improvement could seriously damage the reputation and good standing of the Council.	Asst Chief Executive	4	3	RED 12	1) Policy planning and redesigned performance management framework. 2) Improvement plans including actions from assessment and inspection recommendations. 3) GSP protocol performance management framework and improvement plan. 4) Peer reviews and self assessment approaches.	Service Director, Communications, Policy and Improvement  Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement	2 All targets may be achieved but direction of travel subjective to performance of other Councils.	2 Has potential to attract adverse local media coverage.	AMBER 4	1) Regional approach to Sector Led Improvement 2) Refocussed Fit for Future programme	Service Director, Policy, Transformations and Communications Asst Chief Executive

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7	Reduction in scope to recruit and retain sufficient numbers of skilled staff in key areas.	The Council currently has a recruitment freeze in force which means that only posts which are required in order for the Council to meet a statutory duty or are frontline and critical to service delivery can be appointed to. In light of the budget savings required, the Council is also managing a large scale voluntary redundancy exercise. In considering applications for VR managers need to balance budgets savings targets and future service delivery. A new Workforce Strategy and Workforce Plan will be developed as part of the HR Business Plan. This will include analysis of the workforce demography and identify any skills gaps. A Learning & Development Plan has been drafted in consultation with GMTs and delivery is being prioritised to match identified needs.	Strategic Director, Corporate Services and Governance	3	4	RED 12	1) Reputation as a Council performing well attracts quality staff. 2) Reputation of the Council for financial stability helps to attract and retain staff. 3) Workforce Development Plan 4) Enhanced learning and development strategy plan. 5) Improved employment terms and conditions. 6) Improved profile of Gateshead as an area where people wish to live and work (Vision 2030).	Asst Chief Executive  Strategic Director, Corporate Resources  Strategic Director, Corporate Services and Governance  Strategic Director, Corporate Services and Governance  Strategic Director, Corporate Services and Governance  Asst Chief Executive.	2	2	AMBER 4		Service Director, Human Resources and Organisational Development
8	Continued sickness absence levels significantly in excess of national average.	Gateshead Council consistently records sickness absence levels in the bottom quartile of public sector bodies. Occupational Stress being the most frequent cause. A range of measures have been put in place with some progress made, outcomes are in need of improvement. Continued absence at this level could significantly impact on core priorities and CSR efficiency targets. The Council's latest sickness figures are increasing, over 9 days on average. Stress action plans are in place, and the Council is performing well against the HSE Work Related Stress Management Standards.	Strategic Director, Corporate Services and Governance	4 In lowest quartile	3	RED 12	1) Improvement plan developed following overview and scrutiny review. 2) Improvement plan following Audit Commission review. 3) Sickness levels monitored 6 monthly within Council Plan (as a strategic indicator). 4) HR Initiatives aimed at reducing sickness level, by reprioritising their work to pick up on long-term cases. 5) ICT reporting tool 6) Regular sickness reports to SMG (Performance and Services).	Strategic Director, Legal & Corporate Services  Strategic Director, Legal & Corporate Services  Strategic Director, Legal & Corporate Services  Service Directors  Service Directors Service Directors	3	2	AMBER 6	1) Have a Workforce and Organisational Change workstream under Fit for Future that will ensure alignment of the Council's human resources with its future business direction and will include the development of a new workforce plan	Service Director, Human Resources and Organisational Development
9	New approach to commission and deliver services through neighbourhood working fails to provide improved services.	Neighbourhood and area working has been developed in some Council services, in support of area partnership working arrangements with partners. Some partners may not be able to commit to this model of working in future years due to budget pressures.	Strategic Director, Corporate Resources (Chair of Area Chief Executives Rep Group)	4	3 Has potential to attract adverse comment / criticism from external bodies	RED 12	1) Commissioning Plan, 2) Responsibilities for Area Portfolios assigned within cabinet. 3) Responsibilities for area working clearly assigned throughout senior management structure. 4) Area Conferences in place to develop effective partner engagement at area level. 5) Neighbourhood priorities developed. 6) Neighbourhood training and development programme. 7) Planned reviews of effective neighbourhood working. 8) Provision of intelligence through the analysis of data at appropriate spatial levels	Asst Chief Executive  Asst Chief Executive  Strategic Director, Communities and Environment Strategic Director with responsibility for area. Strategic Director with responsibility for area. Strategic Director, Communities and Environment Strategic Director, Communities and Environment Service Director, Policy, Transformation and Communications	2	2 Would result in some reputational issues	AMBER 4	1) Application and delivery of the Commissioning Plan. 2) Developing capacity of communities and the voluntary sector 3) Review of neighbourhood services	Asst Chief Executive  Service Director, Culture, Communities & Volunteering Strategic Director Communities and Environment



Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
10	Failure of Gateshead Council and neighbouring authorities to respond to changing national policy agenda.	Effective working relationships with other authorities in the North East is essential to address common and shared issues.	Chief Executive	3	3 Non-collaboration can cause problems in some policy areas	RED 9	1) Gateshead / Newcastle partnership GNP. 2) Significant Gateshead/ Newcastle joint initiatives 3) Work of the North East LEP and Combined Authority (governance). 4) Active senior level engagement in several regional and national forums. 5) General proactive approach to engagement in joint projects with neighbouring authorities. 6) North East Strategic Economic Plan March 2014 including North East Growth Deal 7) Regional City Deal	Asst Chief Executive  Asst Chief Executive  Asst Chief Executive  Asst Chief Executive  Asst Chief Executive	2	2	AMBER 4		Asst Chief Executive
11	Greater/ less than anticipated demand on key services resulting from demographic changes within Gateshead.	<p>Demographic intelligence currently indicate that the number of the very elderly and elderly within the Borough will continue to increase at a much greater rate than the working age population (which is only increasing due to the incremental changes in the retirement age). The number of births has stabilised and started to decrease again after a few years of growth. Policies and strategies are in place to promote economic and (working age) population growth. Efficient service delivery will need to take account of demographic changes and the ability to accurately forecast changes and future economic conditions. Increase in unemployment arising from the slow recovery from economic recession is an additional factor, together with the impact of welfare reform.</p> <p>The number of school age children has generally been on a declining trend, though an increase in the birth rate has halted this trend in recent years and small increases have been recorded and are expected to continue in the medium term. The number of births has stabilised and started to decrease again with the longer term trend for school age children declining again in the future. Efficient service delivery will rely on the accuracy of projections and also the success of several of the core priorities in meeting these needs and reversing trends. Increase in unemployment and worklessness arising from the economic recession is an additional factor, as is the impact of welfare reform.</p> <p>There has been a steady increase in the number of Looked After Children in the Borough since 2009/10, which reflects the national trend. We currently have 378 LAC in November 2012 compared to 316 at the end of March 2010, putting significant pressure on resources. There has been a significant rise in the number of more expensive Out of Borough and Independent Fostering Agency placements being used due to in-house placements being at capacity. Overall numbers of children being referred into the system have also significantly increased, leading to operational and financial pressure on assessments, care planning and safeguarding teams.</p>	Asst Chief Executive	4	3	RED 12	1) Self assessment and external validation. 2) Development of intelligence through the JSNA and Strategic Needs Assessment 3) Business Plans and PACE review process. 4) Medium Term Financial Strategy. 5) Initiatives working toward attainment of key 2030 targets. 6) Primary and Secondary School reviews. 7) Asset Management Plan. 8) Intelligent commissioning and needs assessment. 9) Fostering training - CBS/Learning and Children action plans 10) Monthly case by case review of Out of Borough placements 11) Payments for skills to focus resources on recruitment and training of in-house carers to increase capacity	Relevant Strategic Director Service Director, Policy, Transformation and Communications Service Directors Strategic Director, Corporate Resources. Asst Chief Executive  Strategic Director, Care, Wellbeing and Learning  Strategic Director, Communities and Environment Service Directors  Strategic Directors, Care, Wellbeing and Learning  Strategic Directors, Care, Wellbeing and Learning Service Directors, Care, Wellbeing and Learning	2	3	AMBER 6		

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12	Major incident (accident, natural hazard or act of terrorism) affecting the safety, health, welfare, security or prosperity of the people of Gateshead.	A large number of external events could impact on the people of Gateshead ranging from flood, winter storms to pandemic flu. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Geographical approach to the Response arrangements to ensure an effective response in specific geographical areas</p> <p>3) Membership and active involvement with the Gateshead and Multi Agency Resilience and Emergency Planning Group.</p> <p>4) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups.</p> <p>5) Involvement in CONTEST (Counter Terrorism) Agenda through the Strategic CONTEST Board and the Prevent Protect and Prepare Group (PPP)</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p>	2	3	AMBER 6	<p>1) Implementation on Resilience Strategy and key priorities</p> <p>2) Further testing of the Council's emergency response and recovery arrangements in "Norland" multi-agency exercise in 2014.</p> <p>3) Further testing of the Council's emergency response and recover arrangements in strategic exercises 2014/15</p> <p>4) Continued involvement with the Gateshead Severe Weather Resilience Planning Group.</p>	<p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p>
13	Major incident/ business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services (as a result of the need to respond to major incident and/or loss/damage to Council Infrastructure).	As with all organisations the Council faces exposure to a number of external and internal events that could impact on the availability of the resources needed to perform its critical functions. Such events range from pandemic flu affecting availability of staff to the loss of the civic centre due to fire or explosion, to major IT failure.	Strategic Director, Corporate Resources	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Business Continuity plans in place and regularly tested.</p> <p>2) Testing of plans to ensure no conflict between BCPs and the Emergency Response Plans and arrangements</p> <p>3) Training of key personnel in business continuity management.</p> <p>4) Awareness raising of BCPs to all staff.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and all Service Directors</p>	2	3	AMBER 6	<p>1) Further testing of the Council's emergency response and recovery arrangements via strategic exercises in 2014/15</p>	<p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p>
14	Failure to understand and plan to mitigate the impact of the climate change on the Borough.	More frequent severe weather events will impact on the people of Gateshead ranging from flood, winter storms, heatwaves etc. Changing seasons and weather patterns may affect many services in their design and delivery which may have a serious effect on residents and businesses in their activities. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	4	3	RED 12	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Membership and active involvement with Gateshead Multi Agency Resilience and Emergency Planning Group</p> <p>3) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Care, Communities and Environment</p>	4	2	RED 8		

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15	Catastrophic failure in directly provided and commissioned service delivery.	Failure to protect children, young people and vulnerable adults could place individuals at risk of significant harm. It could also result in compensation claims against the Council, judicial review processes, poor inspection outcomes and reputational risk. Protecting vulnerable adults and securing the welfare of children and young people are key priorities of the Council Plan.	Strategic Director Care, Wellbeing and Learning and Asst Chief Executive.	4	4	RED 16	1) Local Safeguarding Children Board 2) OSC monitoring of CQC and Ofsted inspections (announced and unannounced) 3) Corporate Health and Safety Framework – Health and Safety Management System in place which includes a revised H & S Policy. The H & S Strategy is under review and will go to the Corporate H & S Committee as part of the consultation process. Reporting on H & S issues is embedded in the Council with SMG receiving an annual then quarterly updates and OSC receiving an annual report. 4) Legionella action plan. Legionella documentation sits under the Corporate H & S pages on the intranet but are managed within D & E 5) Asbestos register. Asbestos documentation sits under the Corporate H & S pages on the intranet but are managed within D & E. 6) Pandemic Influenza Plan sits within resilience planning. 7) Safeguarding Adults Partnership Board 8) Quality monitoring framework including reviews, analysis of complaints, contract compliance and decommissioning procedures in place for adult social care services	Relevant Strategic Director Relevant Strategic Director Relevant Strategic Director Relevant Strategic Director Relevant Strategic Director Relevant Strategic Director Relevant Strategic Director	2	4	RED 8	1) Sector Led Improvement 2) Resilience Planning 3) Development of Communications Strategy	Relevant Strategic Director Relevant Strategic Director Service Director, Policy, Transformation and Communications
16	Failure to understand and plan to mitigate the impact of the economic recession on the availability and sustainability of adequate financial resources to deliver objectives.	The recent worldwide recession presents a major risk to the sustainability of adequate financial resources to fund the Council's objectives. The prevailing economic climate brings with it uncertainty and risk, which can impact on financial resources in a number of ways, including:- Shortfall in forecast capital receipts from disposal of surplus assets, due to reduced demand and suppression of land values; • Potential that private sector partners in capital projects fail to raise loan finance or suffer from market failure; • Reduced returns on monies invested due to interest rate reductions arising from the lowest ever base rate;	Strategic Director, Corporate Resources	4	4	RED 16	1) Medium Term Financial Strategy. 2) Capital Receipts monitoring as part of the Capital Programme 3) Treasury Management processes and system. 4) The Treasury Management Investment Strategy, which balances the relationship between minimising risk and optimising returns on investments, is reviewed annually to ensure funds are placed in the most secure investments. 5) Corporate Asset Management Group	Strategic Director, Corporate Resources Strategic Director, Corporate Resources Strategic Director, Corporate Resources Strategic Director, Corporate Resources Strategic Director, Corporate Resources	2	3	AMBER 6		
17	An increased number of schools either deciding to become academies or are forced to by the DfE.	Two broad areas of risk: 1) an increased number of academies would result in the funding for central services being reduced and if schools did not decide to buy back then there would be a greater likelihood of redundancy; 2) a lack of central services, especially in school improvement, would reduce the Council's capacity to intervene and support maintained schools that are experiencing difficulties. The DfE may become more aggressive in its approach to schools leaving Local Authority control, reducing the potential impact of any control measures.	Strategic Director Care, Wellbeing and Learning	2	3	AMBER 6	1) Continued offer of high quality central services that delivery value of money. 2) Maintain high quality school improvement officers that have credibility with school leaders. 3) Maintain strong networks with schools that reinforce the links within, and the benefits of being in the Gateshead Family. 4) Ensure that relationships are strong with Gateshead Academies and aim to be the provider of choice for "buy back" services. 5) Ofsted Inspections	All Service Directors delivering services to schools Service Director Learning and Schools Service Director Learning and Schools All Service Directors delivering services to schools All Service Directors delivering services to schools	2 (although lower than previously)	3	AMBER 6	1) Devise a "Gateshead Academy Trust" that redefines the council's relationship with schools	Strategic Director, Care, Wellbeing and Learning

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18	The impact of increased demand on Council services as a result of the socioeconomic impact of the Government's Welfare Reform programme.	<p>The aims of the Welfare Reform programme are to encourage people back into work and to reduce the costs of benefit administration. These reductions will in turn be used to reduce the Government's Budget deficit.</p> <p>However the cumulative impact of the reforms on residents with low incomes could have far reaching consequences for the Council in terms of increased demand for services e.g. Adult and Children's Services, Debt Advice and Housing services.</p> <p>The two main changes in relation to housing are the following;</p> <p>Housing benefit will be paid (from the Department of Work and Pensions) directly to the tenant (as part of the new Universal Credit payment) and not to the Council as is currently the case. Universal Credit is a key feature of Welfare Reform and is a single payment for people looking for work on a low income. All payments of rents will be made by the tenant to the Council and any recovery of rent arrears in relation to tenants on housing benefit will be the responsibility of the Council. The scheme goes live nationally from October 2013 for all new claimants and is expected to be fully implemented by 2017. A Universal Credit 'Pathfinder' programme will take place in Tameside, Oldham, Wigan and Warrington from 1 April 2013 and the findings will be used to make changes (where necessary) to the new scheme. For information, currently 13,763 (69%) of Gateshead Council tenants claim Housing Benefit.</p> <p>Housing benefits claimants living in the social rented sector (which includes local authority tenants) will receive less housing benefit from the Department of Work and Pensions from 1 April 2013 if they are under occupying a Council house (i.e. deemed to have more bedrooms than they need). The changes from 1 April 2013 are for tenants of working age only (those over state pension credit age are not affected). The cut will be a fixed percentage of the housing benefit eligible rent and will be set at a reduction of 14% for one extra bedroom or 25% for two or more extra bedrooms.</p>	Asst Chief Executive Strategic Director, Corporate Resources and Strategic Director, Care, Wellbeing and Learning	4	4	RED 16	<p>1) Given the complexities and cross cutting nature of the reforms, a Welfare Reform Officer Group has been set up to co-ordinate the Gateshead response.</p> <p>2) The cumulative impact of the loss of benefit reduced household income and spending power on the economy is being modelled in order to understand the increased pressure on individuals to manage their finances. This includes a focus on the risk of financial exclusion and debt issues as well as the pressure on businesses.</p> <p>3) 30 year HRA business plan</p>	<p>Service Director, Customer and Financial Services</p> <p>Service Director, Customer and Financial Services &amp; Service Director Economic and Housing Growth</p> <p>Strategic Director, Corporate Resources</p>	3	3	RED 9	<p>1) Welfare Officer Reform Group to oversee and bring together activities, policy and strategy, recognising that many services will be involved in taking action in Gateshead.</p> <p>2) Financial Services/Corporate Finance monthly monitoring of collection fund</p> <p>3) Additional controls to be developed</p> <p>4) Digital Inclusion included as priority theme under the Gateshead Volunteering Plan. Volunteering programme will be developed to support the capacity building of publics skills and knowledge around IT.</p>	<p>Service Director, Customer and Financial Services</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Service Director, Culture, Communities and Volunteering</p>
19	Risk that the quality of care to Older People in residential and nursing care homes is compromised.	The Council has undertaken a fair cost of care process and alongside this introduced a revised Quality Excellence Framework. Cabinet approved this in June 2013. The Gateshead Independent Care Home Association Members have not signed up to the revised fees or quality framework. They have issued a pre-action protocol to Judicial Review over the decision making process. No formal proceedings have subsequently been issued to date. Those members continued to be paid a lower fee and have not been assessed as to the quality of care against the new framework.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	4	RED 8	As a consequence of choice directions the Council has not taken a decision to cease making placements in the homes who have not signed up to the revised framework and fees. These homes are subject to CQC registration and part of the Council's Commissioning Inspection regime, which includes unannounced visits. There are also complaints and safeguarding processes which enable concerns about the quality of care to be raised with the Council.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	3	AMBER 6	No Judicial Review proceedings issued, implementation of framework and new fees is in progress.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance



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20	Risk of data breaches by staff, in relation to unauthorised disclosures of electronic, and paper based data and , unencrypted file transfers. this causes a risk to the Council's reputation and as well as a potential fine of up to £500,000 per data breach can lead to claims for damages from those affected.	The Council has an information security policy which clearly sets out responsibilities of staff in relation to data.	Strategic Director, Corporate Services and Governance	4	2	RED 8	The Council has a number of security measures in place to ensure that the 7th data protection principle can be met, however all data breaches so far have been down to staff not following our own policies and procedures.	Strategic Director, Corporate Services and Governance and Service Directors	2	2	AMBER 4	1) It is recommended that the SIRO and service directors reiterate with staff the need to adhere to the security policy and procedures and that firm action is taken against those who do not.	Strategic Director, Corporate Services and Governance and Service Directors
21	Risk of legal challenge arising from the Council's decision making processes examples of which are: Challenges to procurement processes; Allegations of ultra vires decisions; Allegations of inadequate consultations; Allegations that the Council has had insufficient regard to it's legal duties e.g. under equalities legislation; and Claims brought in employment tribunals.	The Council makes a myriad of decisions which can be challenged by those who are not happy with the impacts of such decisions. This takes on increasing prominence during difficult financial times when the Council may have to make decisions about reduction or cessation of services, reductions in staff and difficult or complicated procurement decisions. Getting decisions wrong can be costly in both financial and reputational terms.	Strategic Director, Corporate Services and Governance	3	3	RED 9	There are a range of controls in place including; Maintaining a properly resourced, experienced and trained legal and procurement workforce; Comprehensive quality assurance processes within legal for identifying risk; Cabinet and Council reports checked by legal officers; Training for officers and councillors on powers and probity in decision making; Access to expert advice from barristers and external solicitors if required.	Strategic Director, Corporate Services and Governance.	3	2	AMBER 6	Training for officers to be continued and developed where possible/appropriate.	Strategic Director, Corporate Services and Governance.
22	Risk of Implementation of the Gateshead Volunteers Plan, and achievement of the 4 main aims including : 1 Enable Everyone to make a recognised contribution to their community and become the volunteering capital of England, 2 Deliver economic growth and wellbeing, 3 volunteering activity adds value to local service provision, enabling neighbourhoods to have services that would not be otherwise provided and enhancing core public services, 4 increase formal volunteering from 18% to 25% by 2015, increased informal volunteering from 34% to 40% by 2017 overall 20,000 new volunteers.	The plan sets out the outcomes, deliverables, principles, functions, resources and structures, and priorities and next steps. The Council is centralising all volunteering opportunities to enable a "one door" approach to all Gateshead Volunteers, which currently does not exist. Through the implementation of the plan monitoring techniques will also enable a realistic overview of volunteer statistics within Gateshead. The implementation of the plan will improve and increase volunteering opportunities, improve publicity and marketing of opportunities, measure and evaluate and co-ordinate and support volunteering.	Service Director, Culture, Communities and Volunteering	3	3	RED 9	1) Establishment of central team dedicated to implementation of the plan.  2) Volunteering Steering Group, and Volunteering Action group established within partners to support the implementation throughout all organisations. 3) Detailed consultation of the plan throughout the Council and relevant partners. 4) Dedicated Communications and marketing plan specifically around volunteering within Gateshead. 5) Development of the Volunteers Month throughout June to promote volunteering opportunities and raise awareness. . 6) A centralised point of contact and team to co-ordinate all registered volunteers, with service area leads sitting behind the structure 7) Joined up partnership working with a range of organisations, including private, and voluntary and community sector.	Service Director, Culture, Communities and Volunteering	1	3	GREEN 3	1) Development and Implementation of the Gateshead Offer to support Capacity Building within VCS sector. Will develop standardised training packages and awareness raising information sessions 2) Development of Database to register all volunteers and provide them with tailored opportunities.	Service Director, Culture, Communities and Volunteering
23	HRA - Self Financing	Self financing for the HRA was introduced April 2012. Councils no longer receive a centrally distributed subsidy but are expected to manage housing stock within their own income streams. Part of the introduction of self-financing was the redistribution of  <u>Key risks include:</u> • Increasing R&M expenditure • Social rent policy not being able to raise rents to be in line with RSLs • Increase in number of Right To Buys resulting in lower stock base • Management of debt against income streams. High interest rates • General Fund pressures impacting on HRA • Future Capital Requirements arising from stock condition survey & others such as estate regeneration • low Demand - Increase in Voids • Welfare reform/universal credit and the impact on rent arrears • Impact of componentisation in capital depreciation and downward revaluations which are charged to the	Strategic Director, Corporate Resources	3	3	RED (9)	1) 30 year Business Plan to capture key decisions and highlight risks to senior managers  2) Financial Model to assess sensitivities and cashflows 3) Treasury Management strategy & policies in place 4) Compliance with CIPFA voluntary code & Code of Practice  5) HRA minimum balance of £3m agreed by Cabinet	Strategic Director, Corporate Resources	3	3	RED (9)	More frequent monitoring of the HRA throughout the year  Refresh model assumptions regularly	Strategic Director, Corporate Resources  Working in partnership with; TGHC  Strategic Director Communities and Environment



Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
24	Risk of procuring and implementing a new HR and Payroll system	The current contract ends March 2016. Timescales for procuring and implementing a new corporate system are tight. If the system is not implemented in time there are a number of risks associated with payroll and HR activity.	Strategic Directors, Corporate Resources and Corporate Services and Governance	3	3	RED 9	A project team has been established to procure and implement a new HR and Payroll system	Strategic Directors, Corporate Resources and Corporate Services and Governance	1	3	GREEN 3	Regular update reports to Strategy Group	Strategic Directors, Corporate Resources and Corporate Services and Governance
25	Risk of not implementing the required changes resulting from the Care Act 2014	The Care Act 2014 introduces a number of changes for local authorities in the way that care and support services will be delivered.  Key new features of the legislation are; • a duty to promote people's wellbeing and to prevent needs for care and support • a duty to provide an information and advice service	Strategic Director, Care Wellbeing and Learning	4	3	RED 12	A steering group has been established to monitor what requirements the new legislation will place on the Council, what the resource required will be and how the Council's services will need to be changed as a result.  DH grant to contribute towards implementation costs of the Care Act	Strategic Director, Care Wellbeing and Learning	4	2	RED 8	Steering group to continue to work through the impact of the legislation  Regular updates to Strategy Group  Use of implementation grant	Strategic Director, Care Wellbeing and Learning
26	Failure to maintain effective partnership working between the Council and its partners (ie two or more independent bodies working collectively to achieve an objective)	All councils are required to monitor how well they are governed. The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of an internal audit review of partnership working, 2 recommendations were made to ensure the council's arrangements for partnership working continue to be effective	Strategic Directors, Policy, Economic Growth & Transformation and Corporate Services & Governance	2	2	AMBER 4	1) Partnership Risk Register - Service Directors have responsibility for ensuring this register is kept up to date. The register is kept within Policy, Transformation and Communications. 2) Guide to Partnership Working - this guide has been reviewed and agreed by Strategy Group on 28 January 2015. It is available via the Gateshead Strategic Partnership website 3) Protocol on Partnership Working - updated February 2015 and available on the Council's intranet site. 4) Service Directors should ensure they complete their operational risk register as appropriate for each partnership they are responsible for.	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance	2	2	AMBER 4	Annual Internal Audit Review. In addition, annual review of the guide and partnership risk register will be undertaken by officers in Policy, Transformation and Communications Service, with colleagues in Legal, Democratic & Property Services	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance

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### Appendix 3

Risk No	Risk Description	Risk Owner
3	Clawback of grant funding for previous projects due to failure to meet grant conditions / targets.	Strategic Director, Corporate Resources

<b>Details of the risk</b>	Gateshead Council is the accountable body for a number of prestige projects e.g. The Baltic. If grant conditions not met the Council could be liable to repay the funding body.
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Likelihood	Impact	Gross risk without controls
4	4	16

Existing Controls		Responsibility for existing controls
1	Financial control measures for projects are in place and implemented (including the requirement for Finance to consider and approve any accountable body requests).	Strategic Director, Corporate Resources
2	Project Management, data retention and monitoring processes are in place and implemented.	Strategic Director, Corporate Resources
3	An earmarked reserve is set aside within the Med. Term Financial Strategy for grant clawback and is reviewed on an annual basis.	Strategic Director, Corporate Resources
4	Internal Audit activity.	Relevant Strategic Director

Likelihood	Impact	Net risk after controls
2	3	6

Planned Controls		Timescale	Responsibility for proposed controls
1	Asset Management Plan		Strategic Director, Corporate Resources
2	Issue External Funding Protocol to clarify External Funding processes		Strategic Director, Corporate Resources
3	Central register of external funding		Strategic Director, Corporate Resources
4	Agresso asset register module to record details of external funding for each asset		Strategic Director, Corporate Resources

<b>Summary</b>
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By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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