



AUDIT COMMITTEE

10.00 AM - FRIDAY, 11 DECEMBER 2015

PORT TALBOT CIVIC CENTRE, COMMITTEE ROOMS 1/2

PART 1

1. To receive any declarations of interest from Members.
2. To receive the Minutes of the previous Audit Committee held on 24th September 2015 (*Pages 5 - 8*)

Report of the Head of Financial Services

3. Treasury Management Monitoring 2015/16 (*Pages 9 - 14*)
4. Internal Audit Services - Progress Report to Mid-November 2015 (*Pages 15 - 26*)
5. Corporate Risk Management Policy (*Pages 27 - 48*)
6. Any urgent items at the discretion of the Chairman pursuant to Section 100B(4)(b) of the Local Government Act 1972.
7. Access to Meetings - to resolve to exclude the public for the following items pursuant to Section 100A(4) & (5) of the Local Government Act 1972 and the relevant Exempt Paragraph 14 of Part 4 of Schedule 12A to the above Act.

PART 2

Private Report of the Head of Financial Services

8. Special Investigation Report (Exempt Under Paragraph 14)
(*Pages 49 - 52*)

S.Phillips
Chief Executive

Civic Centre
Port Talbot

3rd December 2015

Committee Membership:

Chairman: Councillor Mrs.L.H.James

Vice Chairman: Councillor J.D.Morgan

Members: Councillors Ms.C.Clement-Williams, D.W.Davies,
Mrs.R.Davies, J.S.Evans, M.Harvey, I.B.James,
D.Keogh, A.R.Lockyer, Mrs.K.Lloyd and S.Rahaman

**Voting Lay
Member:** Mrs.J.Jenkins

This page is intentionally left blank

AUDIT COMMITTEE

(Port Talbot Civic Centre, Committee Rooms 1/2)

Members Present:

24 September 2015

Chairperson: Councillor Mrs.L.H.James

Vice Chairperson: Councillor J.D.Morgan

Councillors: Mrs.R.Davies, J.S.Evans, M.Harvey, D.Keogh
and A.R.Lockyer

Officers In Attendance D.Rees, Miss A.O'Donnell and
Mrs.J.McNicholas

Representing the Wales Audit Office: R.Harries

Voting Lay Member: Mrs.J.Jenkins

1. **TO RECEIVE ANY DECLARATIONS OF INTEREST FROM MEMBERS.**

The following Member made a declaration of interest at the commencement of the meeting:

Councillor R.Davies - Report of the Head of Financial Services–Agenda Item 9– Special Investigations– as Councillor Mrs.R.Davies is a Governor to Godregraig primary School

The following Officers made a declaration of interest at the commencement of the meeting:

D.Rees - Report of the Head of Financial Services–Agenda Item 9– Special Investigations– as he is involved in the appeal hearing to reports 9 and 13 within the circulated report.

Miss.A.M.O'Donnell

- Report of the Head of Financial Services–Agenda Item 9– Special Investigations– as she is involved in the appeal hearing to reports 9 and 13 within the circulated report.

2. **TO RECEIVE THE MINUTES OF THE PREVIOUS AUDIT COMMITTEE HELD ON 26TH JUNE 2015**

RESOLVED: that the minutes of the meeting held on the 26 June 2015, be approved.

3. **CLOSURE OF ACCOUNTS 2014/15**

The circulated report contained details of the audited Annual Statement of Accounts which required approval by members prior to the 30th September, 2015. The Draft Statement of Accounts had been provided to the Wales Audit Office on the 15 June 2014, and the audit had now been completed. The Accounts had been updated as part of the Audit process and accordingly the updated final Statement of Accounts was contained in Addendum 1 to the circulated report.

Members thanked the officers for the work undertaken.

RESOLVED:

- 1) Members approve the Letter of Representation;
- 2) The final 2014/15 Statement of Accounts as included in the Addendum is approved by Members;
- 3) The Chair of the Audit Committee be authorised to sign the Letter of Representation and the Statement of Accounts;
- 4) Officers are tasked with continuing to make improvements to the accounts preparation process to ensure continued improvements are achieved.

4. **INTERNAL AUDIT SERVICE - PROGRESS REPORT TO 31ST AUGUST 2015**

Members received details of the work undertaken by Internal Audit for the period 1st June 2015 to the 31st August 2015, together with an update on progress made against the 2014/15 Internal Audit Plan.

It was highlighted on page 176, that the audit of settlement agreements was almost complete, Miss A.M.O'Donnell required more information before finalising the work and would report back at the next meeting.

RESOLVED: that the report be noted

5. **UPDATE ON GRANT MANAGEMENT CONTROL ARRANGEMENTS**

Members were updated as to the proposed changes to control arrangements of external grants. The process was a work in progress and further updates would be provided to the Committee at future meetings.

RESOLVED: that the ongoing 'work in progress' surrounding grant management control arrangements in the Council be noted.

6. **TREASURY MANAGEMENT MONITORING 2015/16**

Members received information on items which included Bank Base Rates, Borrowing and Investment Income, as detailed within the circulated report.

RESOLVED: that the report be noted.

7. **ACCESS TO MEETINGS**

RESOLVED: that pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following items of business which involved the likely disclosure of exempt information as defined in Paragraphs 12, 13 and 14 of Part 4 of Schedule 12A to the above Act.

8. **SPECIAL INVESTIGATION**

Members were provided with details on the special investigations recently completed and provided with a verbal update of the special investigations that are currently in progress.

The Chairperson agreed not to discuss Report No 9 and 13 within the circulated report, due to the declarations made at the commencement of the meeting.

RESOLVED: that the report be noted.

CHAIRPERSON

AUDIT COMMITTEE

11th DECEMBER 2015

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

Matter for Information

Wards Affected: All

TREASURY MANAGEMENT MONITORING 2015/16

Purpose of the Report

1. This report sets out treasury management action and information recently reported to Policy and Resources Cabinet Board (19th November 2015) which also needs to be reviewed by the Audit Committee.

Background

2. **Rates of Interest**

Bank base rates remain at of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

| Effective Date | Bank Rate |
|-----------------------|------------------|
| 10 April 2008 | 5.00% |
| 08 October 2008 | 4.50% |
| 06 November 2008 | 3.50% |
| 04 December 2008 | 2.00% |
| 08 January 2009 | 1.50% |
| 05 February 2009 | 1.00% |
| 05 March 2009 to date | 0.50% |

The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 5th November 2015:

| | Equal Instalments of Principal | | Annuity | | Maturity | |
|---------------|--------------------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | Previous 06Oct15 | Current 05Nov15 | Previous 06Oct15 | Current 05Nov15 | Previous 06Oct15 | Current 05Nov15 |
| | % | % | % | % | % | % |
| 5-5.5 years | 1.80 | 1.94 | 1.81 | 1.94 | 2.26 | 2.43 |
| 10-10.5 years | 2.26 | 2.43 | 2.28 | 2.46 | 2.85 | 3.04 |
| 20-20.5 years | 2.85 | 3.04 | 2.91 | 3.10 | 3.47 | 3.64 |
| 35-35.5 years | 3.37 | 3.54 | 3.47 | 3.64 | 3.50 | 3.66 |
| 49.5-50 years | 3.56 | 3.72 | 3.55 | 3.71 | 3.44 | 3.59 |

3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2015/16 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

| 2014/15 Outturn Position £'000 | | 2015/16 Original Budget £'000 |
|---|--|--|
| 16,964 | Principal and Interest charges | 17,230 |
| 246 | Contribution to Treasury Management Equalisation Reserve to fund SSIP and other Capital Programme over the next 3 years. | |
| 17,210 | Subtotal Expenditure | 17,230 |
| | Investment Income | |
| (806) | - Total | (614) |
| 227 | - less allocated to other funds | 210 |
| (579) | Subtotal Income | (404) |
| 16,631 | Net General Fund | 16,826 |

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. **Investment Income**

In line with the Council's Investment Strategy, the 2015/16 Original Budget for investment income is £614,000; treasury management investment income generated on investments made to date is £488,000.

Members should note that the majority of investments are classified as 'specified' i.e. up to 12 months and are currently deposited with Local Authorities, UK banks including Barclays, Lloyds Group, Bank Santander, Clydesdale and Nationwide Building Society.

The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made.

No additional long term investments have been carried out since the last report. The Council currently has £10m invested for periods in excess of 12 months:

| Counterparty | Value £'000 | Period | Maturity | Rate % |
|----------------------------|------------------------|---------------|-----------------|-------------------|
| Eastbourne Borough Council | 4,000 | 4.5 Years | June 18 | 2.2% |
| Peterborough City Council | 6,000 | 5 Years | Dec 18 | 2.1% |
| TOTAL | 10,000 | | | |

Icelandic Bank Update

Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.

The following table shows the amounts outstanding:

Table 1 – Original Investments

| Bank | Original Investment | Amount of Principal Repaid | Current Outstanding Investment |
|--------------|----------------------------|-----------------------------------|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Heritable | 9,000 | 8,961 | 39 |
| KSF | 3,000 | 2,546 | 454 |
| Total | 12,000 | 11,507 | 493 |

5. **Borrowing**

Since the last report the final drawdown from the Regional Investment Fund Wales (RIFW) has been completed, this funding has been used for the Neath town centre redevelopment. The total amount of funding drawn down is £12.927m, this amount is repayable in full on 31st December 2017.

Financial Impact

6. The report is for information only. All relevant financial information is provided in the body of the report.

Equality Impact Assessment

7. An equality impact assessment was not required for this report.

Workforce Impacts

8. There are no workforce impacts arising from this report.

Legal Impacts

9. There are no legal impacts arising from this report.

Risk Management

10. There are no risk management issues arising from this report.

Consultation

11. There is no requirement under the Constitution for external consultation on this item.

Appendices

12. None

List of Background Papers

Treasury Management Files
PWLB Notice Number 429/15

Officer Contact

Mr David Rees – Head of Financial Services

Tel. No. 01639 763634

E-mail: d.rees1@npt.gov.uk

Mr Huw Jones – Chief Accountant – Capital and Corporate

Tel. No: 01639 763575

E-mail: h.jones@npt.gov.uk

Mr Chris Rees – Senior Accountant

Tel. No: 01639 763590

E-mail: c.rees@npt.gov.uk

This page is intentionally left blank

AUDIT COMMITTEE

11th December 2015

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVID REES

SECTION B – MATTERS FOR INFORMATION

WARDS AFFECTED - ALL

Internal Audit Service – Progress Report to Mid-November 2015

1. Purpose of the report

To provide details of the work undertaken for the period from the 1st September 2015 to mid-November 2015 and an update on progress against the 2015/16 Internal Audit Plan.

2. Background

- 2.1. One of the terms of reference of this Committee is to 'monitor internal (and external) audit performance'. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last quarter. This work is then set against the original Internal Audit Plan to show what progress has been achieved against that plan.
- 2.2. In addition, information is provided for members on the current position regarding staff vacancies and other staffing issues within the section.

3. Audit Assignments Completed

- 3.1. A total of 20 formal audit reports have been issued since the 1st September in line with normal distribution guidelines.
- 3.2. The following is a summary list of the reports that have been issued:
 - 4 Special Investigations
 - 5 Primary School
 - Travel and Subsistence

- Trem Y Mor Respite & Intermediate Care Service
- Trem Y Mor Day Service
- Community Meals
- Sundry Debtors
- Vision Impaired West Glamorgan
- Settlement Agreements 14/15
- School budgets/ledger issues
- Disabled Facilities Grants
- Margam Crematorium
- Petty Cash

3.3. Attached as Appendix 1 to this report is a full list of the reports along with a brief summary of their findings.

3.4. In addition to the above, Internal Audit continues to carry out post audit reviews (follow ups) on all the planned audits carried out.

3.5. There are no issues in terms of the post audit reviews that need to be brought to Members' attention.

4. Progress against the Audit Plan

4.1. Appendix 2 gives details of the work carried out to date against the 2015/16 audit plan.

4.2. There are currently no special investigations in progress.

5. Staffing

5.1 There are currently no staffing issues.

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2015/16

List of Background Papers

Audit Files

Wards Affected

Not Applicable

Officer Contact

Dave Rees – Head of Financial Services

Tel No: 01639 763634

E-mail: d.rees1@npt.gov.uk

Anne-Marie O'Donnell – Audit Manager

Tel No: 01639 763628

E-mail: am.odonnell@npt.gov.uk

This page is intentionally left blank

| Report Ref | Report Subject | Report Conclusion | Risk Category |
|-------------------|--|--|----------------------|
| R21 | Travel & Subsistence 2015/16 | Claims are being made in line with the Authority's Accounting Instructions. 2 minor amendments were made in relation to completion of manual claims and submission of VAT receipts. | 2 |
| R22 | Sandfields Primary School | Generally good controls were found to be in place, recommendations were made in respect of travel & subsistence claims and audit of the unofficial fund. | 2 |
| R23 | Maes Y Coed Special School | Generally good controls were found to be in place, recommendations were made in relation to the completion of DBS portability forms when staff transfer to new posts within the school and completion of driver declaration forms. | 2 |
| R24 | Trem Y Mor Respite & Intermediate Care Service | A verbal report will be given at the meeting. | 3 |
| R25 | Trem Y Mor Day Service | A verbal report will be given at the meeting. | 3 |
| R26 | Community Meals | A verbal report will be given at the meeting. | 4 |
| R27 | Special Investigation – Procurement Issues | A verbal report will be given at the meeting. | N/A |

| Report Ref | Report Subject | Report Conclusion | Risk Category |
|-------------------|---|--|----------------------|
| R28 | St. Joseph's Catholic Primary School | Generally good controls were found to be in place, recommendations were made in relation to official orders and the unofficial fund. | 2 |
| R29 | Sundry Debtors | A verbal report will be given at the meeting. | 3 |
| R30 | Vision Impaired West Glamorgan | The financial statements audited provide a true and fair view of the Charity's financial position. | N/A |
| R31 | Settlement Agreements 14/15 | A verbal report will be given at the meeting. | 3 |
| R32 | Special Investigation – Staff under taking wrap around childcare duties | A verbal report will be given at the meeting. | N/A |
| R33 | Special Investigation – POVA - EB & LA | A verbal report will be given at the meeting. | N/A |
| R34 | School Budget ledger issues | Recommendations were made to improve the budget upload timetable which will aid budget monitoring in the schools. | N/A |
| R35 | Disabled Facilities Grants | Good controls were found to be in place, a recommendation was made in relation to the need for risk assessments to be reviewed. | 2 |

| Report Ref | Report Subject | Report Conclusion | Risk Category |
|------------|--|---|---------------|
| R36 | Margam Crematorium | A verbal report will be given at the meeting. | 3 |
| R37 | Petty Cash | The petty cash accounts audited were being controlled in line with Authority policy, only verbal recommendations were made. | 2 |
| R38 | Rhydyfro Primary school | Generally good controls were found to be in place and recommendations were made in relation to reducing the monthly spend limit on the purchasing card and frequency of fire alarm testing. | 2 |
| R39 | Blaenhonddan Primary School | Good controls were operating and recommendations were made in relation to completion of driver declaration form, official orders and recording items in the inventory. | 2 |
| R40 | SI – Cash handling issues at Gelligron | A verbal report will be given at the meeting. | N/A |

Key:

Category 1 – Service risk assessed as low.

Category 2 – Service risk will be assessed as low when the recommendations are implemented.

Category 3 – There are significant risks that Audit Committee needs to be aware of.

Category 4 – Immediate action is required to reduce the level of risk

This page is intentionally left blank

| <u>Monitoring Date</u> | <u>Mid-November 2015</u> | | | | |
|--|--------------------------|---|---|---|------------------|
| <u>Audit Plan Item</u> | <u>Risk Factor</u> | <u>Quarter 1</u> | <u>Quarter 2</u> | <u>Quarter 3</u> | <u>Quarter 4</u> |
| <u>Education, Leisure and Lifelong Learning</u> | | | | | |
| School Based Audits | | | | | |
| 20 Primary Schools | M | 1 audit completed and report issued | 3 audits completed awaiting agreement of draft reports | 10 audits completed to date, 7 reports issued as final and 3 draft reports issued awaiting agreement. | |
| 3 Secondary Schools | H | | | 1 audit complete awaiting agreement of draft report | |
| Procurement cards | H | Audit in progress | Audit complete | | |
| Other Education | | | | | |
| Unofficial funds of the feeder schools to the new Bae Baglan Comp. | M | | | | |
| Real Opportunities Funding | M | | No longer being undertaken due to low value of grant which covered wages only and grant ended Sept 14 and Welsh Centre for Learning Disability carried out an impact assessment of the scheme, no issues arose. | School budget and ledger issues audit replaced Real Opportunities and Think Family First audits | |
| Think Families First | M | | No longer being undertaken as audited by Wales Audit Office | See above | |
| Leisure, Culture and Lifelong Learning | | | | | |
| None | | | | | |
| <u>Finance and Corporate Services</u> | | | | | |
| Revenue Collection | | | | | |
| Council Tax | M | | | Sample testing undertaken | |
| NNDR | M | | | | |
| Sundry Debtors | H | | | Audit complete and report issued | |
| Cash Collection | H | | Unannounced checks undertaken | Unannounced checks undertaken | |
| Benefits Administration | | | | | |
| Housing Benefits | M | | | Sample testing undertaken | |
| Attendance at Prosecution Panel | N/A | 1 panel meeting attended by Audit Manager | 1 panel meeting attended by Audit Manager | 1 panel meeting attended by Audit Manager | |
| Exchequer | | | | | |
| Payroll | M | | | Sample testing undertaken | |
| Creditor Payments | H | | | Sample testing undertaken | |
| Travel and Subsistence Allowances | M | | | Audit complete and report issued | |
| Creditor Cut Off Testing 2014/15 | M | Audit in progress | Audit complete | | |
| Accountancy | | | | | |
| Treasury Management | H | | | | |
| Bank Reconciliation | M | | | | |
| Other | | | | | |
| Review of Write Offs | N/A | | Audit in progress | Audit complete awaiting agreement of draft report | |

Legal Services

None

Chief Executive's

| | | | | |
|-----------------------------|---|--|--|--|
| Electoral Registration | M | | | |
| Internal/Public Information | L | | | |

Social Services, Health and Housing**Housing General Fund:**

| | | | | |
|--------------------------|---|--|-------------------|---|
| Social Lettings Agency | M | | | Due to service going through the management of change process agreed with Head of Service to postpone audit until 16/17. Audit complete report issued |
| Disabled Facility Grants | M | | Audit in progress | Audit complete report issued |

Social Services

| | | | | |
|------------------------------|---|--|------------------------------------|----------------------------------|
| DOLS | M | | | |
| POVA | M | | Audit in planning stage | Audit commenced |
| Escalating Concerns Protocol | M | | | |
| Hillside Secure Unit | M | | | Audit planned |
| Trem Y Mor | M | | Audit complete draft report issued | Audit complete and report issued |

Public Protection

| | | | | |
|-------------------|---|-------------------|--|----------------------------------|
| Trading Standards | M | Audit in progress | | Audit complete and report issued |
|-------------------|---|-------------------|--|----------------------------------|

Environment

| | | | | |
|--|---|--|--|--|
| Stores/Equipment attendance at stock takes | H | | Assistance provided at interim stocktake | |
| Streetcare | H | | | |
| Bus service operators grant | M | | Audit completed | |
| Fleet | M | | Audit in progress | Draft report issued awaiting agreement |
| Grants | M | | 3 education grants audited | 2 education grants being audited |

Cross Directorate

| | | | | |
|-----------------------------------|-----|-----------------------------|---|----------------------------------|
| Special Investigations | N/A | 3 currently in progress | 2 currently in progress, 5 reports issued | 4 reports issued |
| Advice and Guidance Requests | N/A | On-going | On-going | On-going |
| I.T. Audit | N/A | 1 audit in progress | 1 audit in planning stage | Social media audit in progress |
| Contract Audit | N/A | Final account work on-going | Final account work ongoing | Final account work ongoing |
| Corporate Governance Arrangements | N/A | On-going | On-going | On-going |
| Officer Declarations | M | Audit in progress | Audit complete | |
| Procurement Cards | M | | | |
| Honoraria Payments | M | | | Audit in progress |
| Settlement Agreements | N/A | On-going | Audit in progress | Audit complete and report issued |
| NFI | N/A | Work on-going | Work on-going | Work on-going |
| DBS Checks | H | | | Audit commenced |

Other Commitments

| | | | | |
|---|-----|---------------------------------|---------------------------------|---------------------------------|
| Attendance at Working Parties | N/A | On-going | On-going | On-going |
| Servicing/Attendance at Audit Committee | N/A | On-going | On-going | On-going |
| FOI Requests | N/A | Any received have been actioned | Any received have been actioned | All received have been actioned |
| Review of Accounting Instructions | N/A | | | On-going |

Appendix 2

| | | | |
|--------------------------------|-----|-------------------|----------------------------------|
| Contingencies | N/A | | Margam Crematorium and Trem Y |
| Vision Impaired West Glamorgan | N/A | Audit in progress | Mor Day Service |
| SWTRA | N/A | | Audit complete and report issued |

This page is intentionally left blank

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Audit Committee

11th December 2015

Report of the Head of Financial Services

Matter for Decision

Wards Affected: All Wards

Corporate Risk Management Policy

Purpose of Report

To present the Council's approved Corporate Risk Management Policy and for the Audit Committee to discuss and agree on how the Committee will discharge its roles and responsibilities as contained within that Policy.

Executive Summary

On the 15th July 2015, the Cabinet approved the Council's revised Corporate Risk Management Policy which promotes an open, consistent and proactive risk management attitude whilst promoting the taking of opportunities to better serve the needs of our communities.

High standards of risk management are achieved through proactive and positive leadership and the Policy clearly details the roles and responsibilities of both Officers and Members which includes a number of roles and responsibilities allocated to the Audit Committee.

Background

The Council has a duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance and management when responding to current and future economic challenges. Sound risk management has always been important, but it takes on a new

prominence at this time when significant change has to be delivered at pace during times of austerity.

The Council's previous Corporate Risk Management Policy was approved by Policy & Resources Cabinet Board in September 2010. To support the roll-out of the Policy, a dedicated I.T. system was developed with the aim of facilitating the effective and efficient roll-out of the Policy. However, it became apparent the processes contained within the Policy were too onerous and this resulted in the Policy not being fully complied with.

To address the above and as part of the work to produce the Council's Annual Governance Statement for 2013/2014, the Council's Corporate Governance Group identified resources to undertake a review of the Policy during 2014/2015 and to take forward the necessary improvement work needed to provide and sustain effective corporate risk management.

On the 15th July 2015, the Cabinet approved the Council's revised Corporate Risk Management Policy which promotes an open, consistent and proactive risk management attitude whilst promoting the taking of opportunities to better serve the needs of our communities.

The benefits of the revised Policy include:

- Protection of reputation and demonstrates openness and accountability (good governance)
- Facilitates the effective recognition and management of corporate risks
- Prioritisation of those areas where there are the greatest risks
- Presents an integrated risk management framework
- Allocates clear roles, responsibilities and accountabilities
- Facilitates the efficient planning of limited resources
- Provides a basis on which the Council informs the allocation of resources to mitigate risks
- Improved ability to achieve the Council's corporate improvement objectives
- Builds on the Council's current risk management processes
- Contributes to building a risk savvy workforce and environment that allows for innovation and a responsible approach to risk taking

The Policy clearly sets out the framework within which corporate risk will be identified, managed and monitored (Page 7). To ensure high standards of risk management are achieved through proactive and positive leadership,

the Policy also clearly details the roles and responsibilities for the identification, monitoring, mitigation and review of risks (Pages 13 - 15).

On page 15, the roles and responsibilities of the Audit Committee are to:

- i) Review and assess the Council's corporate risk management arrangements
- ii) Report and make recommendations to the Cabinet on the adequacy and effectiveness of the arrangements.
- iii) Ensure the Internal Audit Action plan reflects the corporate risks identified.

The Audit Committee are invited to discuss the above roles and responsibilities and to task the Head of Financial Services to develop a work programme based on the outcomes of that discussion to ensure the Committee discharges those roles and responsibilities as contained within the Policy.

Financial Appraisal

There is no financial impact.

Equality Impact Assessment (EIA)

1. The Equality Act 2010 requires public bodies to "pay due regard to the need to:
 - Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - Foster good relations between persons who share relevant protected characteristics and persons who do not share it."
2. A Screening Assessment was undertaken to assist the Council in discharging its Public Sector Equality Duty under the Equality Act 2010. After completing the assessment it was determined this Policy did not require an Equality Impact Assessment.

Workforce Impact

There is no workforce impact.

Legal Impact

There is no legal impact.

Risk Management

To ensure the Council is efficient, transparent and accountable to local people and to observe high standards of corporate governance and management.

Consultation

There was no requirement to consult on this item.

Recommendations

It is recommended that Members of the Committee:

1. Note the Council's revised Corporate Risk Management Policy (July 2015).
2. Agree how the Committee will discharge its roles and responsibilities as contained within the Policy.
3. Task the Head of Financial Services to develop a work programme to ensure the Committee discharges those roles and responsibilities as contained within the Policy

Reason for Proposed Decision

To support the Council in discharging its duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance.

Implementation of Decision

For immediate implementation.

Appendices

1. The Neath Port Talbot County Borough Council Corporate Risk Management Policy

List of Background Papers

Cabinet Board 15th July 2015 – Corporate Risk Management Policy

Officer Contact:

Mr Dave Rees, Head of Financial Services. Tel: 01639 763634 or email: d.rees1@npt.gov.uk

Ms Caryn Furlow, Corporate Policy, Performance & Partnerships Manager. Tel: 01639 763242 or email: c.furlow@npt.gov.uk

Anne-Marie O'Donnell, Audit Manager. Tel: 01639 76362 or email am.odonnell@npt.gov.uk

**NEATH PORT TALBOT
COUNTY BOROUGH
COUNCIL**

**CORPORATE RISK
MANAGEMENT POLICY**

July 2015

Statement of Intent

Councils across the UK are facing tough choices. Far more will need to be achieved with far less resource as we look to meet the growing expectations of our residents whilst tackling a significant structural deficit in public finances.

We have a duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance and management when responding to these current and future economic challenges. Sound risk management has always been important, but it takes on a new prominence at this time when significant change has to be delivered at pace.

Risk management is an important aspect of corporate governance and the key to successful risk management is the provision and co-ordination of appropriate resources to enable risk management decisions to be made which are appropriate and commensurate to the level of risk.

This policy provides a systematic and focussed approach to corporate risk management which, if used effectively, will identify, control, mitigate any potential risks and enable opportunities to be confidently explored, promoting and supporting innovation.

Whilst I have ultimate responsibility for risk management within Neath Port Talbot County Borough Council by virtue of my position as Chief Executive, the Corporate Directors and their Heads of Service will ensure that their areas of responsibility are managed and resourced appropriately commensurate to the level of risk

.....
Steven Phillips
Chief Executive

Contents

- 1.0 Introduction
 - 2.0 Scope
 - 3.0 Definition of Risk
 - 4.0 Why do we manage Risk
 - 5.0 Aims of the Policy
 - 6.0 Benefits of the Policy
 - 7.0 The Corporate Performance Management Framework and Corporate Risk Management
 - 8.0 The Corporate Risk Management Framework
 - 9.0 The Corporate Risk Management Process
 - 10.0 Review
- Appendix 1 – Roles and Responsibilities
Appendix 2 – Template for Directorate / Corporate Risk Register

1. Introduction

This policy describes a structured and focussed approach to managing risks and exploiting opportunities at a corporate level.

2. Scope

This policy applies to all of the activities of the Council and builds on existing good operational risk management practices within the Council and complements the other systems of governance which form the Council's internal systems of control.

3. Definition of Risk

For the purpose of this policy, corporate risk is defined as:

“The threat that an event, action or inaction will adversely affect the Council's ability to successfully achieve its improvement objectives and deliver services”

4. Why do we need arrangements in place to manage risk?

The Council recognises that a good system of corporate governance leads to good management, good performance, good stewardship of public funds, good public engagement and ultimately good outcomes for service users and the community. Such a system enables the local authority to pursue its vision for its community effectively (as contained in the Council's Corporate Improvement Plan and the Local Service Board's Single Integrated Plan); whilst underpinning that vision with effective mechanisms for the control and management of risk. The Council is committed to ensuring a high quality of public service in the way that it carries on its business and to applying the principles set out in the CIPFA/SOLACE Guidance (including the secondary principles and best requirements) to the way in which it carries out its corporate functions in the pursuance of its corporate improvement objectives.

In 2012, CIPFA published an addendum to the document *Delivering Good Governance in Local Government: Framework* which urged local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the

coming period. These arrangements include the Council's risk management policy, process and effectiveness.

The Council also has a general duty under the local Government (Wales) Measure 2009 to "make arrangements to secure continuous improvement in the exercise of its functions". In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

In addition to the above, the Wales Audit Office provides independent assurance when reviewing the Council's governance arrangements that the Council has effective and robust systems in place to manage risk.

5. Aim of the Policy

The aim of this policy is to promote an open, consistent and proactive risk management attitude which encourages and the taking of opportunities to better serve the needs of our communities within a climate of enduring austerity.

6. Benefits of the Policy

- Protection of reputation and demonstrates openness and accountability (good governance)
- Facilitates the effective recognition and management of corporate risks
- Prioritisation of those areas where there are the greatest risks
- Presents an integrated risk management framework (page 6)
- Allocates clear roles, responsibilities and accountabilities (Appendix 1- page 13)
- Facilitates the efficient planning of limited resources
- Provides a basis on which the Council informs the allocation of resources to mitigate risks
- Improved ability to achieve the Council's corporate improvement objectives
- Builds on the Council's current risk management processes
- Contributes to building a risk savvy workforce and environment that allows for innovation and a responsible approach to risk taking

7. The Council’s Corporate Performance Management Framework and Corporate Risk Management

Risk management has a strong link to performance management. If risks are not managed effectively then it is unlikely the Council will deliver its corporate improvement objectives as planned nor make the intended contribution to the long term vision for the County Borough as set out in the Local Service Board’s Single Integrated Plan – Working in Partnership 2013-2023. In addition, public sector spending decisions, coupled with increasing demands on major services such as social services and education combine to place severe pressures on the Council’s resources. This requires an unprecedented scale of change in the way the Council delivers services in order to deliver the required savings and requires budget and performance monitoring to be intensified in order to ensure service savings and cash limits are delivered to acceptable standards.

The supporting “internal” processes that the Council has in relation to delivering its improvement objectives are encompassed within the corporate performance management framework with the production of business plans and operational report cards. The Council’s business plan arrangements require each head of service to set clear priorities that will contribute to the delivery of the corporate improvement objectives and other service improvements. These arrangements also require heads of service to identify any risks associated to the delivery of those priorities and other service improvements. The links to performance management at this stage are clear: to achieve a set of priorities / service improvements, services must demonstrate they are managing associated risks.

8. The Corporate Risk Management Framework

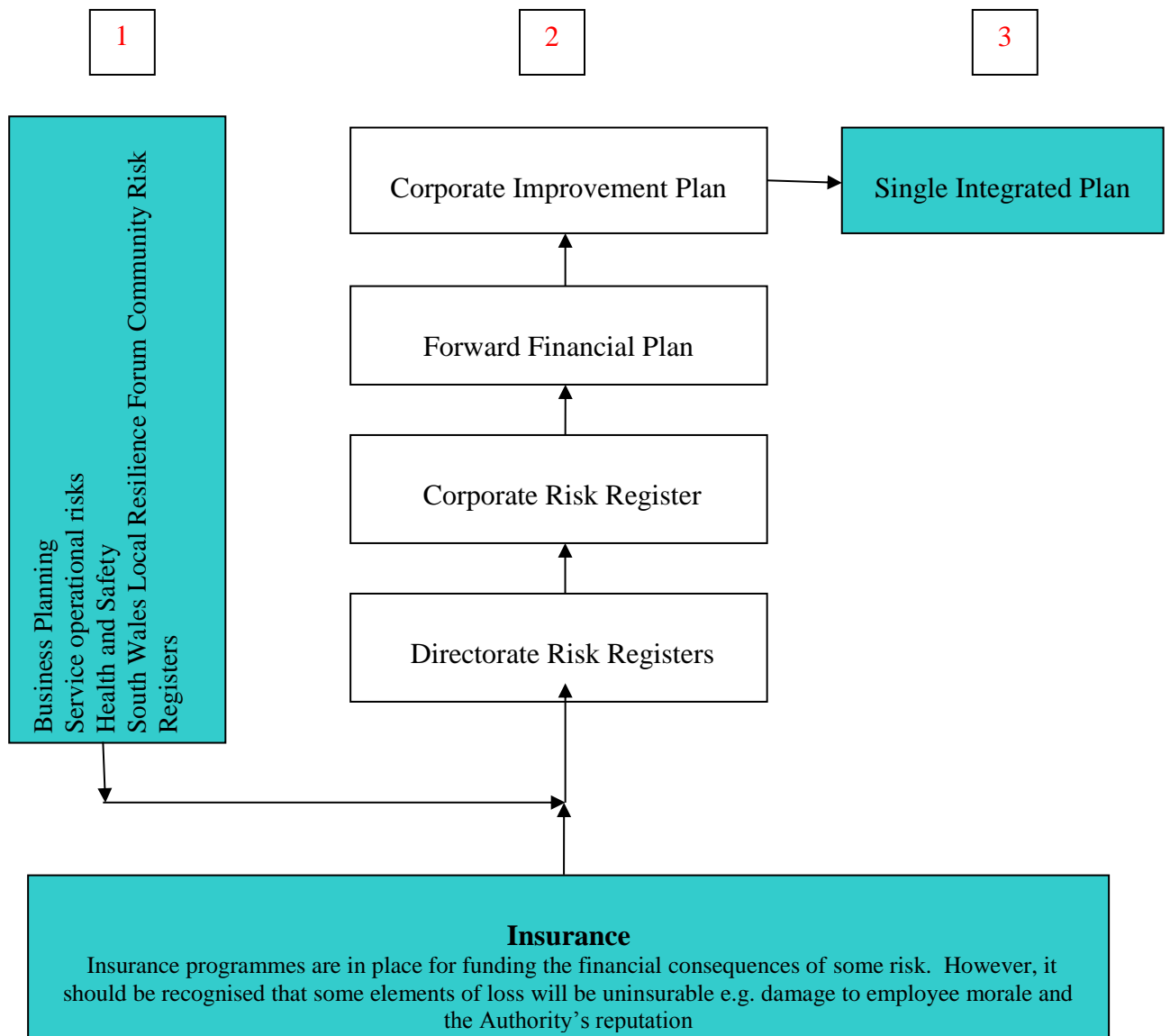
The Council’s corporate risk management framework set out in this policy is designed to ensure risk management is effective and to achieve the benefits set out earlier. Roles and responsibilities for managing risk are clearly assigned (see Appendix 1 – page 13) and the key risk management business processes are aligned in a framework to form a coherent, corporate management system.

This framework (overleaf) illustrates how risk will be managed at different levels and how that information will be used to influence the Council’s

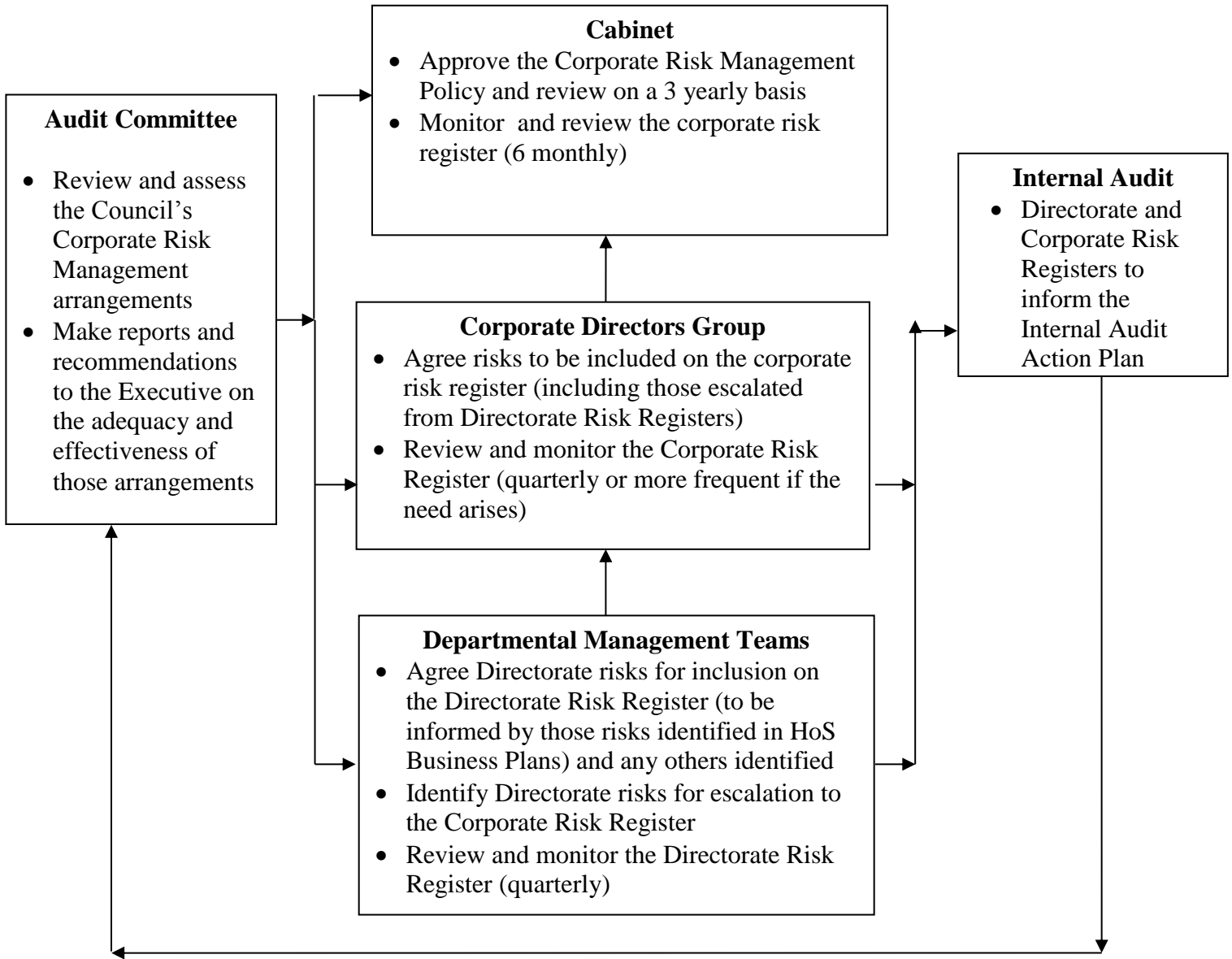
corporate improvement objectives (Corporate Improvement Plan) and the allocation of resources (Forward Financial Plan).

- Stage 1 relates to service risk assessments at the operational level
- Stage 2 covers risk assessment at the corporate level which will provide information to inform both the Council’s Forward Financial Plan and the Council’s Corporate Improvement Plan
- Stage 3 is the mechanism by which risks can be shared with partners via the Local Service Board

The Corporate Risk Management Framework



The Corporate Risk Management Escalation / Reporting / Monitoring Framework



9. The Corporate Risk Management Process

Step 1 - Risk Identification

The Council's established key risk management processes for identifying risk are as follows:

i) The Council's Corporate Improvement Objectives

Risk management is an integral feature of the Council's programme management approach which underpins the delivery of the Council's corporate improvement priorities. Corporate Directors Group actively manages and monitors the risks associated with the delivery of the improvement objectives.

ii) Business Planning

Risk assessments are undertaken as part of the annual business planning processes.

iii) Operational Risk Management

In addition to those risk processes outlined above there are a number of service / operational risk systems e.g. Child Protection Register / MAPPA/MARAC which should inform Directorate and Corporate risk registers.

iv) Business Continuity

Business continuity management is a process which analyses the impact on a business which directly affects the services provided by the Council. Its purpose is to identify critical activities and functions that have to continue at a minimum during a disruption of service delivery or when responding to an emergency.

v) Health & Safety at Work

Processes for evaluating the risk arising from a hazard(s), taking into account the adequacy of any existing controls, and deciding whether or not the risk(s) is acceptable, are now well-embedded across the Council. External quality assurance of the Council's risk management arrangements is in place and there is clear evidence of risk being prioritised, resourced and evaluated at operational, service and corporate levels.

This policy builds upon the above existing risk management processes but introduces a consistent approach to the management of risk and describes how processes will be integrated at the Directorate and Corporate level to produce Directorate and Corporate risk registers.

Step 2 – Risk Analysis and Assessment

i) Analysis

Directorate level:

At the Directorate level, a Directorate risk register will be populated by Directorate Management Teams with the risks identified via the already established Heads of Services annual business planning process and any additional risks requiring inclusion on the Directorate risk register.

Corporate level:

At the Corporate level, a Corporate risk register will be populated by those risks identified by Directorate Management Teams for escalation from the Directorate risk registers. Corporate Directors will present their Directorate risk register to Corporate Directors Group highlighting those risks that have been identified for escalation to the Corporate Risk Register. There is an opportunity here for Corporate Directors to add any new risks to the Corporate Risk Register that have not already been identified.

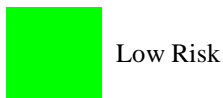
(A template for the Directorate and Corporate Risk Registers is attached at Appendix 2 – page 16)

ii) Assessment (both Directorate and Corporate)

This involves an assessment of the likelihood and impact of the risks that have been identified (this will have already been completed for those risks identified as part of the business planning process). This assessment is undertaken utilising the following 5x5 risk evaluation matrix (same scoring system used by heads of service in the business planning process).

5 x 5 Risk Matrix

| Key | | | | | | | | |
|------------------|------------------|------------|---|--------|--------|--------|--------|--------|
| Likelihood | Impact* | | | | | | | |
| 1. Very Unlikely | 1. Low | Likelihood | 5 | Yellow | Yellow | Red | Red | Red |
| 2. Unlikely | 2. Low / Medium | | 4 | Green | Yellow | Red | Red | Red |
| 3. Likely | 3. Medium | | 3 | Green | Green | Yellow | Red | Red |
| 4. Very Likely | 4. Medium / High | | 2 | Green | Green | Yellow | Yellow | Yellow |
| 5. Certainty | 5. High | | 1 | Green | Green | Green | Green | Green |
| | | | 0 | | | | | |
| | | | 1 | 2 | 3 | 4 | 5 | Impact |



Low Risk



Medium Risk



High Risk

*The impact of the risk should be assessed on the basis of:

- Reputation
- Finances
- Significant service / operational change

Step 3 – Monitoring and Review of Risks

Once Corporate Directors Group (CDG) have agreed which risks are to be included on the Corporate risk register the process of reviewing and monitoring those risks will be at the corporate level (CDG). For those risks remaining on the Directorate risk register the process of reviewing and monitoring remains the responsibility of Directorate Management Teams.

Step 4 – Monitoring & Review

a) Directorate Risk Register

Directorate risk registers will be regularly reviewed and monitored (quarterly) by Directorate Management Teams. Reviews shall include evidence so as to accurately determine and measure the Directorate’s performance in mitigating /

controlling the identified risks. Typical inputs include the following although this list must not be considered exhaustive:

- the extent to which the risk being controlled / mitigated
- follow-up actions from previous senior management team reviews of the register

Information shall be collated by the Directorate Management Team in advance of each monthly review to enable the Team to address the need, if appropriate, for changes to the way in which the Directorate risks are being controlled / mitigated, the resources allocated, whether any risks require escalation to the Corporate risk register, if any risks can be removed from the register or new risks have been identified to be added to the register.

b) Corporate Risk Register

The Corporate risk register will be reviewed and monitored (quarterly) by Corporate Directors Group. The review shall include the production of evidence so as to accurately determine and measure the Authority's performance in mitigating / controlling the Corporate risk register. Typical inputs include the following although this list must not be considered exhaustive:

- the extent to which the risk is being controlled / mitigated
- follow – up actions from previous reviews

Information shall be collated by Corporate Directors in advance of each review to enable the Group to address the need, if appropriate for changes to the way in which the corporate risk is being controlled / mitigated, the resources allocated, whether any risks can be removed or given back to the appropriate Directorate risk register for monitoring and review or new risks have been identified to be added to the register.

The Corporate risk register will be reported to the Cabinet on a 6 monthly basis.

10. Review

This policy will be reviewed by the Cabinet on a 3 yearly (at a minimum) basis. This review will be informed by any independent assurance reports provided by the Audit Committee on the adequacy and effectiveness of the Council's corporate risk management arrangements. The Director of Finance will also provide input to this review in respect of any changes to legislation and the working practices of the Council.

Roles and Responsibilities within the Corporate Risk Management Strategy

High standards of risk management shall be achieved through proactive and positive leadership. To achieve this it is necessary to detail the organisational arrangements within which corporate risk can be managed and to specify the roles and responsibilities for the identification, monitoring, mitigation and review of risks.

The role of the Chief Executive is to:

- i) Be ultimately responsible for this Corporate Risk Management Policy.
- ii) Lead on the implementation of this Policy at the strategic level.
- iii) Ensure Corporate Directors establish and maintain effective risk management systems and ensure the arrangements are followed as appropriate.

The role of the Director of Finance & Corporate Services is to:

- i) Ensure that an effective Policy is in place to manage corporate risks.
- ii) Be responsible for overseeing the implementation and continuous development of the Policy, the Corporate Risk Register and associated procedures.

The role of Corporate Directors' Group is to:

- i) Monitor and review the approach proposed in relation to corporate risk management and propose any improvements to the Director of Finance & Corporate Services.
- ii) Monitor and review on a quarterly basis the Corporate Risk Register.
- iii) Identify any emerging corporate risks and address them by identifying future mitigating actions.
- iv) Allocate sufficient resources to address corporate risks.
- v) Utilise the Corporate Risk Register when setting the Council's corporate improvement objectives and updating the Forward Financial Plan.
- vi) Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council.

- vii) Report 6 monthly to Cabinet on the progress made in controlling and mitigating corporate risks.
- viii) Promote and embed the Corporate Risk Management Policy into the day to day decision making process and culture within Neath Port Talbot County Borough Council.

The role of Directorate Management Teams is to:

- i) Monitor and review respective Directorate Risk Registers on a quarterly basis.
- ii) Utilise the Directorate Risk Registers in the planning of future service delivery.
- iii) Identify any emerging directorate risks and address them by identifying future mitigating actions.
- iv) Identify those significant Directorate risks to be escalated up to the Corporate Risk Register
- v) Promote and embed the Corporate Risk Management Policy into the day to day decision making process and culture within Neath Port Talbot County Borough Council

The role of all staff:

- i) To manage risk effectively in their job

The role of Internal Audit is to:

Function as “an independent, objective assurance and consulting activity” designed to add value and improve the Council’s corporate risk management operations. It will assist the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The framework for monitoring and reviewing the Council’s corporate risks will contribute to the development of the Council’s Internal Audit annual audit plan

Elected Members:

The role of Cabinet is to:

- i) Approve the Corporate Risk Management Policy and its review on a 3 yearly basis (at a minimum).
- ii) Monitor and review the Council's Corporate Risk Register on a six monthly basis.

The role of Audit Committee is to:

- iv) Review and assess the Council's corporate risk management arrangements
- v) Report and make recommendations to the Cabinet on the adequacy and effectiveness of the arrangements.
- vi) Ensure the Internal Audit Action plan reflects the corporate risks identified.

The role of all Members is to:

- i) Assist in the provision of risk management direction for the Council and ensure the corporate risk management policy is implemented

Appendix 2

Blank Directorate / Corporate Risk Register

| No | Risk description | L'hood score | Impact score | Overall Risk (LxI) | Proximity * | Planned action to mitigate | Target Date | Owner | Update | Trend - Up - Down - No change |
|----|------------------|--------------|--------------|--------------------|-------------|----------------------------|-------------|-------|--------|--|
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

Page 48

*Proximity - Risks are assessed in terms of proximity i.e. when the risk would occur. Estimating when a risk would occur helps prioritise the risk.

The proximity scale to be used is:

1. zero to one year
2. one year to two years
3. two years to three years
4. three years plus

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank