



## RUSHMOOR BOROUGH COUNCIL

# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 28th March, 2022 at 7.00 pm*

**To:**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr Sophia Choudhary  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Prabesh KC  
Cllr Sarah Spall  
Cllr Jacqui Vosper

Mr Tom Davies – Independent Member (Audit) – (Non-Voting)

### **STANDING DEPUTIES**

Cllr J Canty  
Cllr K Dibble

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Kathy Flatt, Democracy and Community, Tel. (01252 398829) or email  
[kathy.flatt@rushmoor.gov.uk](mailto:kathy.flatt@rushmoor.gov.uk).

# **A G E N D A**

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 15th February 2022 (copy attached).

2. **SELECTION OF THE MAYOR AND DEPUTY MAYOR – (Pages 5 - 8)**

To consider the Joint Report of the Chief Executive and the Head of Democracy and Community (Report No. DEM2201 - copy attached) which briefs Members on the outcome of the selection process for the Mayor and Deputy Mayor 2022/23. The Committee will be asked to make a recommendation to the Council.

3. **PAY POLICY STATEMENT/GENDER PAY GAP REPORT – (Pages 9 - 22)**

To consider the Executive Director's Report No. ED2202 (copy attached), which seeks approval for the Pay Policy Statement for 2021/22 for recommendation to full Council.

4. **RISK MANAGEMENT 2021/22 – (Pages 23 - 36)**

To receive the Assistant Chief Executive Report No. ACE2203 (copy attached), which provides an update on risk management activity during 2021/22, in line with arrangements set out in the Council's Risk Management Policy (2021).

5. **INTERNAL AUDIT - AUDIT OPINION 2020/21 REVISED – (Pages 37 - 54)**

To consider the Interim Audit Manager's Report No. AUD2202 (copy attached), which sets out the revised Audit Opinion for 2020/21 following guidance from the Chartered Institute of Public Finance and Accountancy.

6. **ANNUAL GOVERNANCE STATEMENT - 2020/21 UPDATE – (Pages 55 - 56)**

To consider the Interim Audit Manager's Report No. AUD2203 (copy attached), which provides an update on the Annual Governance Statement 2020/21 following the revision to the Audit Opinion 2020/21.

7. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 57 - 74)**

To receive the Interim Audit Manager's Report No. AUD2205 (copy attached), which sets out work carried out by Internal Audit since the previous report, an update on the overall progress on the 2021-22 Audit Plan and an update on outstanding audit issues from reports issued in 2019-20 and 2020-21.

8. **ANNUAL GOVERNANCE STATEMENT - UPDATE – (Pages 75 - 84)**

To consider the Interim Audit Manager's Report No. AUD2204 (copy attached), which provides an update on the outstanding governance actions.

9. **INTERNAL AUDIT - AUDIT PLAN – (Pages 85 - 92)**

To consider the Interim Audit Manager's Report No. AUD2206 (copy attached) which sets out the Internal Audit Plan for 2022/23

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**PUBLIC PARTICIPATION AT MEETINGS**

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

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# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Special Meeting held on Tuesday, 15th February, 2022 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr J. Belbase  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Prabesh KC  
Cllr Sarah Spall  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr Sophia Choudhary and Mr T. Davies (Independent Member – Audit).

## 35. MINUTES

The Minutes of the Meeting held on 24th January 2022 were agreed and signed as a correct record of the proceedings.

## 36. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2021/22

The Committee received the Executive Head of Finance Report No. FIN2211, which set out the main activities of the treasury management and non-treasury investment operations during the first half of 2021/22.

The Committee was advised that the Council's treasury team had continued to concentrate on the security of investments, taking due regard of the returns available. It was noted that, with increased levels of borrowing, the treasury team continually reviewed the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the first half of the 2021/22 financial year, short-term interest rates had remained at 0.10% and had been forecast to remain low. Borrowing levels had remained the same during the year, although the increase in short-term borrowing did increase the refinancing risk.

The Report stated that total borrowing at 30th September 2021 had been £102 million, which represented no change from the 2020/21 year-end position. Year-end borrowing was forecast to be below the estimated levels due to timing capital expenditure (service loans) on housing matters. The lower level of borrowing and lower interest rates had resulted in the forecast interest cost of borrowing reducing

by £0.495 million. The Council was forecast to have non-treasury investments risk exposure of £137 million, of which £93.7 million would be funded via external loans.

During discussion, Members raised questions regarding the General Fund and the loan to Farnborough International Limited, which were answered by the Executive Head of Finance.

**RESOLVED:** That

- (i) the reported current pace of change in economies and markets be noted; and
- (ii) the Executive Head of Finance Report No. FIN2211 be noted.

37. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2022/23**

The Committee considered the Executive Head of Finance Report No. FIN2212, which set out the proposed Treasury Management Strategy and Non-Treasury Management Strategy for 2022/23, including the borrowing and investment strategies and treasury management indicators for capital finance for 2022/23 and the Minimum Revenue Provision Statement.

It was noted that the Council was required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2022/23 before 1st April 2022. The Treasury Management Strategy Statement for 2022/23 and Non-Treasury Investment Strategy had been prepared in accordance with the Prudential Code (2017 edition) and the Treasury Management Code of Practice (2017 edition) and the Ministry of Housing, Communities and Local Government revised guidance on Local Government Investment.

The Report covered the Council's treasury management and investment activities. It was noted that the funds invested consisted of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts. Arlingclose's advice continued to indicate that the Council should diversify investment risk wherever possible.

**The Committee RECOMMENDED THE COUNCIL**

- (i) to approve the Treasury Management Strategy 2022/23, Annual Borrowing Strategy 2022/23, as set out in the Executive Head of Finance Report No. FIN2212;
- (ii) to approve the Annual Non-Treasury Investment Strategy 2022/23;
- (iii) to approve the Minimum Revenue Provision Statement.

**RESOLVED:** The Prudential Indicators for 2022/23 be reviewed by the Council's treasury management advisors, Arlingclose, for completeness, with any update included in the Report to the Council on 24th February 2022.

### 38. ANNUAL CAPITAL STRATEGY 2022/23

The Committee considered the Executive Head of Finance Report No. FIN2213, which set out the proposed Capital Strategy for 2022/23, including the prudential indicators for capital finance for 2022/23.

The Report covered the Council's capital management activities and set out a summary of treasury management and commercial investments and the Council's borrowing requirements to fund the Capital Strategy. It was noted that prudential indicators were identified to set measures for affordability that were prudent and sustainable. The funds invested consisted of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts.

The Committee was advised that the Council had incurred prudential borrowing of £102 million in relation to its capital expenditure. Further borrowing to support the financing of its approved Capital Programme in 2021/22 would also be required. The Council would therefore commence the financial year 2022/23 in a position where its investment holdings continued to remain significant, but it also carried some accumulating debt. There would be an inevitable requirement to incur some further borrowing to service capital expenditure in future years.

It was noted that, in November 2020, the Public Works and Loan Board (PWLB) had issued new lending terms that had been subject to further clarification in August 2021. This made it a condition of access to the PWLB funding that local authorities had no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure had been incurred on the acquisition of such assets since November 2020 and the Council did not plan to incur expenditure on investment assets primarily for yield within the Capital Programme. The Section 151 Officer was required on application to the PWLB to submit strategic capital and financial plans covering a three-year period. The Committee was advised that careful observation of the 'gross debt v capital financing requirement' indicator would need to be undertaken progressively throughout the financial year. It was noted that, where a material change occurred to the Capital Strategy 2022/23, a revised Strategy would be presented to the Council before the change could be implemented.

**The Committee RECOMMENDED TO THE COUNCIL that** approval be given to the Capital Strategy for 2022/23 to 2024/25 and Prudential Indicators for 2022/23 (subject to the resolution below); and

**RESOLVED:** That the Prudential Indicators for 2022/23 be reviewed by the Council's treasury management adviser, Arlingclose, for completeness with any update included in the report to Council on 24th February 2022.

The meeting closed at 8.35 pm.

CLLR SUE CARTER (CHAIRMAN)

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**CORPORATE GOVERNANCE,  
AUDIT AND STANDARDS  
COMMITTEE**

**CHIEF EXECUTIVE AND  
HEAD OF DEMOCRACY  
AND COMMUNITY**

**28TH MARCH, 2022**

**REPORT NO. DEM2201**

## **SELECTION OF MAYOR AND DEPUTY MAYOR 2022/23**

### **1. INTRODUCTION**

- 1.1 This Report sets out the outcome of the selection process for the Mayor and Deputy Mayor 2022/23 and proposes a review of the selection criteria.

### **2. BACKGROUND**

- 2.1 The Council has established a process and criteria for selecting the Mayor and Deputy Mayor which is adopted as part of the Council's Constitution. A copy of the criteria is attached at **Appendix 1**.
- 2.2 Having followed the usual procedure, for 2022/23 there are no councillors who meet all of the current criteria and who wish to take the role of Deputy Mayor, progressing to the position of Mayor in 2023/24. A significant factor is the high turnover of councillors elected over the last few elections.
- 2.3 The Corporate Governance, Audit and Standards Committee has responsibility to keep the arrangements under review.

### **3. PROPOSALS FOR NOMINATIONS**

- 3.1 Through normal progression, Cllr J.H. Marsh, who is currently the Deputy Mayor will progress to the position of Mayor for 2022/23.
- 3.2 For the position of Deputy Mayor, the appropriate Members on the seniority list have been contacted. However, in order to secure a nomination, it is necessary to break one of the criteria. From those councillors who meet all but one of the criteria, Cllr A.K. Chowdhury has indicated his interest to accept the role. The criteria that he doesn't meet is that he is standing for election this year. In this way, it may be necessary to revisit the appointment following the elections in May.
- 3.3 In view of the difficulties meeting the requirements for these roles, it is proposed that it would be timely to review the criteria and to report back to the Committee

in due course following informal engagement with Members. This is necessary to ensure that the provisions continue to be effectual, and to reflect the changing composition of the Council's membership which comprises a greater number of newer councillors.

#### **4. RECOMMENDATION**

4.1 The Committee recommends to Council that:

- (i) Cllr J.H. Marsh be appointed as Mayor-Elect for the 2022/23 Municipal Year; and
- (ii) Cllr A.K. Chowdhury be appointed as Deputy Mayor-Elect for the 2022/23 Municipal Year.

The Committee is recommended to request that the criteria for the selection of Mayor and Deputy-Mayor be brought back for consideration in due course following informal engagement with Members.

**PAUL SHACKLEY  
CHIEF EXECUTIVE**

**ANDREW COLVER  
HEAD OF DEMOCRACY AND COMMUNITY**

**Contact:** [Jill.shuttleworth@rushmoor.gov.uk](mailto:Jill.shuttleworth@rushmoor.gov.uk) Service Manger - Democracy

## 5. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Council has established criteria for selecting the Mayor and Deputy Mayor. The Corporate Governance, Audit and Standards Committee keeps the criteria under regular review. The arrangements are as follows:

- 1) The position of the Mayor and Deputy Mayor of the Borough will be taken in order of seniority from all the elected Members of the Council and will be calculated in accordance with the procedure adopted by the Council on 20th May 1976 as follows:

“The order of seniority of Members of the Council shall be determined by the length of previous local government service with the Council, including past service with the former Aldershot Borough Council and Farnborough Urban District Council. In the case where two or more Members have the same length of service, then priority between such Members shall be determined by the number of votes received by each Member expressed as a percentage of the total number of ballot papers issued at the most recent election held in their respective Wards.”

- 2) The normal progression through the Mayoralty will be by the holding of the position of Deputy Mayor and then progressing to the position of Mayor the following year.
- 3) Should an elected Member be in the position of not being able or wanting to accept the nomination when they reach their position within the seniority list, they will be considered in the following Municipal Year, depending on his or her wishes.
- 4) The Offices of Mayor and Deputy Mayor must at all times be apolitical. The Offices should not be used for political advantage.
- 5) Past Mayors will not be considered for the position of Mayor or Deputy Mayor until fifteen years after the completion of the end of their Mayoral Year; at that time their position on the seniority list will be calculated on the basis of total length of service less fifteen years.
- 6) A Member will not normally be selected until that Member has served a full four year term.
- 7) A Member will not normally be selected for Mayor or Deputy Mayor if they are seeking re-election at that year's Borough Council Elections.
- 8) Where a Member who has not been Mayor before has the same number of eligible years' service as a Member who has already been Mayor, the Member who has not been Mayor shall be given priority in the selection process.
- 9) A Member should recognise the time required in carrying out the duties and responsibilities of the Mayor and be able to allocate that time during his or her year of office.

10) Those considered for appointment:

- must demonstrate a broad base of support amongst Members of the Council and all Members will be contacted in writing by the Chief Executive for their views on the proposed candidates after they have been identified from the seniority list.
- should be able to demonstrate some experience of chairing meetings

11) The Mayor-Elect and Deputy Mayor-Elect will be selected at the Corporate Governance, Audit and Standards Committee on the basis of the selections being submitted to Council by the end of March.

28<sup>th</sup> MARCH 2022**PAY POLICY STATEMENT / GENDER PAY GAP REPORT****SUMMARY AND RECOMMENDATIONS:****SUMMARY:**

Under the Localism Act 2011, the Council is required to consider and approve a pay policy statement for the financial year. This report seeks approval for a statement covering 2022/23.

Under the Equality Act 2021 (Specific Duties and Public Authorities) Regulations 2017, the council are required to publish gender pay gap calculations annually. This report is for noting.

**RECOMMENDATION:**

That the Council be recommended to agree the Pay Policy Statement for 2022/23

**1. BACKGROUND & INTRODUCTION**

- 1.1 Under the Localism Act 2011, the Council is required to consider and approve a pay policy statement for the financial year. The Council's pay policy statement for 2022/23 is set out in Appendix A.
- 1.2 The Act sets out a clear expression of the Government's desire that taxpayers can access information about how public money is spent on their behalf. It translates this into a requirement for improved transparency over both senior council officers pay and that of the lowest paid employees. To support this, the Act requires publication of an annual pay policy statement.
- 1.3 The Act sets out specific information that must be included in the Pay Policy Statement as follows:
  - the pay framework, level and elements of remuneration for Chief Officers
  - the pay framework and remuneration of the 'lowest paid' employees
  - the relationship between the remuneration of the Chief Officer and other officers
  - other policies relating to specific aspects and elements of remuneration such as pay increases, other allowances or payments, pension and termination payments.

- 1.4 Under the Equality Act 2021 (Specific Duties and Public Authorities) Regulations 2017, the council are required to publish gender pay gap calculations annually. The Council's Gender Pay Gap Report is set out in Appendix B.

## **2. DETAILS OF THE PAY POLICY STATEMENT**

- 2.1 The Pay Policy Statement contains two main components. It sets out the framework within which pay is determined in Rushmoor Borough Council and it provides an analysis comparing the remuneration of the Chief Executive with other employees of the authority.
- 2.2 The comparisons included within the paper, look at the ratio between the Chief Executive and the full-time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2022/23 is 6.7:1,
- 2.3 The second ratio included within the analysis, looks at the relationship between the median remuneration of all staff compared to the Chief Executive. The ratio for 2022/23 is 3.7:1, this is a slight change to last year when it was 3.6:1.
- 2.4 The recommendation of the Hutton Report (2010) is that public sector organisations should comply with a maximum multiple of 20:1. Rushmoor is well within this multiple.

## **3. DETAILS OF THE GENDER PAY GAP REPORT**

- 3.1 The Gender Pay Gap Report contains the following: Gender Pay Gap (mean and median values), Gender Bonus Gap (mean and median values), Proportion of men and women receiving bonuses, proportion of men and woman in each quartile of the organisations pay structure. The council does not pay Bonus payments and therefore there is nothing to report in those categories.
- 3.2 The mean gender pay gap equates to 11.7 % with the female average salary being lower than the male average salary. The gap has reduced from 13.9% in the previous year.
- 3.3 The median gender pay gap equates to 11.3% with the female median rate being lower than the male median rate. The gap has increased slightly from 10.7% reported in the previous year.
- 3.4 The proportion of men and women in each quartile has remained the same as the previous year in the lower and mid lower quartile, however in the mid upper quartile and the upper quartile there has been a slight increase in the proportion of women on the previous year.

## **CONTACT DETAILS:**

### **Report Author:**

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### **Executive Director:**

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## **APPENDICES**

Appendix A: Pay Policy Statement 2022/23

Appendix B: Gender pay Gap Report 2021

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## **BACKGROUND DOCUMENTS:**

*Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act*

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/59562/091042.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/59562/091042.pdf)

*Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act Supplementary Guidance*

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/85886/Final\\_Supplementary\\_Pay\\_Accountability\\_Guidance\\_20\\_Feb.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf)

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**Rushmoor Borough Council**  
**Pay Policy Statement for the Financial Year 2022-2023**

**Purpose**

The purpose of this pay policy statement is to set out Rushmoor Borough Council's (RBC's) policies relating to the pay of its workforce for the financial year 2022-23, in particular: -

- a) the remuneration of its Chief Officers
- b) the remuneration of its "lowest paid employees"
- c) the relationship between
  - the remuneration of its Chief Officers
  - the remuneration of its employees who are not Chief Officers

**Definitions**

For the purpose of this pay policy statement, the following definitions will apply: -

**"Chief Officer"** refers to the following roles within RBC: -

- Chief Executive, as Head of Paid Service\*
- Executive Directors
- Heads of Service

The **"lowest paid employees"** refers to permanent or fixed-term staff employed at Grade 1 of the pay scale. Grade 1 is the lowest grade.

An **"employee who is not a Chief Officer"** refers to all permanent or fixed-term staff who are not within the "Chief Officer" group above, including the "lowest paid permanent employees" i.e. staff on Grade 1.

**Remuneration of the "lowest paid employees" and "all other employees who are not Chief Officers"**

**Pay framework**

Pay for the "lowest paid employees" and "all other employees who are not Chief Officers" is determined by the National Joint Council for Local Government Services and in line with the council's Pay and Reward Policy.

Not included in the definitions referred to above, there is a small and fluctuating number of 'casual' staff, some of whom receive lower salaries in accordance with minimum wage legislation.

The employment of casual staff recognises the need to have a small team of trained and available workers who can be deployed at short notice to assist with seasonal and emergency requirements. This approach enables the organisation to have an efficient and economic response to workload demands but without the need to incur unnecessary costs or to rely upon employment agencies. The use of casual contracts is regularly reviewed and staff engaged in this way are encouraged to apply for permanent roles when they become available.

The only other group employed by the Council who are excluded from the pay comparison data are apprentices. The apprentices are employed for a designated period during which time they are provided with on and off job training alongside the opportunity to gain valuable experience within a working environment. For this reason, the salary comparison would not be relevant.

The Pay and Reward Policy was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. The NJC framework for Job Evaluation was up-dated during 2013 and appropriate revisions made to the procedure for collecting data for evaluation to streamline the process and assist with pay comparability within Rushmoor Borough Council.

The Council's grading structure is based on the NJC terms and conditions using the national spinal column points with the addition of a number of spinal column points at the top of the scale. There are 12 grades (1 – 7, Service Manager, Corporate Manager, Head of Service, Director and Chief Executive) in the pay framework, grade 1 being the lowest and Corporate Manager, the highest (for those below Chief Officer). Each employee will be on one of the 12 grades based on the job evaluation of their role.

Each grade has a number of incremental steps and employees can progress along the salary range to the maximum of their grade, subject to assessment of their performance.

Pay awards for those staff up to and including Grade 7 are determined directly from the negotiations held between the Local Government Employers and the recognised Trades Unions under the NJC agreement. Since the implementation of the Council's pay framework, the same percentage award has been applied to all other grades including that of Chief Officers. However in April 2021, the pay award negotiated and agreed was

different, with Chief Officers being awarded 1.5% and those covered by the NJC Agreement 1.75%.

It should be noted that on 3<sup>rd</sup> September 2013, Cabinet made a decision to adopt the Foundation Living Wage Scheme, and hence the minimum wage in Rushmoor has reflected this. From 1<sup>st</sup> April 2019, the NJC pay rates will align with the Living Wage and hence this adjustment will no longer be necessary.

The analysis used for this report draws upon the pay rates as at 1<sup>st</sup> April 2022.

The remuneration of the “lowest paid employees” includes the following elements: -

- Salary
- Any allowance or other contractual payments in connection with their role

*See below for comments on each element*

### **Salary**

Each “lowest paid permanent employee” is paid within the salary range for Grade 1.

Details of the Council’s grades and salary ranges are available on the website.

The normal starting salary for new employees will be at the entry point for the grade. However, at the appointing managers discretion, based on their assessment of skills and experience employees may commence at a higher grade point.

### **Other payments and allowances**

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Pay and Reward policy. In a small number of roles where significant recruitment difficulties are experienced, a market supplement is paid. Market supplements are reviewed annually to ensure they are still required.

Further details of such allowances and payments are available on request.

### **Progression within the salary scale**

The Council has a performance management and development review scheme in place. This embraces a number of elements including a joint review of performance, sharing organisational/team goals and agreeing future plans. Progression through the incremental scale appropriate to the grade is dependent upon performance being assessed as satisfactory by the staff member’s line manager.

In exceptional cases where staff members have consistently delivered exceptional performance, more than one incremental point may be awarded, with the approval of the Head of Service.

## **Pension**

All Rushmoor Borough Council staff are eligible to join the Local Government Pension Scheme. There is automatic enrolment procedure in place to encourage membership of the scheme.

## **Severance Payments**

Any severance payments will be in line with the Council's adopted policies on Organisational Change and MARS (Mutually Agreed Resignation Scheme). Further details are available on request.

## **Remuneration of Chief Officers**

### **Pay framework**

"Chief Officers" refers to the Chief Executive, Corporate Directors and Heads of Service.

This group of "Chief Officers" are paid on locally determined pay scales outside of the NJC agreement. These pay scales were created by extending the NJC spinal column points, and since the implementation of the Pay and Reward policy, up until 1<sup>st</sup> April 2021 these Chief Officers have received the same annual percentage pay award as all other employees within the Council.

In the financial year 2021/22 the pay award for Chief Officers was agreed at 1.5% and for the those covered by the NJC agreement the award was agreed at 1.75%.

### **Salary**

Salaries of the Council's Chief Officers are published on the council's website.

The normal starting salary for new employees will be at the entry point for the grade., However, at the appointing managers discretion, based on their assessment of skills and experience employees may commence at a higher grade point.

### **Other allowances or payments**

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council's Pay and Reward policy.

The Chief Executive is appointed by the Council to act as the Returning Officer at the election of councillors for the Borough and as acting Returning Officer at Parliamentary Elections. The additional fees associated with these functions will be paid in accordance with those set nationally or locally through the Hampshire and Isle of Wight Elections Fees Working Party.

Within the fees structure for elections, provision is made for payments to staff for specific duties. These payments are also made in accordance with nationally set rates or locally through the Hampshire and Isle of Wight Election Fees Working Party. Details are available on request.

Further details of such allowances and payments are available on request.

### **Progression within the salary scale**

Progression through the incremental scale appropriate to the grade is dependent upon performance being judged as satisfactory or higher at the end of the review year.

### **Pension**

All employees are eligible to join the Local Government Pension Scheme but the value of these benefits has been excluded from the figures used for pay comparison purposes.

### **Severance Payments**

Any severance payments will be in line with the Council's policy for Organisational Change or MARS scheme and further details are available on request.

**The relationship between remuneration of highest and lowest paid employees of the council.**

There are a number of different ways of presenting this information to provide a rounded picture of pay comparisons within the organisation.

The lowest, median and highest FTE salaries as at 1<sup>st</sup> April 2022 are as follows:

Lowest:	£18,887
Median	£34,373
Highest	£125,924

By simply taking the salary of those permanently appointed employees paid on the lowest grade of the council's pay structure and comparing this with the Chief Executive a pay ratio of **1:6.7** emerges. This is the same as in the previous year's ratio.

The Hutton Report (2010) that looked at the relationship between pay levels in the public sector recommended that organisations should comply with a maximum pay multiple of **1:20**. Rushmoor is well below that ratio.

An alternative approach would be to compare the Chief Executive's salary against the median salary. This equates to a ratio of **1:3.7** which is a slight change to the **1:3.6** ratio, which was previously reported.

There has been no significant movement over the last 12 months. These results indicate that there is no cause for concern regarding the ratio between the pay rates for staff and the Chief Executive.

## **Rushmoor Borough Council Gender Pay Gap Report 2021**

### **Background**

The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, requires employers with 250 or more employees to publish statutory gender pay gap calculations annually. This includes the following:

- Gender pay gap (mean and median values)
- Gender bonus gap (mean and median values)
- Proportion of men and women receiving bonuses
- Proportion of men and women in each quartile of the organisation's pay structure.

The Council is required to publish this data on its website and the governments dedicated page for Gender Pay Gap reporting - <https://gender-pay-gap.service.gov.uk>. The report must be published by 30<sup>th</sup> March 2022.

The legislation requires the organisation to choose a 'snapshot' data and base the Gender Pay Report on all relevant employees employed at that date. Rushmoor Borough Councils Gender Pay Gap is based on analysis of data as at 31<sup>st</sup> March 2021.

Using a common calculation formula, organisations can determine whether there is a difference in pay for its male employees when considered against its female employees. The calculation takes account of all allowances paid to staff as recommended under the regulations, but excludes all overtime pay, whether at flat or enhanced rates.

This exercise provides organisations with an opportunity to consider whether they have a gap in the average pay rates for male and female employees and allows the organisation to consider how that has occurred and to action plan to address this if need be. The difference between the pay rates for male and female employees is referred to as the 'Gender Pay Gap'.

### **Rushmoor Data**

Based on the data snapshot date of 31<sup>st</sup> March 2021, there were 281 permanent employees and 72 casual employees included in the data. Therefore, the total number of 353 records were used for the data source.

**The gender breakdown of Rushmoor's workforce is 224 female employees (63.5%) and 129 male employees (36.5%).**

### **Average Pay Calculations:**

The average female hourly rate is £16.96 per hour. The average male hourly rate is £19.21 per hour. This means that on average male employees within Rushmoor Borough Council earn £2.25 per hour more than female employees.

The common calculation method that is used to calculate Gender Pay Gap is as follows:

$$\frac{(\text{£highest rate}) - (\text{£lowest rate})}{\text{£highest rate}} \times 100 = \text{Gender Pay Gap \%}$$

Divided by (£highest rate) = x 100 = Gender Pay Gap %.

For Rushmoor Borough Council the following applies:

$$\frac{\text{£19.21 (male average)} - \text{£16.96 (female average)}}{\text{£19.21}} \times 100 = 11.7\%$$

£19.21 x 100 = 11.7% difference between male salaries & female salaries

This equates to a 11.7% difference (or 'gap') in pay rates, with the female average salary being lower than the male average salary.

### **Comparison with 2020 data:**

In 2020, the average female hourly rate was £15.59 per hour and the average male hourly rate was £18.11 per hour.

This equated to a percentage difference of 13.9%, with the average female salary being lower than the male average salary.

We can therefore see the difference / gap has reduced from the previous year.

### **Median Pay Calculations:**

The female median hourly rate is £15.22 per hour.

The male median hourly rate is also £17.15 per hour.

Using the above method, the difference in mean wages is:

$$\frac{\text{£17.15} - \text{£15.22}}{\text{£17.15}} \times 100 = 11.3\%$$

$$\text{£17.15} \times 100 = 11.3\%$$



### Comparison with 2020 data:

In 2020, the median female hourly rate was £15.35 per hour and the median male hourly rate was also £17.19. This year we see a decrease in both of these figures. However the gap has increased slightly from 10.7% to 11.3%

### Distribution of male & female employees within Rushmoor Borough Council across 4 quartiles:

	<b>Total Count</b>	<b>Female Actual</b>	<b>Male Actual</b>	<b>Female %</b>	<b>Male %</b>
Quartile 1 – Lower	89	60	29	67% <i>(67%)</i>	33% <i>(33%)</i>
Quartile 2 - Mid Lower	88	58	30	66% <i>(66%)</i>	34% <i>(34%)</i>
Quartile 3 - Mid Upper	88	61	27	69% <i>(66%)</i>	31% <i>(34%)</i>
Quartile – Upper	88	45	43	51% <i>(48%)</i>	49% <i>(52%)</i>
<b>Total Workforce</b>	<b>353</b>	<b>224</b>	<b>129</b>	<b>63%</b> <i>(62%)</i>	<b>37%</b> <i>(38%)</i>

*(\*figures shown in blue italics are the % figures for 2020 to enable easier comparison).*

**Bonus Pay:**

Rushmoor Borough Council does not have payments such as performance related pay, one off incentive payments for recruitment and retention or monetary payments for long service awards, therefore within the guidelines for Gender Pay Gap reporting there are no payments within the “bonus” categorisation.

No bonuses were paid in Rushmoor Borough Council during this period, so there is no pay gap to report in relation to bonus payments.

**CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE  
28 MARCH 2022**

**ASSISTANT CHIEF EXECUTIVE  
REPORT NO. ACE2203**

**KEY DECISION? NO**

**RISK MANAGEMENT 2021/22**

**SUMMARY AND RECOMMENDATIONS:**

This paper updates Members of the Corporate Governance, Audit and Standards Committee on the Council's risk management process over 2021/22.

CGAS Members are asked to note this report.

**1. Background**

- 1.1 The Constitution states that one of the roles of the Corporate Governance, Audit and Standards Committee (CGAS) is to *"provide independent assurance of the adequacy of the risk management framework"*. Specifically in relation to risk management, the Constitution states that CGAS should *"monitor the effective development of risk management in the Council"*.
- 1.2 This report provides an update from the Council's Senior Risk Officer to CGAS Members on risk management activity that has taken place over the course of 2021/22 in line with arrangements set out in the Council's Risk Management Policy (2021) which is attached at Appendix A.

**2. Council's Risk Management Policy**

- 2.1 In June 2020, the Cabinet agreed the creation of the Assistant Chief Executive post (CX2005) in order to bring together and strengthen the corporate policy and strategy function including policy response, development, strategy, performance, emergency planning, business continuity and risk. As part of this change, the Assistant Chief Executive role was also designated as the Senior Risk Officer for the Council. The Council's risk management policy was revised in January 2021, following a review by the newly appointed Assistant Chief Executive. The risk management policy has been updated since and version 1.3 dated 5 November 2021 is currently being used to manage risk within the Council.
- 2.2 The 2018/19 Value for Money opinion was issued on an 'except for' basis due to risk management issues, with the Council not able to demonstrate that risk management processes were embedded and that the risk register was reviewed. The opinion for 2019/20 is yet to be received and it remains possible that this will suggest additional work on Risk Management and if this is the case, this will be considered as part of the work plan that has been developed for 2022/23. Notwithstanding this, over the last 12 months

there have been a number of steps taken to update the risk management process across the Council and to address issues identified in an internal audit on risk management which concluded in June 2019.

- 2.3 With this in mind, the focus with risk over the last 12 months has been to review and then embed the risk management process consistently across the Council. This work began in January 2021 with the roll out of a revised risk management policy and associated training and briefing for staff and CGAS Members. The Risk Management Policy is attached at Appendix A and key changes and amendments implemented at this time, included:
- The introduction of three types of risk onto the Corporate Risk Register (strategic risks; corporate standing risks and escalated service risks) with a consistent approach to identifying these. Definitions of each of these can be found within the Risk Management Policy at Appendix A.
  - Setting the expectation that whilst risks might be managed by a number of people across the Council, there should be a single risk owner identified for risk management purposes.
  - A clear expectation that risk registers should be reviewed on a monthly basis by each service
  - The Council's risk management process is overseen by the Assistant Chief Executive, with the day-to-day management and maintenance of the risk management system being the responsibility of the Corporate Risk Manager.
  - Risk will be on the Council's Corporate Management Team agenda at least every 2 months to ensure that regular routine collective oversight is given to risk at a senior level.
- 2.4 In light of these changes and to bring the risk management more closely to corporate planning and performance management, responsibility for the management of risk moved in July 2021 to the Portfolio Holder for Democracy, Strategy and Partnerships.

### **3. Risk management in 2021/22**

- 3.1 Over the course of 2021/22, the risk management policy has been adhered to and the arrangements have been subject to an internal audit which concluded in February 2022 (see AUD2205). This internal audit report recognises the improvements in the risk management process since 2017 and the last internal audit and found that the current policy is being applied. CGAS Members will note from the Internal Audit Update report that the risk management audit made six recommendations which will be addressed as set out in the management responses over the course of 2022/23.
- 3.2 As set out in the risk management policy, reports on risk have been presented to the Council's Corporate Management Team on a regular basis (with this having been discussed at meetings in March, April, June, September and October 2021, and again in January 2022) and presented to Cabinet alongside the quarterly performance reports in July 2021, November 2021 and February 2022 with a final report (covering quarter 4) due to be presented to Cabinet in June 2022. In addition, risk is discussed with greater frequency outside these meetings, with regular discussions

and risk register reviews taking place across projects and programmes and with risk being discussed by the Policy and Projects Advisory Board as the new Council Plan 2022-2025 has been developed.

- 3.3 The findings of the recent internal audit report have formed the basis for a risk management work plan for 2022/23 with a view to all six identified actions being addressed by the end of June 2022. Addressing these actions will further strengthen the risk management processes across the Council and allow for greater alignment between performance and risk management and more real-time reporting of the corporate risk register. Crucially, the changes will also aim to embed a greater understanding not only of the risk management process but will also support improved risk identification across the Council and a greater understanding of risk appetite. In light of these changes, the risk management policy will be updated later this year and a training session for all CGAS members on the new policy is scheduled for September 2022.

#### **4. Conclusion**

- 4.1 CGAS is asked to note this report which summarises how risk has been managed across the Council in 2021/22 and outlines work planned for 2022/23.

#### **BACKGROUND DOCUMENTS:**

Appendix A – Risk Management Policy

#### **CONTACT DETAILS:**

Rachel Barker, Assistant Chief Executive & Senior Risk Officer – 07771 540950  
[rachel.barker@rushmoor.gov.uk](mailto:rachel.barker@rushmoor.gov.uk)

Roger Sanders, Corporate Risk Manager – 01252 398809,  
[roger.sanders@rushmoor.gov.uk](mailto:roger.sanders@rushmoor.gov.uk)

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**Rushmoor Borough Council**  
**Corporate Risk Management Policy and Procedures**  
**V1.3 05/11/21**

## **1. Introduction and Overview**

This document describes Rushmoor Borough Council's policy and procedures for the assessment and management of risk.

### **What is Risk?**

Risk can be defined as the combination of the probability of an adverse event occurring and its potential consequences. In this context it is used to define a matter/incident/issue that may prevent the Council from meeting its core objectives or resulting in the critical failure of all or part of the Council or its functions.

There is however the potential for risk to present the opportunity for benefit as well as threats to success. Therefore, the goal will not always be to entirely eliminate risk.

### **Why we need to manage risk?**

Rushmoor employees manage risk every day without describing it as "risk management". We consider what might go wrong and take steps to reduce the likelihood or impact if it does. However, Rushmoor cannot rely entirely on informal processes. As a public body, the Council must provide assurance that it is recognising and managing risk effectively.

### **Who Manages Risk at Rushmoor?**

Everyone at Rushmoor is responsible to some degree in the management of risk in their day to day activities, from front line staff to Heads of Service (HoS), Executive Directors and the Chief Executive.

Significant risks must however be formally identified, assessed and managed in order to mitigate their likelihood and/or their adverse impacts, such as on the continued operation of the Council, compliance with legal obligations or achieving strategic objectives.

## **2. Scope & Purpose**

Senior employees with overall managerial responsibility for the majority of risks (predominately HoS) are referred to in this process as 'risk owners'. A single point of contact responsible for taking the lead in ensuring that the risk and any mitigation is managed appropriately.

Rushmoor Borough Council oversees the management of risk through the work of its Corporate Management Team (CMT). All significant risks will be periodically reviewed by this team. The determination as to whether a risk is deemed 'significant' is discussed throughout this document and assisted through the use of a common risk management procedure, for a consistent approach.

The Council will record and assess its work to manage risk through the use of risk registers. These will be split into individual Service Risk Registers (SRR) and a single central Corporate Risk Register (CRR). Corporate risks will also be further split down into 'standing corporate', 'elevated service' or 'strategic' risks. All of these processes and terms are described in full later in this document.

These risk registers are not intended to be used as a means of managing **all** risk to the Council, or the management of its day-to-day business activities, but to summarise significant risks for Senior Management to ensure they are effectively managed.

Given its nature, the risk management process will provide a regular periodic snapshot of the current level of risk to the Council in each case and any additional mitigation planned for those risks.

### **3. Leadership and Management**

The risk management process is overseen by the Assistant Chief Executive (ACE). The day-to-day management and maintenance of the risk management system is the responsibility of the Corporate Risk Manager (CRM).

Risk owners, predominately HoS, will be ultimately responsible for the management of risks and the maintenance of associated processes such as Service Risk Registers. Service Managers may however be delegated the responsibility of managing risks and updating registers by their HoS.

Risk will be on the CMT agenda at least every 2 months to ensure that regular routine collective oversight is given to risk at a Senior level. This will also assist in the consistency of approach and determining the Council's tolerance for risk, including the natural determination of what the collective management consider to be a 'significant' risk.

The Corporate Risk Manager will provide advice and guidance on the Council's risk management process to all levels upon request.

### **4. Meetings and Minutes**

HoS will be responsible for ensuring that their Service Risk Register is updated at least monthly, and that risk is a standing agenda item on their service meetings.

The ACE, with the assistance of the CRM, will ensure risk is on the CMT agenda at least every 2 months.

The CRM will ensure that the Corporate Risk Register is updated prior to this meeting, where necessary updating the status of risks by referring to SRRs. All risk owners must provide copies of their Corporate Risks upon request to enable the CRR to be created.

Minutes from this CMT meeting will be circulated and stored for future reference.



## **5. Methodology**

### **5.1. Risk Identification**

Risks will be identified by a number of methods, for example (but not limited to):

#### **Business Planning Assessments – Corporate Level**

A strategic analysis tool (such as a PESTLE analysis) can be used to identify and analyse the current status and position of an organisation and the environment in which it operates. Tools such as this are used to provide a context for the organisation's role in relation to the external environment and the impact of external issues.

An appropriate analysis will be carried out by the Strategic and Corporate Policy Team annually, as part of the overall business planning process for the Council

#### **Business Planning – Service Level**

Heads of Service will identify any significant threats to their service during the business planning process, including ongoing matters and new and emerging threats.

#### **Audit**

Risk identification and analysis work takes place routinely within the Councils' Audit team. Any new/emerging or increased risks will be brought to the attention of the appropriate risk owner via the ACE.

#### **Horizon Scanning**

The Corporate Risk Manager will ensure that industry publications are reviewed, to identify any new and emerging risks that may affect the Council.

Such publications will include:

- Allianz Risk Barometer: Top Business Risks (annual)
- Hampshire County Council: Community Risk Register
- Cabinet Office: National Risk Register of Civil Emergencies
- World Economic Forum: The Global Risks Report (annual)

#### **New and Emerging Risks**

The identification of new/emerging risks will also occur during the day to day operation of Services, where new (and sometimes unexpected) risks can arise/become apparent during the course of their work. Once identified, these risks must be appropriately incorporated into Rushmoor's risk management processes.

### **5.2. Risk Assessment**

Each risk managed by this process will be assessed and given a risk category based upon the probability of the risk arising and the impact on the Council if it does arise. The same method of rating/scoring will be used throughout. If a risk (a potential future adverse event) becomes an issue (where the adverse event occurs despite the mitigation put in place), the risk management process will continue to be used to manage that risk.

A traffic light indicator / RAG rating is used to show the risk category. A Corporate risk matrix, maintained and updated by the CRM, is provided to assess the probability and impact of risks.

Recognising that an assessment of risk can be made in a number of ways, the assessment of risk and the determination of the risk category will be carried out as a 'residual risk'. This is the risk assessment taking into account the existing mitigative actions in place at the time of the assessment. It will not include the predicted effects of mitigations not yet in place.

The risk matrix to be used for the assessment of all risks is as follows:

### Matrix & RAG Risk Rating

<b>Severity of Outcome (S)</b>	<b>4</b>					<table border="1"> <tr> <td><b>High Risk</b></td> <td style="background-color: red;"></td> <td>Strongly consider further mitigation, tolerating risk is unlikely to be acceptable</td> </tr> <tr> <td><b>Med. Risk</b></td> <td style="background-color: yellow;"></td> <td>Tolerable if risk/exposure is acceptable at senior level</td> </tr> <tr> <td><b>Low Risk</b></td> <td style="background-color: green;"></td> <td>Additional action may not be necessary to manage risk</td> </tr> </table>	<b>High Risk</b>		Strongly consider further mitigation, tolerating risk is unlikely to be acceptable	<b>Med. Risk</b>		Tolerable if risk/exposure is acceptable at senior level	<b>Low Risk</b>		Additional action may not be necessary to manage risk
	<b>High Risk</b>		Strongly consider further mitigation, tolerating risk is unlikely to be acceptable												
	<b>Med. Risk</b>		Tolerable if risk/exposure is acceptable at senior level												
	<b>Low Risk</b>		Additional action may not be necessary to manage risk												
	<b>3</b>														
<b>2</b>															
<b>1</b>															
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>										
<b>Likelihood of Occurrence (L)</b>															

### Rating Consistency Guidance

	<b>Likelihood of Occurrence (L)</b>	<b>Severity of Outcome (S)</b>
<b>1</b>	<b>Very unlikely</b> Very unlikely to occur, (no history or near misses etc). Less than 5% probability.	<b>Minor</b> Risk to specific role. Legal action unlikely. No significant illness or injury. Negative customer complaint. Financial impact negligible.
<b>2</b>	<b>Unlikely</b> Unlikely but may occur (may have happened, but not within past 5 years). Is not expected to happen in next 5 years, less than 25% probability	<b>Moderate</b> Risk to normal continuation of service. Legal action possible but defensible. Short term absence/minor injury. Negative customer complaints widespread. Financial impact manageable within existing Service budget.
<b>3</b>	<b>Likely</b> Likely to occur (or already happened in the past 2 to 5 years). Is expected to happen in the next 2 to 5 years, 25 - 50% probability	<b>Significant</b> Partial loss of service. Legal action likely. Extensive injuries or sickness. Negative local publicity. Significant fine. Financial impact manageable within existing Corporate budget - but not Service.
<b>4</b>	<b>Very likely</b> Very likely to occur (or has already happened in the past year), may occur frequently. Is expected to happen in the next year, more than 50% probability	<b>Major</b> Total loss of service. Legal action likely & difficult to defend. Death or life threatening. Negative National publicity. Imprisonment. Financial impact not manageable within existing funds.

## Risk Mitigation Methods

There are various options for dealing with risk, often referred to as the four Ts:

- **Tolerate** – if we cannot reduce a risk (or if doing so is out of proportion to the risk) we can tolerate the risk; ie do nothing further to reduce the risk.
- **Treat** – if we can reduce the risk by identifying mitigating actions and implementing them, we should do so. For many of the risks on the corporate risk register this is what we are likely to do.
- **Transfer** – risks can be transferred to other organisations, for example by use of insurance, shared services with other Authorities or by contracting out an area of work.
- **Terminate** – this applies to risks we cannot mitigate other than by not doing work in that specific area. If a particular project is very high risk and these risks cannot be mitigated we may decide to terminate it entirely.

It is important to note that the Council's appetite to risk may vary over time and by work area, in some circumstances risk may be sought out for gain e.g. enterprise risk, property portfolio expansion etc.

### 5.3. Risk Types & Records

#### Service Risks

In order to ensure that key risks are identified, assessed, managed appropriately and recorded consistently a risk register will be updated and maintained by every service. These are known as Service Risk Registers (SRR) and will record all Service risks.

All Service Risk Registers must be reviewed and updated at least monthly by the risk owner or their delegated Service Managers.

#### Service Risk Registers (SRR)

These will contain all significant risks to a service that are key to the organisation in terms of the potential severity of the outcome. It is not the intention to use the SRRs as a means of managing day to day work of a service.

It is the responsibility of each HoS to maintain its own SRR and review/update it whenever there is a significant change in circumstances, or at least monthly in their Service meetings.

The SRRs will include a method by which Heads of Service can identify risks to be included in the Corporate Risk Register as Standing Corporate or Escalated Service risks. These will be identified by virtue of the potential risks to the Council as a whole, or their Council-wide crosscutting nature. They are further described below.

An appropriate method of version control will be kept by services to ensure that the most up to date registers are in use but that older versions are retained and remain accessible.

Heads of Service will be expected to have regular update meetings with their respective Portfolio holders, using their risk registers to keep the Portfolio Holder aware of the current status of the risks within their service. This update must take place at least quarterly.

Although the overall nature of the document used by Services to record and present risk is not set Corporately, the register itself must use the risk register format template at the end of this document.

### **Corporate Risks**

These are risks that have greater significance for the Council as a whole.

These can be further split down as either being 'Escalated Service risks' or 'Standing Corporate risks'.

**Escalated Service risks** are likely to be those that by virtue of the severity of the potential outcome and/or inadequate controls may be considered a single point of failure for the Council, rather than a threat to a single Service. It could also include those risks that are newly identified and have little or no mitigation or controls in place. These risks will tend to be operational and arise, be resolved and then be removed from the register.

There are a number of tests that can be applied in order to determine whether a Service risk should be escalated, but given their nature and to ensure consistency of approach it may be appropriate to discuss these risks with the Corporate Risk Manager before escalating them. The application of a high-risk rating is not a reason in its own right to escalate a risk. The Service should also consider whether oversight/discussion is required at CMT or if the risk can be wholly managed within the Service. If no Corporate oversight/discussion/intervention etc is required it is not expected that they will be escalated.

**Standing Corporate risks** may also be considered a single point of failure for the Council, and in most cases, although the Corporate response may be managed by a single Service, they will be cross cutting and long term in nature. Standing Corporate risks will tend to remain on the Corporate Risk Register for longer periods of time, if not indefinitely. Examples of these may be the Council's financial position or compliance with data protection legislation, both of which have a wide impact and involvement from across the Council, but are generally overseen or managed by one service.

Standing Corporate risks, impacting more than one Service, will normally be managed by one Service with the expertise required, but if not they will be assigned to one single risk owner as the lead. This is for practical purposes to avoid duplication and ensure that they are managed overall by a single point of contact. Although the day to day management of the risk itself may not fall entirely upon that risk owner, they will be responsible for collating and updating CMT and the risk register entry on behalf of the Council.

### **Strategic Risks**

Strategic risks will be recorded and maintained by the Corporate Risk Manager in consultation with the most relevant member(s) of CMT. These risks will tend to be long term in nature and are likely to be outside the direct control of the Council, for example the local economy, employment or obesity levels. Therefore they will be unlikely to sit within a Service Risk Register.

As they are longer term in nature, the Strategic risks will be updated by the CRM every 2 months in order that they can be presented to CMT by the ACE.

Those risks identified as being officially sensitive in nature will be marked to ensure that they can be easily redacted from any publicly available copy of the register.

An appropriate method of version control will be kept to ensure that the most up to date register is in use but that older versions of the register remain accessible.

**Corporate Risk Register (CRR)**

This register contains the key risks to the Council that are considered to be current issues of corporate significance. This will be made up of all of the Council’s Strategic, Escalated Service and Standing Corporate risks identified.

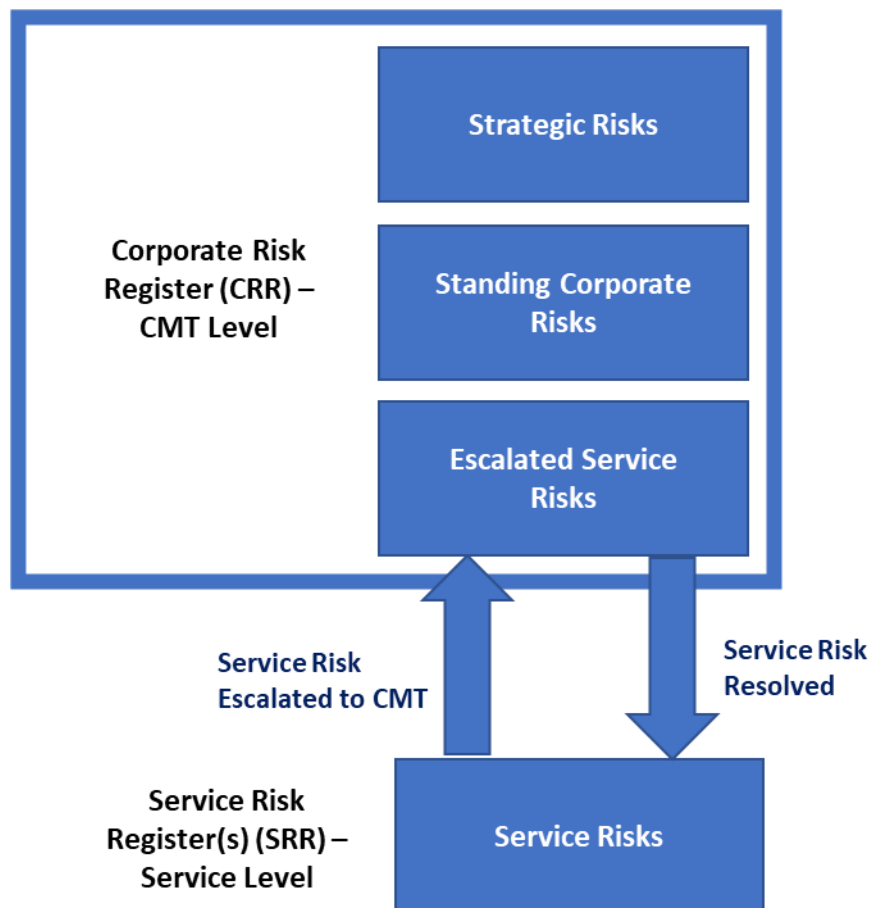
With the assistance of HoS, the CRR will be updated by the CRM every 2 months in order that it can be presented to CMT by the ACE.

Those risks identified as being officially sensitive in nature will be marked to ensure that they can be easily redacted from any publicly available copy of the register.

All entries on the CRR will be discussed and reviewed by CMT at least every two months.

An appropriate method of version control will be kept to ensure that the most up to date register is in use but that older versions of the register remain accessible.

**Diagram: Rushmoor Borough Council Risk Management Process**



In order to ensure consistency and that risks can easily be transferred between registers, the risk register format template at the end of this document will be used for all register entries.

## 6. Governance and Targets

The ACE will report risk to CMT at least every two months using the CRR to ensure Heads of Service, Executive Directors and the Chief Executive remain aware of the key risks to the Council and the measures being put in place.

In order that there is final oversight of the CRR prior to being taken to Cabinet, reporting will be required more regularly on some occasions, see the table at the end of this policy for the full schedule. The risk owners may be required to present their risk entries to CMT for wider discussion.

The ACE will report the risk to elected members via two routes; to CGAS on an annual basis and to Cabinet via the Quarterly Performance Report.

The risk management process is cyclical, running on an annual cycle to complement the existing processes in place, particular those that also identify risk and effect resources – e.g. the business planning process. It is key that these processes work together to produce the greatest benefit for the Council.

The table below illustrates the approximate annual cycle of work and the key times for each part of the risk management process:

## Approximate Risk Management Cycle

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
<b>Business Planning</b>	New Business Plans and budgets in place for financial year.	.				Business Planning process for following year begins:			Key risks identified in Corporate Business Planning process provided to HoS.		Budget approval provided for following year Business Plans.	
<b>Internal Audit</b>		Audit Opinion presented to CLT + LA&GP.  Risks to the organisation considered.	Audit work for the next quarter set.  New and emerging risks considered.			Audit work for the next quarter set.  New and emerging risks considered.			Audit work for the next quarter set.  New and emerging risks considered.		Annual audit plan set.	Audit work for the next quarter set.  New and emerging risks considered.
<b>CMT</b>	CRR presented to CMT by ACE			CRR presented to CMT by ACE			CRR presented to CMT by ACE			CRR presented to CMT by ACE		
<b>Cabinet</b>		CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report	
<b>CGAS</b>								CRR Report to CGAS				

Risk Register Format Template v1.0

Page 30 Risk Title	Suitable for Public Register Y / N	Risk Type: Service (S) Escalated Service (ES) Standing Corp. (SC) Strategic (ST)	Risk Owner	Risk Description & Potential Outcomes (reasonable worst-case scenario)	Existing Controls / Mitigation	Additional Mitigation Planned – including Timelines/Deadlines	Risk Score		Risk Category / RAG Rating & Rating Change
							L	S	
<b>Descriptive Title</b>  Ensure is not left too 'open' e.g. not just 'Health & Safety' – consider 'Compliance with New Covid Health & Safety Requirements'	N	S	RS	Examples: Financial loss (£s if known e.g. maximum fine). Risk to the public. Risk of non compliance with legal requirements/statutory functions. Risk to security. Risk to reputation. Risk to assets. Risk to organisational objectives. Etc.	Examples: Project group set up. Specialist consultant appointed. Attending meetings to influence outcome. Purchased insurance. Implemented new policy/procedures.	Example: Implement new inspection regime by December 2021.	2	4	↑ ↔ ↓



**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE  
28 MARCH 2022**

**AUDIT MANAGER  
REPORT NO. AUD 22/02**

## **INTERNAL AUDIT – AUDIT OPINION 2020/21 REVISED**

### **SUMMARY**

This report sets out the revision to the Internal Audit overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment for 2020/21 following external advice and guidance from CIPFA's Public Financial Management Board, which was issued on 19 November 2020.

### **RECOMMENDATIONS**

Members are requested to:

- I. Note the revised Audit Opinion given for 2020/21.

## **1 INTRODUCTION**

- 1.1 The Chartered Institute of Public Finance and Accounting (CIPFA) acknowledged that the Covid-19 pandemic may have an adverse impact on the delivery of Audit Plans for Local Government bodies for 2020/21 and so issued guidance, dated 19 November 2020, on the risks of issuing a "Limitation of Scope" for the Annual Audit Opinion, where insufficient assurance work has been undertaken in the Audit Year.
- 1.2 Members received the Internal Audit Opinion at the CGAS Committee meeting held on 27 September 2021 (AUD 21/05) stating that the Internal Audit Manager could not give an opinion over the adequacy and effectiveness of the Council's internal control environment.
- 1.3 In order to provide Members with further assurance, an external review was carried out by CIPFA on behalf of the Council.
- 1.4 The CIPFA report was received in January 2022 and has been reviewed. It contained a recommendation to revise the Audit Opinion using the guidance wording from 19 November 2020, as well as other recommendations to avoid a similar situation for 2021/22.
- 1.5 The recommendation for a revision of the Opinion included splitting it into the three GRC elements with CIPFA assessing that the governance and risk management elements were stronger than the controls element. However, Internal Audit gives its assurance opinion based on a holistic assessment of GRC across the Council, as all audit reviews are conducted on an appraisal of

all three elements. Splitting GRC would contradict the Council's Internal Audit methodology.

- 1.6 Hence, the Audit Opinion 2020/21 has now been revised following consideration of external advice with a "Limitation of Scope" over all three elements of GRC.

## **2 AUDIT OPINION**

- 2.1 The report within Appendix A states the revised Audit Opinion using CIPFA's guidance.

- 2.2 The report within Appendix B details the areas of assurance obtained in order to form the original Audit Opinion. In assessing the level of assurance to be given for 2020/21, the Opinion was based on:

- written reports on all Internal Audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' Internal Audit work;
- the results of work of other review bodies where appropriate, for example, PSN certification;
- The counter-fraud work carried out by the Corporate Investigations Team;
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards (PSIAS);
- Participation in the Corporate Governance Group (CGG); and
- Mitigations in place to minimise the risks identified within the Corporate Risk Register (CRR).

## **3. CONCLUSION**

- 3.1 Whilst the Audit Opinion has been assessed as a "limitation of scope", note that some audit work has been completed and other governance work carried out with the involvement of Internal Audit during the year.

- 3.2 Where weaknesses have been identified through Internal Audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement but not tracked and reported to the committee to confirm implementation.

- 3.3 The key areas of non-compliance for the PSIAS, are due to not having:

- An external assessment carried out on the Audit activity – *This is due to be carried out every 5 years. However, the cost and resource time required to have this assessment carried out is not seen of benefit at this moment but will be re-evaluated next year.*

- Up to date policies and procedures – *Due to other higher priority work/ Covid-19 these were not updated during 2020/21 but have been included as an action within the improvement plan within Appendix 3.*
- Regular meetings with External Audit – *Regular meetings have not been carried out with External Audit but has been included as an action point within the 2020/21 improvement plan in Appendix 3.*
- An assurance map in place – *a recent assurance map has not been developed to identify all the areas of assurance which can be/are obtained including 3<sup>rd</sup> parties.*

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**HEAD OF SERVICE:** David Stanley, Executive Head of Finance

**References:** *Public Sector Internal Audit Standards (2013)*  
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

[Guidance for Head of Internal Audit Annual Opinions 2020/21 | CIPFA](#)

**REVISED AUDIT OPINION  
2020/21****Opinion of the Audit Manager**

The results of the work carried out by Internal Audit, taken together with other sources of assurance, has led to a “limitation of scope” Annual Audit Opinion on the overall adequacy and effectiveness of Rushmoor Borough Council’s framework of governance, risk management and control (“GRC”).

This opinion is a requirement of PSIAS.

This limitation of scope has arisen because insufficient audits have been completed, primarily due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within Council services. Also, it should be understood that the Covid-19 pandemic has been a major factor in the disruption to the delivery of audits, especially with the move to more remote working.

To avoid similar limitations in future the Internal Audit Manager plans to:

- Align the Audit Plan to the Council’s Business Plan and the Corporate Risk Register (CRR) to ensure the Council’s GRC environment is covered and assessed;
- Ensure that there are sufficient resources to carry out the Audit Plan. This will be done in conjunction with the Executive Head of Finance (EHF) and Monitoring Officer, as well as in consultation with the Chief Executive;
- Maintain an active presence on GRC matters with involvement in the Corporate Governance Group (CGG), the Information Governance Group (IGG), the Heads of Service meetings, the Property, Major Works and Regeneration Programme Board and with Corporate Risk Management;
- Engage regularly with the relevant Heads of Service, especially to ensure that the audits planned in their areas of responsibility take place. If there are any impediments to this, it will be escalated immediately. Also, this interaction may lead to a change in audit depending on any emerging issues; and
- Escalate to the EHF, the Executive Leadership Team (ELT), the CGG and also to the CGAS Committee any slippage in or changes to the Audit Plan, in a timely manner.

## ANNUAL REPORT AND AUDIT OPINION 2020/21

### 1. INTRODUCTION

1.1 The Internal Audit Plan for 2020/21 was presented to and approved by the Licensing, Audit & General Purposes Committee on 23 March 2020. The following report and appendices set out:

- The Internal Audit coverage, findings and performance for 2020/21;
- The Audit Manager's opinion on the overall adequacy and effectiveness of the Council's internal control framework, which can be used to inform the Council's governance statement;
- The result of the Public Sector Internal Audit Standards (PSIAS) self-assessment for 2020/21;
- The performance against the agreed Quality Assurance and Improvement Plan (QAIP) for 2019/20; and
- The Quality Assurance and Improvement plan (QAIP) for the Internal Audit service for 2021/22.

### 2. ROLE OF INTERNAL AUDIT

2.1 The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 which states that a relevant body must:

*'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.'*

2.2 The standards for 'proper practices' in relation to Internal Audit are laid down in the Public Sector Internal Audit Standards 2016 [*the Standards*]. The role of Internal Audit is best summarised through its definition within the Standards, as an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

2.3 Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to the Internal Audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

### 3. INTERNAL AUDIT APPROACH

3.1 To enable effective outcomes, Internal Audit provides a combination of assurance and consultancy activities. Assurance work involves assessing how well the system and processes are designed and working, with consulting

activities available to help to improve those systems and processes where necessary.

- 3.2 All formal Internal Audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to assist with improvement.

#### **4. INTERNAL AUDIT COVERAGE AND OUTPUT**

##### Coverage

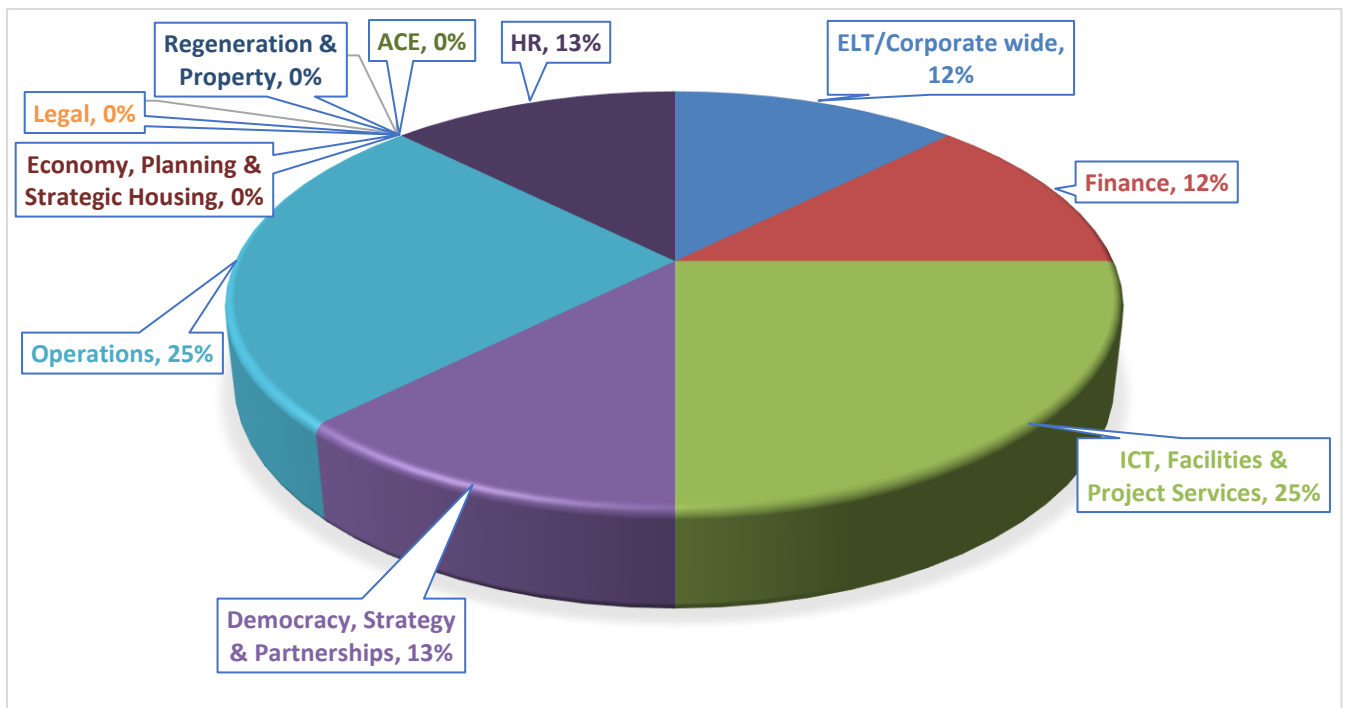
- 4.1 The annual Internal Audit plan was prepared to take account of Internal Audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to key risks facing the organisation.
- 4.2 The plan has remained fluid throughout the year to ensure an effective focus can be provided. Due to the Covid-19 pandemic some changes have been made to the plan due to resource availability and providing assurance in other areas of the organisation where it was more of a priority, for example around the issuing of business grants. The following revisions to the plan were made in 2020/21:
- The Petty Cash audit was postponed from 2019/20
  - The RDP/ Housing Company set up audit was postponed from 2019/20
  - The Alderwood audit was carried out instead of the Financial Assistance to Organisations audit.
  - A review was carried out of faster payment following a payment to a fraudster.
  - Due to resource availability as an impact of additional work required due to the Covid-19 pandemic the Capital Project audit was removed from the plan and the Legal system set up and FMS Bank Reconciliation audit has been deferred to the 2021/22 audit plan.
  - The Corporate Investigations Officers were due to carry out proactive anti-fraud work on the Housing tenancy/ allocation list and Procurement. However, due to carrying out pre and post assurance checks on the business grants issued as a result of the Covid-19 pandemic and other reactive referral work there was not the scope within 2020/21 to carry out this proactive work.
- 4.3 Work has been planned and performed in order to obtain sufficient evidence to enable a reasonable assurance to be given that the internal control environment is operating effectively. However, due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within services, insufficient audits have been completed to enable an overall opinion to be given. Whilst it has not been possible to provide an assurance level within the audit opinion above, audit work that has been completed and other governance work carried out with the involvement of audit during the year,

it should be noted that this is limited due to the lack of sufficient evidence across the organisation in order to enable a full opinion to be provided.

4.4 The internal control environment comprises the Council’s policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council’s objectives
- Facilitate policy and decision making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the Council’s assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

4.5 The pie chart below shows the revised Internal Audit coverage for 2020/21 based on the substantially completed and finalised audits.



4.6 Specific IT network security audits are not carried out as reliance on IT assurance is taken from the annual Public Services Network (PSN) certificate. PSN outlines the minimum Information Assurance standards expected of organisations connected to the PSN and carries out an assessment against these standards. Areas covered within this review are:

- Operational security – Appropriate policies, processes and procedures in place
- Authentication and access control – Appropriate access levels for users’ needs
- Boundary protection and interfaces – Firewall and network parameter security

- Protecting data at rest and in transit – Encryption and data access security
- User and Administrator separation of data – Access controls
- Users – Pre-employment checks for users with administrative privileges
- Testing your security – Carry out regular IT health checks including penetration testing

4.7 The Council has achieved its PSN compliance until October 2021.

4.8 The view of External Audit is also taken into account. Any areas which are highlighted within their annual report will be considered when developing the audit plan.

4.9 The CRR is reviewed to place some assurance that appropriate mitigation has been put in place against the strategic and operational risks identified (but these are not supported by any audit assurance).

#### Output

4.10 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report.

4.11 All final audit reports include an action plan which identifies responsible officers, and target dates, to address any control issues identified. Implementation of action plans resets with management.

4.12 High risk control issues identified and/or “Limited” overall assurance opinions are reviewed during subsequent audits or as part of a specific follow up.

4.13 Any significant weaknesses identified are put forward for consideration when preparing the Council’s Annual Governance Statement.

4.14 The revised 2020/21 Internal Audit plan has not been fully delivered. Work has only been substantially complete for 8 out of the 14 audits originally planned for enabling an overall opinion to be provided.

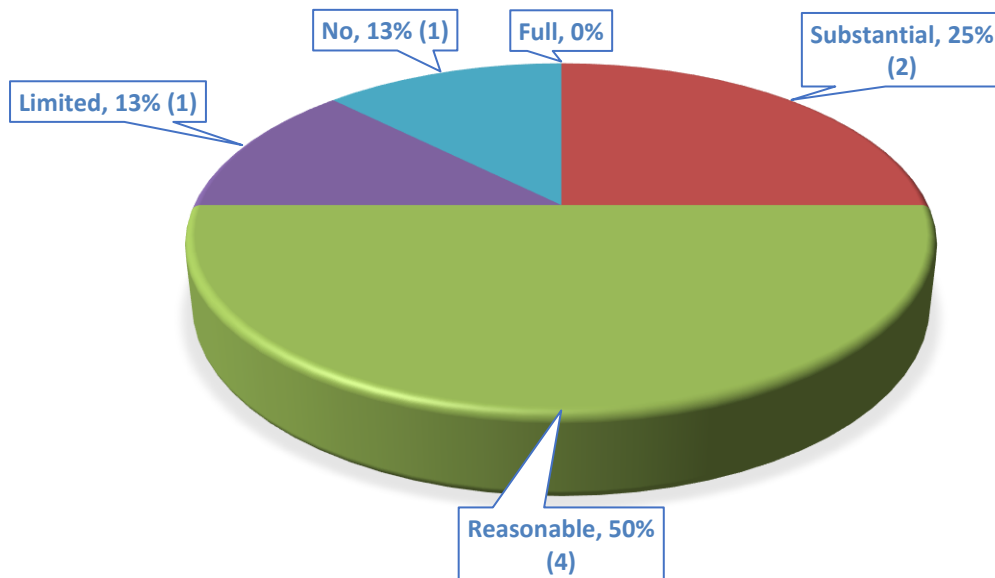
4.15 The above exceptions have impacted on the overall audit opinion that can be provided. Therefore, no opinion on the level of assurance can be provided for the audit opinion, which is based on the work completed to date and the audit managers understanding of the governance, risk management and control arrangements based on involved with these areas throughout the year.

4.16 Most of Internal Audit’s assurance work results in the issue of an opinion on the controls and procedures in place, categorised as follows:



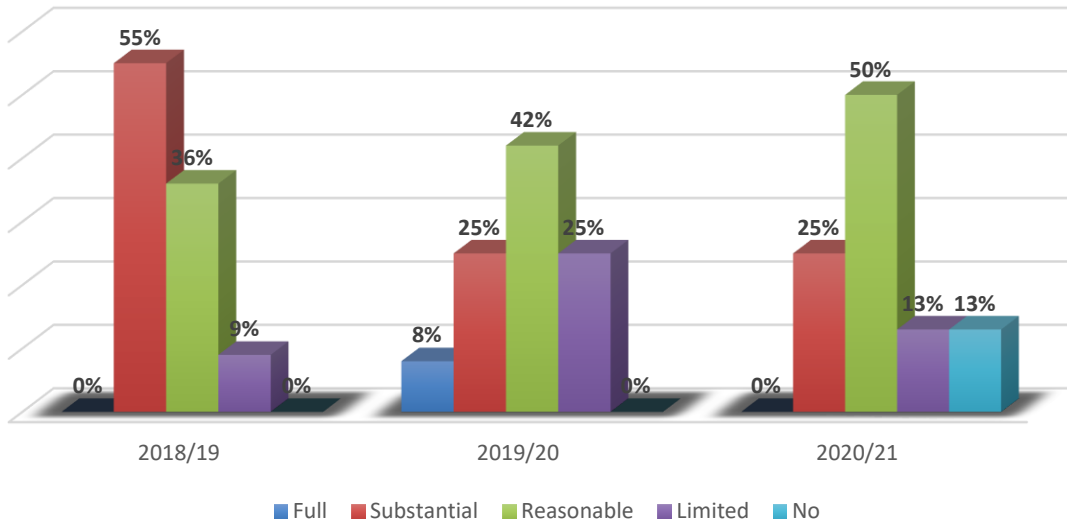
Full	A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
Substantial	Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
Reasonable	Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
Limited	Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
No assurance	No controls that achieve the system/function/process objectives, are in place.

4.17 Analysis of the opinion-based assurance work shows the following distribution of opinions issued during 2020/21. Based on this, no opinion over the effective level of internal control in the Council can be given. See also the audit update reports, which provide further detail on the assurances provided for each report.

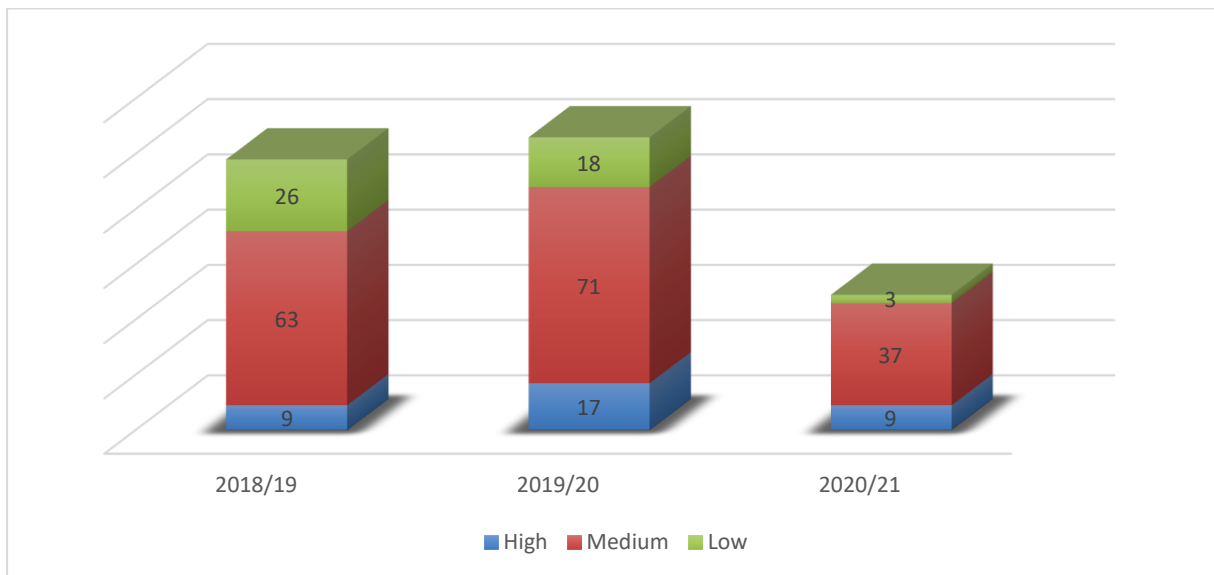


4.18 The trend in the audit opinions over the past few years is illustrated in the graph below. This shows that, in percentage terms:

- Substantial assurances have remained the same from 2019/20.
- Limited assurance has decreased from 2019/20.
- Reasonable assurance has slightly increased across all 3 years.
- No assurance has been given for the first time for one audit.



4.19 The bar chart below shows the number and level of priority of recommendations made in comparison to previous years. Although, the overall number of audits completed is lower in 2020/21 than previous years majority of the recommendations made remain as medium with a small number of high.



4.20 A summary of audit work across the organisation is shown within the table in Appendix 1

## 5. PERFORMANCE INDICATORS

- 5.1 The following performance measures were put in place within 2020/21:
- % of draft reports received by the audit manager within 6 weeks of the initial meeting with the auditee
  - % of draft reports finalised with the auditee within 21 days following the Audit Managers review.

- A target of 90% of the audit plan programme to be completed/ at draft report stage, by the end of the financial year.
- 5.2 The outcome of the performance measures for 2020/21 are detailed below:
- 37.5% of the draft reports were received by the audit manager within 6 weeks.
  - 62.5% of draft reports were finalised with the auditee within 21 days.
  - 57% of the audit plan programme was completed by the end of the financial year.

Majority of the audits were not within the timescales for the performance measures due to Covid-19, resource availability (services and contractors) and service priority.

## **6. ANTI-FRAUD AND CORRUPTION**

- 6.1 The Council is committed to the highest possible standards of openness, probity and accountability. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Counter-fraud arrangements assist in the protection of public funds and accountability.
- 6.2 Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption, including an Anti-fraud, bribery and corruption policy and a Money-laundering policy.

### National Fraud Initiative (NFI)

- 6.3 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). An annual SPD NFI exercise is carried out to match data from the Council tax system and the Electoral roll. The Council submitted the required data sets for this in February 2020, with feedback on potential matches being received instantly.
- 6.4 Due to the better information sharing between electoral registration and Council Tax the previous year's Council Tax savings had continued to decrease. As a result, majority of the matches were already known and had been dealt with meaning it was not effective use of the Corporate Investigation Officer resource. Therefore, it was agreed that for the 2020 matches the Council Tax team would review the matches and any requiring further investigation would be past to the CIO.
- 6.5 Due to the impact of the Covid-19 pandemic on the Council Tax/NNDR team the SPD matches were not fully reviewed by the time that the new matches for 2021 were made available. Therefore, work will not continue on the 2020 matches, as this data has now been superseded with the 2021 data.
- 6.6 Furthermore, a biennial NFI exercise is carried out which is classed as a 'full match'. This reviews areas such as, Parking permits, Payroll, Licenses etc. The Council submitted required data sets for the full match in October 2020

receiving feedback on potential matches in February 2021. Work will be carried out in 2021/22 by the CIO to review identified matches.

### Proactive anti-fraud work

- 6.7 Pro-active fraud work was carried out on 196 cases to assist with issuing of Covid-19 business grants. This involved reviewing applications put forward by the business rates team to determine if the business was entitled to the grant and ensure paid to the correct business accounts.
- 6.8 Furthermore, 965 cases had account verification checks carried out by NFI with 65 cases further reviewed by the CIO, as a result of the outcomes of the NFI checks. A significant number of checks have been carried out by the CIO on the discretionary business grants to ensure that they have been paid to eligible businesses in line with the pre and post payment assurance requirements.
- 6.9 Monthly post assurance checks have also been carried out on 10% of the benefit test and trace payments made.

### Irregularities

- 6.10 The Corporate Investigation Officers have assessed and where appropriate, advised, investigated or supported the investigation of any allegations of fraud, corruption or improper practice. Due to the Covid-19 restrictions and the need to provide pre and post payment assurance on the payment of Business Rates Grants, no substantive investigations were carried out in 2020/21.

## **7. INTERNAL AUDIT OPINION**

- 7.1 The Audit Manager is responsible for the delivery of an Annual Audit Opinion that can be used by the Council to inform its annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 7.2 In giving this Opinion, assurance can never be absolute, as Audit cannot review every decision and transaction of the Council. Therefore, only a reasonable assurance can be provided that there are no major weaknesses in the Council's processes reviewed and any reliance placed on other sources of assurance.
- 7.3 In assessing the level of assurance to be given, I have based my opinion on:
- written reports on all Internal Audit work completed during the course of the year (assurance & consultancy);
  - results of any follow up exercises undertaken in respect of previous years' Internal Audit work;
  - the results of work of other review bodies where appropriate for example PSN certification;
  - The counter-fraud work carried out by the Corporate Investigations Team;

- the quality and performance of the Internal Audit service and the extent of compliance with the Standards
- NFI data match checks
- Participation on the corporate governance group.
- Mitigations in place to minimise the risks identified within the Corporate risk register.

**Opinion of the Audit Manager**

Due to issues with a lack of audit resources and input from relevant services to deliver and complete audits, an insufficient number of audits have been undertaken to allow me to form a reasonable overall conclusion on the adequacy and effectiveness of Rushmoor Borough Council's internal control environment.

An overall opinion cannot be provided due to insufficient assurance work being carried out in part due to the impact from Covid-19.

Where weaknesses have been identified through Internal Audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

7.4 Whilst it has not been possible to provide an assurance level within the audit opinion above, audit work that has been completed and other governance work carried out with the involvement of audit during the year.

## 8. PSIAS

8.1 The Public Sector Internal Auditing Standards (PSIAS) and the Local Government Application Note (LGAN), together came into effect from April 2013 and supersedes the 2006 CIPFA Code of Practice for Internal Audit in Local Government.

8.2 A self-assessment against the standards for 2020/21 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below.

	<b>Compliant</b>			
	<b>Yes</b>	<b>Partial</b>	<b>No</b>	<b>N/A</b>
2020/21	299 (94.62%)	12 (3.80%)	5 (1.58%)	20

8.3 A detailed breakdown of the areas of compliance and non-compliance is shown within Appendix 2.

8.4 The key areas of non-compliance are due to not having:

- An external assessment carried out on the audit activity – *This is due to be carried out every 5 years. However, the cost and resource time*

*required to have this assessment carried out is not seen of benefit at this moment but will be re-evaluated next year.*

- *Up to date policies and procedures – Due to other higher priority work/ Covid-19 these were not updated within 2020/21 but have been included as an action within the improvement plan within Appendix 3.*
- *Regular meetings with External audit – Regular meetings have not been carried out with External audit but has been included as an action point within the 2020/21 improvement plan in Appendix 3.*
- *An assurance map in place – a recent assurance map has not been developed to identify all the areas of assurance which can be/are obtained including 3<sup>rd</sup> parties.*

## **9. QUALITY ASSURANCE AND IMPROVEMENT PLAN (QAIP)**

- 9.1 The QAIP for 2021/22 will look to address some of the non-compliance and partial compliance identified within the PSIAS self-assessment, over the next financial year, taking in to account the resources available. The full QAIP for 2021/22 is set out in Appendix 3.

	Assurance reviews			
	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
ELT/Corporate wide			RDP/Housing company set up	
Finance			Petty cash	
ICT, Facilities & Project Services		Application Patch Management	External tenants	
HR				Payroll
ACE				
Democracy, Strategy & Partnerships	Alderwood Leisure Centre			
Operations			Faster payment	Car Park PCNs
Legal				
Regeneration & Property				
Economy, Planning & Strategic Housing				

	Advisory Work	Counter-Fraud
	ELT/Corporate wide	Corporate Governance Group
Finance		Revenues & Benefits
ICT, Facilities & Project Services		
HR		
Customer Experience		
Democracy, Strategy & Partnerships		
Operations		Fly tipping
Legal	RIPA policy	
Regeneration & Property		
Economy, Planning & Strategic Housing		

## PSIAS – Self-assessment

Aspect of Standards	No. of requirements in the standards	Standards not applicable at RBC	No. of applicable standards assessed	Compliance assessment		
				Yes	Partial	No
Definition of Internal Auditing	3		3	3		
Code of ethics	13		13	13		
<i>Attribute Standards</i>						
Purpose, authority & responsibility	23		23	23		
Independence & objectivity	30	5	25	22	2	1
Proficiency & due professional care	21		21	21		
Quality assurance & improvement programme	27	6	21	18	2	1
<i>Performance Standards</i>						
Managing the Internal Audit activity	47		47	41	4	2
Nature of work	31		31	28	3	
Engagement planning	58	3	55	55		
Performing the engagement	22		22	22		
Communicating results	55	6	49	47	1	1
Monitoring progress	4		4	4		
Communicating the acceptance of risk	2		2	2		
<b>Totals</b>	<b>336</b>	<b>20</b>	<b>316</b>	<b>299</b>	<b>12</b>	<b>5</b>
				<b>94.62%</b>	<b>3.80%</b>	<b>1.58%</b>



## Quality Assurance and Improvement Plan (QAIP) 2021/22

<b>Non-conformance</b>	<b>Action</b>	<b>Comments</b>
Do not have in place up to date policies and procedures for the Internal Audit activity	The Internal Audit policies and procedures will be updated.	This was due to be carried out within 2020/21. However, due to other higher priority work and Covid-19 this was not carried out.
Do not regularly meet with external audit.	Communication between internal and external audit should be improved.	The Redmond review suggested that Internal and external audit should engage more effectively.
Have not carried out assurance mapping for the Council this year.	An assurance map should be set out.	Assurance mapping should be carried out to clearly show where the committee can gain assurance on the risks facing the Council.

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**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE  
28 MARCH 2022**

**AUDIT MANAGER  
REPORT NO. AUD 22/03**

## **ANNUAL GOVERNANCE STATEMENT – 2020/21 UPDATE**

### **SUMMARY:**

This report sets out the updated Annual Governance Statement 2020/21 following the revision to the Audit Opinion 2020/21.

### **RECOMMENDATIONS:**

Members are requested to note the revision to the Council's Annual Governance Statement 2020/21.

## **1 Introduction**

- 1.1 The Annual Governance Statement (AGS) for 2020/21 was presented to the Committee on 27 September 2021 (FIN2117) by the Executive Head of Finance.
- 1.2 Consequent to the revision to the Audit Opinion 2020/21 (AUD2202) from “no opinion” to a “limitation of scope opinion”, it has been necessary to update the AGS to reflect that revision.

## **2 Conclusion**

- 2.1 Members should note that the revision to the Audit Opinion 2020/21 is recorded as a Governance Issue Action, which is on P31 of the AGS.

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**References:** CIPFA/ SOLACE framework: Delivering Good Governance in Local Government: Framework (2016 Edition)

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**28 MARCH 2022**

## **INTERNAL AUDIT – AUDIT UPDATE**

### **SUMMARY:**

This report describes:

- The work carried out by Internal Audit since the last report;
- An update on the overall progress on the 2021/22 Audit Plan, and
- An update on outstanding audit issues from reports issued in 2019/20 & 2020/21.

### **RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in Quarter 3 to date.
- ii. Note the update to the expected deliverables for Quarter 4.
- iii. Note the outstanding high-risk audit issues and engagement by the Services to address them.

## **1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work carried out by Internal Audit in Q3 2021/22 to date;
- An update on progress towards the Audit Plan for 2021/22;
- A schedule of work expected to be delivered in Q4; and
- An update on the outstanding audit issues from Internal Audit reports covering 2019/20 & 2020/21 focusing on the high-risk issues.

## **2 Overview of Work Carried Out in Q3 to date**

2.1 Since the last report, Internal Audit continued to work with Heads of Service and Service Managers to action and update the outstanding audit issues from 2019/20 and 2020/21 Audit reports.

2.2 Internal Audit issued the audit report for Corporate Risk Management.

2.3 Internal Audit continues to audit the Voyager House Capital Project. However, fieldwork progress is slow, as the key staff involved have left the Council.

2.4 Internal Audit is also involved in the Union Yard Capital Project in a consultative capacity.

2.5 Wokingham Borough Council (WBC), under a s113 Agreement to conduct audits on behalf of Internal Audit, is finalising audits in Finance on Insurance and National Non-Domestic Rates (NNDR).

2.6 WBC has also commenced an audit in Finance on the Sales Ledger. The Audit Brief has been issued and fieldwork is underway.

2.7 The Interim Audit Manager has recently received the management responses from Finance for the Purchase Ledger (2020/21) and FMS & Bank

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Reconciliations (2021/22) audits. These will be reported on in the next Committee meeting.

**3 Progress towards the 2021/22 Audit Plan**

3.1 Since the last update to the Committee, there have been no further changes to the 2021/22 Audit Plan.

3.2 The table below provides a summary of progress relevant to the 2021/22 Audit Plan:

Audit Status	Number of reviews	%
Finalised	4	22.2
Draft report with Auditee for management responses	3	16.7
In progress	3	16.7
Not yet started	1	5.5
Postponed to 2022-23	5	27.8
Cancelled	2	11.1
<b>Total</b>	<b>18</b>	<b>100%</b>

3.3 The table shows that 9 of the 11 audits (82%) to be delivered in 2021/22 are completed, being finalised or in progress. However, the remaining audit, on the CIPFA Financial Management Code, is unlikely to commence in Q4.

**4. Audit Work Completed**

4.1 The table below provides an overview of the assurance opinions, given to completed audits since the last update, based on Internal Audit’s assessment of the control environment:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2021/22 Internal Audit Plan</b>				
Corporate Risk Management	Reasonable	2	4	0

4.2 The table above highlights one audit for the Assistant Chief Executive (ACE). The two high risk-rated issues relate to the risk management process and key person risk.

The issue with the risk management process is that its current structure and efficiency may not allow key risks to RBC to be identified and managed, as the risk identification process has not been consistent. Risks have been identified

**28 MARCH 2022**

based on service activities rather than by outcome or objective and common risks to services assessed inconsistently. Consequently, risks have been difficult to quantify and measure against performance. Management responded stating that the alignment of the Corporate Risk Register and Service Risk Registers with the Council's corporate and strategic objectives will take place following the agreement of the new Council Plan which is expected to be agreed in February 2022. The target date is June 2022.

The other high-risk issue is that the Corporate Risk Manager represents a key person risk, due to him being the only one with detailed risk management knowledge and due to his time being shared with three other significant corporate responsibilities. Management responded stating that the risk is recognised and work has already taken place to provide support and capacity as a result, including at times of absence. The ACE will however review functions and identify alternative resource to carry out key work in the event that the Corporate Risk Manager is unavailable and this will be undertaken as part of service planning for 2022/23. The target date is April 2022.

The other medium risk-rated issue of note relates to the framework and format of the management and reporting of risk management not lending itself easily to key risk identification and mitigation, which can affect decision-making, e.g., low risks are reported above high risks. Management responded stating that the format of the CRR has already been amended so that high risks as shown first. Work is also underway to migrate the risk management process to Microsoft Lists. This will include the display of both inherent and residual risk. The target date is June 2022.

**5. Expected Deliverables for Q4 2021/22**

5.1 The Audit Plan has been reviewed and updated. The work expected to be carried out and completed in Q4 is detailed within the table below:

<b>Service</b>	<b>Audit/ follow up/descriptor</b>	<b>Status</b>
Finance	Insurance – <i>A key financial system review looking at adequate coverage for RBC assets.</i>	Awaiting management responses and target dates
Finance	NNDR Billing, Collection & Recovery – <i>A key financial system review looking at business rates billing, collection &amp; recovery.</i>	Fieldwork complete and draft report being finalised
Regeneration & Property	Voyager (Capital Project) –	In progress

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	<i>A review of the regeneration project</i>	
Regeneration & Property	<i>Union Yard (Capital Project) – Audit is providing Project Assurance and will be working alongside the Project Manager</i>	In progress
Finance	<i>Sales Ledger – A key financial system review looking at debtors and recovery</i>	In progress
Finance	<i>CIPFA Financial Code – A key financial system review looking at compliance with the code</i>	Planned for Q4, although may not start until Q1 2022/23

**6. Outstanding Audit Issues from 2019/20 & 2020/21**

6.1 From a review of the Audit reports issued during 2019/20 & 2020/21, the following information was identified:

Year	# of Reports	# of Issues	# Implemented (@24/01/22)	% Implemented (@24/01/22)
2019-20	12	106	64 (62)	60 (58)
2020-21	12	118	60 (52)	51 (44)

6.2 Overall, there has been a slight increase in issues implemented for both audit years with auditees engaging with Internal Audit positively and promptly.

The management responses for the audits in Finance on the Purchase Ledger (2020/21) and the FMS & Bank Reconciliations (2021/22) have been received, but not in time for inclusion in this report. They will be reported on in the next Committee meeting in May 2022.

6.3 For 2019/20, of the 106 issues raised, 17 were high-risk and 8 (47%) have been implemented. This is unchanged per the previous report.

For 2020/21, of the 118 issues raised, 17 were high-risk and 7 (41%) have been implemented. This is unchanged per the previous report.



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6.4 Details of the outstanding high-risk issues for the two years are attached in Appendix A below. They include management updates and, in some cases, revised target dates.

**7. Recommendation**

7.1 Members are requested to note the information provided within the report in relation to the audit work carried out in Quarter 3 to date, the expected deliverables for Quarter 4 and the outstanding high-risk audit issues from 2019/20 & 2020/21.

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**HEAD OF SERVICE:** David Stanley, Executive Head of Financial Services

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 29<sup>th</sup> March 2021.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 29th March, 2021, 7.00 pm - Rushmoor Borough Council](#)

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APPENDIX A

OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit			
<b>2019/20</b>			
Report	Key findings	Management response and agreed action	Action by whom and when
PCI DSS	<p>a) The Council are allegedly paying a fine as a result of not being fully compliant with PCI DSS standards. This is due to the card terminal within the Princes Hall Theatre not transferring Cardholder data securely to the in-house CAPITA 360 system. This could not be confirmed at the time of audit.</p> <p>b) There is no management or oversight of the alleged fine within the Council, with no one being able to provide details i.e. start date, monthly amount, expiry date or whether this was still ongoing.</p>	<p>AGREED The Council has been making a monthly payment to CAPITA since late-2018 in respect of "CAPITA PCI DSS ANNUAL MGMT FEE". Whilst the charge is relatively low (£10 per month) it is unclear what this fee covers.</p> <p>In the absence of any detailed knowledge or awareness across Finance and IT teams, the Executive Head of Finance will review.</p> <p><i>Update: a) The Council pays CAPITA an additional processing fee. There is no fine. Issue addressed.</i></p> <p><i>b) A project has been established to ensure the Council is PCI DSS compliant with options available depending on the way in which car payments flow through the Council's systems.</i></p>	<p>David Stanley, Executive Head of Finance <b>30/09/2022</b></p>

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		<p><i>An independent assessment has been completed by a SAQ Assessor and the options detailed in the report are being analysed.</i></p> <p><i>It is unlikely the project will be completed until Q1/Q2 2022/23 given the complexity and IT solutions.</i></p>	
Estates Management & Commercial Lettings	<p>Acquisition Strategy</p> <p>It was confirmed in the Financial Borrowing audit 2019/20 that Finance are not always aware of forthcoming borrowing requirements</p>	<p>Sometimes opportunities to invest mean that borrowing requirements need to be reconsidered by Council. This follows discussions with the Executive Head of Finance regarding the levels and cost of borrowing in relation to opportunistic purchases.</p> <p><i>Update: Issues regarding Capital and Investment need to be considered in the light of the overall Capital Strategy, Treasury Management Strategy and Asset Management Plan. The need for a separate Capital and Investment Strategy given the Council will purchase for regeneration or invest into its existing Portfolio is now questioned. This will be reviewed following completion of the Asset Management Plan.</i></p>	<p>Tim Mills, Interim Head of Property, Estates &amp; Technical Services <b>31/07/2022</b></p>
Estates Management & Commercial Lettings	<p>Information Sharing</p> <p>Prior to the Property and Estates Manager joining the council in March the graduate surveyor was the only</p>	<p>But now the knowledge sits with the P&amp;E Manager and alternative means to manage this needs to be put in place, with a dedicated Admin role to do so.</p>	<p>Tim Mills, Interim Head of Property, Estates &amp; Technical Services <b>14/04/2022</b></p>

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	officer with full knowledge of how to manage the records management spreadsheet	<i>Update: Interviews completed and references being taken for preferred candidate for admin post. Service Support Officer also has knowledge so once Admin post in place no SPF.</i>	
Estates Management & Commercial Lettings	<p>Debt Write Off</p> <p>Audit were advised by the Sales Ledger team that a debt of £26,595 relating to one of the two tenants at Wellesley House was awaiting write off authorisation. However, the property team were unclear who had responsibility to do this and the process to follow for writing off/chasing debts was unclear.</p>	<p>The current procedures contain debt management within the Finance Team. This responsibility needs to be shared and properly communicated through clear and jointly owned information collected in a way that reflects property as a different kind of debt to others.</p> <p>See above</p> <p>Through proactive tenant management the situation has improved on the retained office part occupied in the building and as at Jan 2020 the tenant had caught up with the rental payments for that Ground Floor Office Suite only.</p> <p><i>Update: Executive Head of Finance to provide HoS with supplementary debt management guidance. Also, the asset is being sold but the right to pursue the debt is being retained.</i></p>	<p>Tim Mills, Interim Head of Property, Estates &amp; Technical Services / David Stanley, Executive Head of Finance</p> <p><b>30/06/2022</b></p>
Estates Management & Commercial Lettings	<p>Aged Debt</p> <p>The 63.1% of the total debt (29/8/19), £142,238.36, has been outstanding for over 90 days.</p>	<p>As above.</p> <p><i>Update: Executive Head of Finance to provide HoS with supplementary debt management guidance. Also, regular</i></p>	<p>Tim Mills, Interim Head of Property, Estates &amp; Technical Services/ David Stanley,</p>

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		<i>benchmark data for rent collection is part of the quarterly monitoring report.</i>	Executive Head of Finance <b>30/06/2022</b>
Estates Management & Commercial Lettings	Financial Monitoring There is currently no reporting on the performance requirement that the Council needs to achieve a net initial yield of approximately 5.25% to make an asset purchase financially viable. In addition, there is confusion as to whose responsibility it is to undertake this monitoring and reporting	<p>LSHIM is reporting on the Investment and Legacy portfolios to the PIAG There is no such reporting on the remainder of the Councils properties managed in house by the Estates Team. These do not sit comfortably within the same performance parameters or expectations as the Investment/Legacy Portfolios but still a means to measure and to report will be required to be developed.</p> <p><i>Update: Rent collection data is reported to PIAG for the nine LSHIM asset managed properties. The Concerto Property Management System will allow reports to be created to show the effective rates of return. 5.25% was re-evaluated by the Executive Head of Finance on a basis that reviewed the aggregate rate of finance taking into account the spread of borrowing rates across the debt portfolio such that assets with annual uplifts yielding more than a 4.25% yield was the amended return as part of the criteria in for 2019 and 2020 acquisition.</i></p>	Tim Mills, Interim Head of Property, Estates & Technical Services <b>30/06/2022</b>

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<p>Taxi Licensing</p>	<p>Due to the manual nature of inputting the data into the system this has highlighted a number of human errors. Ranging from not recording payments which have been made against accounts, to the incorrect amount being inputted and charged. Options should be considered to see if elements of the system could be more automated to minimise the potential for errors and have a more efficient process.</p>	<p>We recognise that the current systems and processes for Taxi Licensing are open to human error, due to the lack of automation available with the systems that we are working on. The errors identified have been corrected as far as possible, and changes have been made to the documents, processes and performance monitoring of the work to reduce the likelihood of errors, and to identify errors sooner. Longer term, we are reviewing the way that licences are processed, with a view to improving the technology to allow for more automation, therefore reducing the likelihood of human error, whilst improving the service to customers. We are undergoing continuous review, and where errors are identified, consideration is given to any process or system change that could be implemented to reduce the likelihood of the same error occurring. Since implementing this, we have seen a reduction in the error rate on the cases which are reviewed.</p> <p><i>Update: We have commenced the implementation of the Enterprise system into Licensing and this shall be completed within the next 3 months. This system will provide the mechanism to automate tasks, and to track tasks</i></p>	<p>Shelley Bowman, Principal Licencing Officer <b>30/06/2022</b></p>
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		<i>which officers are required to do, and ensure that they do not close until the system is appropriately completed, and as a result reduce the opportunity for human error as previously identified.</i>	
Building Control Partnership	2010 Building Regulations Requirement Hart do not publish their surplus or deficit figures as is required by the 2010 Building Regulations	Look to resolve during negotiations on new Deed, referring to The Building (Local Authority Charges) Regulations 2010. Review of Regs to agree how the Partnership adheres to the requirement.  <i>Update: The figures have been received through another route. However, the issue continues to be pursued with writing to the finance team as well as pursuing through their Head of Finance.</i>  <i>21/12/21: No further updates and so will be escalated higher. Revised target date suggested.</i>	Martin Hopley, Building Control Partnership Manager <b>31/01/2021</b> <b>Revised to 31/03/22</b>
S106 SANGS	a) There should be a plan in place as to how the funds are properly utilised and regular meetings to monitor this. This needs to include a plan of how to utilise monies that the Council may currently hold over 5 years or determine to repay sums. This would ensure that all monies that have been paid to the Council are utilised appropriately and prevent Developers successfully requesting funding back.	Recommendation agreed. As part of the process of compiling the register and cleansing data any sums held for over 5 years will be identified. Regular meetings will be held between the Head of Economy, Planning and Strategic Housing, Planning and finance will be held quarterly starting in September	Tim Mills, Head of Economy, Planning and Strategic Housing <b>30/11/2021</b> <b>Revised to 30/06/22</b>

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	<p>b) There should be knowledge of who manages this fund. There should be regular meetings to discuss the value to enable full oversight.</p>	<p>All sums will be allocated to specific officers and teams and monitored through the quarterly meetings.</p> <p><i>Update: This process is ongoing due to the extent of the work. Additional funds have been identified over 5 years. The focus is on ensuring expenditure and developing proposals for an officer who will deliver these projects funded from s106, which will be considered by ELT shortly and it is anticipated this will be agreed.</i></p> <p><i>21/12/21: Infrastructure Funding Statement completed for 19/20 and will be published on web prior to 31/12/21 deadline. Work ongoing to identify potential spend. Revised target date suggested.</i></p>	
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OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit			
Year of Audit	2020/21		
Report	Key findings	Management response and agreed action	Action by whom and when
Alderwood Leisure Centre	It is unclear to identify if payments have been received for all of the bookings made as clear payment records are not held on the EZ facility system and unclear narratives on the Integra code.	EZ confirm certain aspects can be tied into RBC system. Nigel Swan emailed for guidance 30/11/21.Meeting with Alex Shiell 6/01/2021 to discuss requirements to integrate the two systems.  <i>Update: This is a system connectivity issue. However, until a solution is found, a manual workaround is in place.</i>	Chris Beckett, ALC Manager 31/03/2022
Application Patch Management	IT are in the process of documenting processes, although application change management/patching has not yet been covered. When this is documented both overall and system specific arrangement need to be addressed.  Linked to this further investigation needs to be carried out regarding systems where there is limited user testing of changes (see findings below, on roles and responsibilities). Specific to Express future changes need to be applied to test and tested/signed off, prior to migration to live.  Retain evidence for future nontrivial changes/patches applied. This should aim to capture:	The council has a small IT team and tends to focus its limited resources on key line of business applications support. There are plans to recruit a service delivery manager to improve consistency of application support. It should be noted that key systems e.g. payments, payroll, revenues and benefits, business rates are well supported, including the use of external support companies – to ensure applications are patched and upgraded to the correct level. The regulatory services applications e.g GIS/LLPG, Confirm and Uniform have dedicated IT staff employed to carry out	Nick Harding, Head of ICT, Facilities & Projects 30/10/2021 Revised 31/07/2022

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	<ul style="list-style-type: none"> <li>• Identification of change/patch, i.e. what was applied.</li> <li>• Evidence of testing (unit, integration and user, as applicable) and outcomes.</li> <li>• Sign offs/approval.</li> </ul> <p>Longer term a Configuration Management Database (CMDB) could be investigated, to store this information in a structured manner.</p> <p>IT are in the process of increasing the IT Team, specifically recruiting additional staff to support changes to applications, including bringing back in-house changes currently processed by third parties; this should continue as planned.</p> <p>Batching is a symptom of current under resourcing and reliance on third parties. While a pragmatic approach is sensible, current batching levels are excessive. How batching is approached needs to be covered in documentation (i.e. assessment and decision for each change) and, as far as possible, minimised.</p>	<p>upgrade works and maintain the systems to the correct level.</p> <p>It is agreed that the exception is the financial system, which is of ongoing concern. There are plans for a major review planned for 2021 as part of the ICE programme.</p> <p>On Risk, the over-reliance point is more a management prioritisation issue both for Heads of IT and Finance.</p> <p><i>Update: Change Management – Jul 2022 as dependent on a new service desk system that incorporates Change. UAT – April 2022.</i></p> <p><i>Asset Management – new solution trial aimed to complete during Q4 2021/22</i></p> <p><i>All other recommendations are ongoing.</i></p>	
<p>Application Patch Management</p>	<p>Locate/put in place fit for purpose contracts for all systems. At a high level these should:</p> <ul style="list-style-type: none"> <li>• Be up to date/in date.</li> <li>• Refer/link to current legislation.</li> <li>• Set out performance expectations, ideally quantified.</li> <li>• Set out support arrangements/response times.</li> <li>• Set out a realistic level of reporting, to confirm that performance/support expectations are being met.</li> </ul>	<p>Disagree – this is in medium priority and not a priority at this time/ the ICE and C19 projects have a higher priority. If additional resources are provided this task could be agreed.</p> <p>Many of the Council’s line of business applications have been in place with suppliers for many years and over time contracts have not been reviewed as the</p>	<p>Nick Harding, Head of ICT, Facilities &amp; Projects <b>31/12/2022</b></p>

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	<p>For example, annual/quarterly reports, against contract expectations.</p> <ul style="list-style-type: none"> <li>Identify a realistic level of oversight, for example, periodic calls/meetings with account managers.</li> </ul>	<p>systems and support have been satisfactory. The council have good ongoing working and support arrangements, so contracts have only been reviewed as services have decided to change applications. If for any reason, we needed to request an up-to-date contract from a supplier this would be possible. Given the amount of work involved we have not been able to allocate resources from IT to Legal to carry this task.</p> <p><i>Update: Review of contracts status by March 2022. Reviews with suppliers between Nov 2021 and April 2022. Where agreed re-negotiation needs to take place – throughout 2022</i></p>	
<p>Contract Management Follow Up</p>	<p>There is no Contract Management corporate framework in place to provide guidance for Contract Managers, Procurement and management to:</p> <ol style="list-style-type: none"> <li>Assess the level of contract management required, e.g. formal, ad-hoc, 'light touch';</li> <li>Assess the risk to the business, e.g. financial, Health and Safety, reputational, business continuity, etc;</li> <li>To re-assess the level of contract management as the contract becomes established and client relationships evolve;</li> <li>Set out the requirement of recording meeting minutes / contract issues / progress, including the need for a standard template;</li> </ol>	<p>The New Constitution with the Contract Standing Orders, which covered the elements highlighted in the recommendation, went to Cabinet in May and was agreed. The Policy and Project Advisory Board (PAB) were consulted on the Council's Procurement Strategy 2020-2024 at their meetings in November 2019 and June 2020. A final draft of the Procurement Strategy was considered by Cabinet in August 2020. Training and Guidance will be produced for all officers involved in the procuring of services following the adoption of the</p>	<p>Principal Procurement Officer <b>30/06/2022</b></p>

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	<p>e) Set out the steps to take if a contractor's performance / quality of delivery is inadequate, e.g. KPIs.</p> <p>f) Set out the process for the review / monitoring of continual contracts, e.g. HAGS/SMP Ltd, those contracts with expiry dates and any action required, e.g. PHS;</p> <p>g) Set out the process for adding on to the Contract Register;</p> <p>h) Set out the process when handing over an on-going contract to a new manager to oversee, e.g. PHS.</p> <p>i) Set out the reporting requirements to senior management and Members</p>	<p>revised Contract Standing Orders and Procurement Strategy.</p> <p><i>Update: Procurement responsibility changed September 2021 with Portsmouth CC (PCC) providing support. Head of Finance and Asst CEX to review Q1 2022</i></p>	
Contract Management Follow Up	There is no corporate guidance that sets out the clear roles and responsibilities for the Contract Managers, Procurement and management	<p>The updated Contract Standing Orders (CSO) sets out the roles and responsibilities. However, training on the update CSO will be given in the next few months so that contract managers are aware of their roles and responsibilities.</p> <p><i>Update: Procurement responsibility changed September 2021 with PCC providing support. Head of Finance and Asst CEX to review Q1 2022</i></p>	Principal Procurement Officer <b>30/06/2022</b>
Disabled Facilities Grants Follow Up	Two quantity surveyors are exclusively used (with one particularly favoured- BJC Design with payments in 2018/19 of c.£46k). The Contract Standing Orders 'requirement of aggregation' are not applied in assessing contract requirements.	The Procurement Officer is working with Property Services to set up a separate framework agreement for surveyors and to advertise for new surveyors to be 'procured' and vetted. The Procurement Officer confirmed this will go out to competition for acquiring new	Hilary Smith, Private Sector Housing Manager <b>31/03/2022</b>

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		<p>contractors/surveyors (see also recommendations 5 and 6 above).</p> <p><i>Update: Working with PCC to understand where they can support this process.</i></p> <p><i>4Jan22: Still awaiting an update from PCC.</i></p>	
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**ANNUAL GOVERNANCE STATEMENT - UPDATE****SUMMARY:**

This report describes the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which was presented to this Committee in July 2021.

**RECOMMENDATION:**

Members are requested to:

- i. Note the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement.

**1 Introduction**

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement (AGS). Reporting publicly on the extent to which we comply with our own Local Code of Corporate Governance including how we have monitored the effectiveness of our arrangements in the year and on any planned changes to our governance arrangements in the coming year. The AGS was reported to this Committee on 27 July 2021.
- 1.2 The review of the effectiveness of the Council's governance framework in 2020/21 identified areas for improvement to be actioned during 2021/22, which included the carried forward actions from the 2019/20 AGS. The progress against these actions is detailed within this report.

**2 Progress towards actions within the Annual Governance Statement (AGS)**

- 2.1 Members considered the AGS report (FIN21/17) which included a number of actions to be implemented during 2021/22 in response to Governance improvements identified in the AGS 2020/21.
- 2.2 This also includes the addition of the Audit Opinion 2020/21 revision as an action item for the Interim Audit Manager, which has been addressed in Report AUD2202.
- 2.3 The table below details the progress to date of items carried forward:





		<p>1.1.a) The council will establish and maintain a CRM (Client Relationship Management) system to help coordinate dialogue with businesses.</p> <p>Both actions are underway within the Economy and Growth team which has now been recruited. The Council's key businesses have been identified, relationships mapped and the Economy and Growth Team is systematically seeking to engage those businesses. A CRM has been developed and is being used by the team to capture business interactions. We are engaging other business facing teams in the council to explore how information on business engagement can be captured and shared across services - where data sharing agreements allow.</p>
<p><b>Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year):</b></p> <p>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy</p>	<p><i>Revised date:</i> December 2020</p> <p><i>Revised date:</i> June 2021</p>	<p><b><u>October 2020</u></b> An Asset Management Strategy is being developed based on the Asset plans reported through the quarterly monitoring to PIAG. This will cover the significant commercial property assets, with additional work required in Q3 2020 to include non-commercial assets.</p> <p><b><u>February 2021</u></b> Government implemented changes to the PWLB lending terms on 26 November 2020.</p> <p>In summary, the Government's new lending terms are designed to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield. The Government's intention for PWLB loans is that they should be used to pursue service delivery, housing, and regeneration activities</p> <p>CIPFA announced consultations on the Prudential Code in February 2021 which will also have an impact (consultation responses due April 2021)</p>



	Implemented	<p>led by Executive Head of Finance. Due Q4 2021 – On Target</p> <p>Reporting of Investment Property Portfolio to PIAG meeting on 23<sup>rd</sup> February 2021</p> <p>Property Investment Strategy being revisited following November 2020 Budget.</p> <p><b><u>March 2022</u></b> Quarterly reporting in place since February 2021.</p>
<p><b>Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council.</b></p> <p><i>The increase in information risk exposure due to home working will be reviewed by the Information Governance Group.</i></p> <p><i>The information governance policy has been implemented and mandatory online training will be put in place.</i></p>	December 2020	<p><b><u>October 2020</u></b> The Information Governance Officer has updated the Information Security Policy and guidance to staff on working from home is available on the Intranet. Mandatory training is mitigating the risk as well as regular messaging to staff and managers. As we move forward to full adoption of the Office 365 suite and the systems upgrades through the ICE project information security will be strengthened.</p> <p><b><u>February 2021</u></b> The Information Governance Officer is a member of the Office 365 Project Team and her presence ensures information governance is considered in every phase of the project. The Windows 10 project is progressing but there has been a delay in deploying replacement laptops, due to worldwide component shortages. The council has extended support for its Windows 7 laptops (including Sophos antivirus software), which are being updated by the end of March 2021. The W10 new laptops will be rolled out from March 2021, however at a slower pace due to current government C19 lockdown restrictions and testing regime required.</p> <p><b><u>March 2022</u></b> When Office365 was implemented across RBC governance policies were not develop and applied which needs rectifying. The main aim of this to ensure that the Council’s data is protected, retained and handled appropriately.</p>





## 2020/21 Actions

Action	Target date for implementation	Update on progress
<p><b>The Council faces a significant funding gap over the Medium-Term Financial Strategy period.</b></p>	<p>December 2021</p> <p><i>Revised date:</i> July 2022</p>	<p>The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period.</p> <p>A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22.</p> <p>The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to enable members to consider options to close the funding gap.</p> <p><b><u>March 2022</u></b> Council approved the 2022/23 Revenue Budget and considered the MTFS at their meeting on 24 February 2022. The budget and MTFS included CREP opportunities with savings of £478k identified for 2022/23.</p> <p>The MTFS shows a significant funding gap remains across the MTFS and the Budget report to Council outlined the approach to be taken with the Savings and Transformation Programme (STP) to address the funding gap.</p>
<p><b>Compliance with the CIPFA Financial Management Code</b></p>	<p>March 2022</p> <p><i>Revised date:</i> April 2022</p>	<p>The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan.</p> <p><b><u>March 2022</u></b> An assessment by the Executive Head of Finance against the CIPFA FM code is planned for March/April 2022</p>
<p><b>External Audit have yet to provide an opinion for the 2019/20 accounts.</b></p>	<p>November 2021</p>	<p>The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to</p>

	<i>Revised date:</i> June 2022	enable them to finalise their opinion on the 2019/20 accounts.  <b><u>March 2022</u></b> The external audit opinion has not yet been received. Expectation is this would be provided by June 2022.
<b>Audit Opinion does not align with the AGS</b>	March 2022	Audit Manager to revise the Audit Opinion from “no opinion” to a “limitation of scope opinion” in line with CIPFA guidance issued on 19 November 2020 and following recommendations from a CIPFA adviser.

2.4 Services have balanced the impact of the Covid-19 pandemic and other external factors to achieve progress on the actions detailed within the AGS 2019/20 and 2020/21.

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**HEAD OF SERVICE:** David Stanley, Executive Head of Financial Services

**References:**

*Annual Governance Statement 19/20 – reported to LA&GP Committee 28 July 2020.*

*Annual Governance Statement – update report to LA&GP Committee 23 November 2020.*

*Annual Governance Statement – update report to CGAS Committee 27 September 2021*

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**INTERNAL AUDIT – AUDIT PLAN****SUMMARY:**

This report is to set out the annual Audit Plan for 2022/23.

**RECOMMENDATIONS:**

Members are required to:

- Agree to the annual Audit Plan, which will be monitored and updated on a rolling quarterly basis.

**1 Introduction**

- 1.1 The Audit Plan is produced annually to provide a framework for the use of Audit resources. To ensure that resources are focused on activities that will enable the (Interim) Audit Manager to provide the Council with an overall assurance of the governance, risk management and internal control (“GRC”) environment.

**2 Purpose of Internal Audit**

- 2.1 The role of internal audit is defined within the Public Sector Internal Audit Standards (PSIAS), as an:

*‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

- 2.2 Internal Audit provides the Council with assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working with consulting activities available to help to improve those systems and processes where necessary.

**3 Methodology for compiling audit coverage***Audit Risk Universe and Criteria*

- 3.1 The Audit Risk Universe (ARU) has been updated to show auditable areas as at January 2022. This will be reviewed as appropriate.
- 3.2 The Audit risk criteria have been developed to ensure it captures all relevant areas to be considered in determining the level of risk exposure within an auditable area. The Council Plan 2022-23, the Corporate Risk Register (CRR)

and the details within the Annual Governance Statement (AGS) are also taken into account when reviewing the ARU and developing the Audit Plan.

3.3 The Audit risk criteria includes the following areas:

- **Corporate Priority**  
This looks at the Council's Plan and assesses to what level the auditable area contributes to the Plan. This is included so that areas of high corporate priority are considered more highly than areas of low corporate importance, which are not deemed to risk the Council achieving its overall objectives.
- **Impact on reputation**  
This looks at the potential impact on the Council's reputation if a risk within the auditable area was to transpire. This is included so that areas of high reputational impact are considered more highly for a review to ensure that the reputation of the Council is maintained.
- **Assurance from others**  
This considers whether another body either externally, e.g., External Audit, or internally have reviewed the area. This is included so that if assurance can be provided by others, then Internal Audit would not need to also review the same area.
- **Concerns raised**  
This looks at any concerns, raised by Senior Management or employees, any previous frauds identified and any previous poor controls identified by Internal Audit. This is included as if concerns are raised then this could highlight control weaknesses impacting on the Council in various ways.
- **Laws or Regulations**  
This looks at if the auditable area is enshrined by Laws or Regulations or not. A requirement for high levels of compliance with Laws and Regulations will result in a higher risk to the Council if these are not adhered to.
- **Financial transactions total**  
This looks at the financial value of transactions in the auditable area, as the higher the value of the transactions the more risk of financial loss to the Council. This also looks at the number of transactions, as a small financial value but high frequency of transactions opens the auditable area up to a bigger risk of fraud and error.
- **Vulnerability**  
This looks at whether the area is completely new to the Council or not or if it's a constantly evolving area, e.g., IT. New and evolving areas will present a higher vulnerability than an area that has not changed. This

should also be reflected in the Service Risk Registers (SRR) and, if significant, then the CRR.

*Input from ELT and Heads of Service*

3.4 The Executive Leadership Team was consulted in respect of the alignment of the Council Plan with the Audit Plan. Also, Heads of Service were consulted on the areas, which were high risk on their SRR, the CRR and the ARU, to ensure that these were appropriate to be reviewed within the financial year and highlight any areas of concern within their service.

*Developing the Audit Plan*

3.5 Internal Audit reviews key financial systems on a 3-year rolling basis adjusted for any significant system developments or identified weaknesses. Additionally, all other areas of coverage are based on various risk factors developed by Internal Audit described in section 3.3 of this report and input from ELT and Heads of Service.

3.6 The first six months of work will be established based on the auditable areas with a view to risk, suitability of timing and availability of audit resource. This will be agreed with ELT and the Corporate Governance, Audit and Standards (CGAS) Committee. The work for the following quarters will be established at subsequent ELT and CGAS Committee meetings, as laid out in Table 1 below. This will allow Internal Audit to react more effectively to the needs of the Council when required throughout the year.

*Communication and monitoring of the Plan*

Table 1

<b>Date</b>	<b>Meeting</b>	<b>Details</b>
15 March 2022	ELT	<ul style="list-style-type: none"> <li>• Present the audit plan for 2022/23</li> <li>• Set the work for quarter 1 &amp; quarter 2 (subject to change if required for the needs of the organisation.)</li> <li>• Report on the work carried out to date for quarter 4 and outstanding work for quarter 3.</li> <li>• Report on the work carried out to date towards the actions defined within the AGS.</li> </ul>
28 March 2022	CGAS Committee	
10 May 2022	ELT	<ul style="list-style-type: none"> <li>• Present the audit opinion for 2021/22</li> <li>• Present compliance towards the PSIAS and plan of work towards the standards in 2022/23</li> <li>• Present the AGS and update to the Local Code of Corporate Governance</li> <li>• Give an overview of the work completed in 2021/22</li> </ul>
26 May 2022	CGAS Committee	

5 July 2022	ELT	<ul style="list-style-type: none"> <li>• Report on the work carried out to date for quarter 1.</li> <li>• Report any changes required for quarter 2 deliverables and the reason for these changes.</li> <li>• Set the work for quarter 3.</li> </ul>
26 July 2022	CGAS Committee	
13 September 2022	ELT	<ul style="list-style-type: none"> <li>• Report on the work carried out to date for quarters 1 &amp; 2</li> <li>• Report on the work carried out to date towards the actions defined within the AGS</li> </ul>
26 September 2022	CGAS Committee	
8 November 2022	ELT	<ul style="list-style-type: none"> <li>• Report on the work carried out for quarter 2 and outstanding work for quarter 1.</li> <li>• Report any changes required for the deliverables for the rest of quarter 3 and the reason for these changes.</li> <li>• Set the work for quarter 4.</li> </ul>
28 November 2022	CGAS Committee	
17 January 2023	ELT	<ul style="list-style-type: none"> <li>• Report on the work carried out for quarter 3 and outstanding work for quarter 2.</li> <li>• Report any changes required for the deliverables for the rest of quarter 4 and the reason for these changes.</li> </ul>
30 January 2023	CGAS Committee	
14 March 2023	ELT	<ul style="list-style-type: none"> <li>• Present the audit plan for 2023/24</li> <li>• Set the work for quarter 1 &amp; quarter 2 (subject to change if required for the needs of the organisation.)</li> <li>• Report on the work carried out to date for quarter 4 and outstanding work for quarter 3.</li> <li>• Report on the work carried out to date towards the actions defined within the AGS</li> </ul>
27 March 2023	CGAS Committee	

3.6 A rolling programme means that the plan can be set for each quarter allowing greater flexibility of audit coverage to meet the changing environments faced by the Council.

## 4 Resources

4.1 The Internal Audit budget for 2022/23, as approved by Council in February 2022, included a budget increase of £52,780 for the year to ensure a smooth transition of the audit function following the return to work of the Audit Manager from maternity leave.

- 4.2 The Audit Plan, as set out in this report and detailed in Appendix A will require a further increase in the budget for 2022/23 of £37,835 as a result of the increased number of audits in the plan (including 5 audits postponed from 2021/22). Therefore, the level of additional resources required for 2022/23 should be seen in this context and represents an element of catch-up and investment in the service in response to CIPFA's advice on the 2020/21 Audit Opinion.
- 4.3 A proposal for additional budget will be prepared by the Executive Head of Finance for consideration by Cabinet and will include a review of other options that will reduce this budget pressure over the medium-term.
- 4.4 In order to deliver the Audit Plan, as detailed within Appendix A, which additionally includes the five postponed audits from 2021/22, the Interim Audit Manager will assist the Audit Manager. Also, contract auditors will continue to be utilised during 2022/23.

## 5 2022/23 Audit Plan

- 5.1 The first six months' work, as set out in Appendix A, has been selected from the higher risk areas and five audits that were postponed from 2021/22. The list of audits is subject to review due to the changing needs of the organisation or resource availability. An update will be provided at the Committee meeting in July.

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### **References:**

- *Public Sector Internal Audit Standards (2017)*  
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

**Table of Audit expected deliverables for Quarters 1 & 2**

NB: Timing of audits may differ once confirmed with services and contract auditor availability.

<b>Service</b>	<b>Audit</b>	<b>Scope indication*</b>
Finance	Capital Receipting (Income Management System)	Key financial system reviewed on a 3-year cycle. Review over RBC income sources – completeness and timeliness
Operations	Crematorium	Review over the operations and administration of the facility
Finance	Council Tax – Billing, Collection & Recovery	Key financial system reviewed on a 3-year cycle. Review over CT process including debts and write offs
Economy & Planning and Finance	Covid-19 Business Grants	New financial risk to RBC under current economic situation
Finance	Treasury Management	Key financial system reviewed on a 3-year cycle. Review over allocation of monies – completeness, accuracy and timeliness
ACE	Procurement	Postponed audit from 2021/22. Review over RBC internal processes and interaction & support from PCC.
Property	Concerto Property System	Postponed audit from 2021/22. Post-implementation review
IT, Facilities & Customer Services	Cyber Security	Key risk to RBC. Scope to include the supply chain and disaster recovery plan (DRP)
HR&OD	Staff recruitment and retention	To review processes over recruitment and retention.

**Follow Up of Previous Audits**

<b>Service</b>	<b>Audit</b>	<b>Scope indication*</b>
Operations	Taxi Licencing	Follow up audit, as given Limited assurance opinion in 2019/20
Democracy	Alderwood Leisure Centre	Follow up audit, as given no assurance opinion in 2020/21. Only audit if ALC still under RBC on 1st April
Economy & Planning	S106 SANGS	Follow up audit, as given Limited assurance opinion in 2019/20

## Provisional forward programme of audit work

<b>Service</b>	<b>Audit</b>	<b>Scope indication*</b>
Democracy	Financial Grants to Organisations	Postponed audit from 2021/22. Review of 27 grants including RVS & CA (main recipients)
Operations	CCTV	Postponed audit from 2021/22. Review post-transfer of control room to Runnymede and also isolated systems, e.g., Princes Hall.
IT, Facilities & Customer Services	IT Development	Review over policies, processes and methodology of IT Development team
ELT	CREP – Value for Money	Value for Money audit. Review of costs of CREP compared to actual and forecast savings.
ACE	Performance Management	Full review, as 2020/21 report was advisory to assist in its establishment.
Legal	Information Governance - Framework	Review of the structure and efficiency of IG across RBC
IT, Facilities & Customer Services	Applications Patch Management	Follow up audit, as given Limited assurance opinion in 2020/21.

\* This is just the potential scope of the audit which can be subject to change as the scope is agreed with the auditee prior to the audit commencing.

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