

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on
Monday, 27th March, 2023 at 7.00 pm*

To:

Voting Members:

Cllr P.J. Cullum (Chairman)
Cllr Jessica Auton (Vice-Chairman)

Cllr A. Adeola
Cllr M.S. Choudhary
Cllr K. Dibble
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Sarah Spall
Cllr Nem Thapa
Cllr S. Trussler
Cllr Jacqui Vosper

Non-Voting Member:

Mr Tom Davies – Independent Member (Audit)

STANDING DEPUTIES

Cllr C.P. Grattan
Cllr Mara Makunura

Enquiries regarding this agenda should be referred to the Committee Administrator,
Kathy Godden, Democracy and Community, Tel. (01252 398829) or email
kathy.godden@rushmoor.gov.uk.

A G E N D A

1. **MINUTES –** (Pages 1 - 6)

To confirm the Minutes of the Meeting held on 30th January 2023 (copy attached).

2. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE NO. 5 –**

To receive an update from the Interim Executive Head of Finance on the latest position regarding the Annual Statement of Accounts and External Audit Opinion for 2019/20.

3. **RISK MANAGEMENT PROCESS 2022/23 –** (Pages 7 - 18)

To receive the Assistant Chief Executive's Report No. ACE2303 (copy attached) which provides an update on the on-going development and maintenance of the Council's risk management process over 2022/23.

4. **PAY POLICY STATEMENT AND GENDER PAY GAP REPORT –** (Pages 19 - 32)

To consider the Executive Director's Report No. ED2301 (copy attached), which seeks approval for the Pay Policy Statement for 2022/23 for recommendation to full Council and to note the Gender Pay Gap report.

5. **INTERNAL AUDIT - UPDATE –** (Pages 33 - 38)

To receive the Internal Audit Manager's Report No. AUD2303 (copy attached) which provides an update on audit work and outstanding issues.

6. **INTERNAL AUDIT - AUDIT PLAN –** (Pages 39 - 46)

To consider the Internal Audit Manager's Report No. AUD2302 (copy attached), which sets out the Internal Audit Plan for 2023/24 for approval.

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.

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Monday, 30th January, 2023 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr P.J. Cullum (Chairman)
Cllr Jessica Auton (Vice-Chairman)

Cllr M.S. Choudhary
Cllr K. Dibble
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Sarah Spall
Cllr Nem Thapa
Cllr S. Trussler
Cllr Jacqui Vosper

Cllr Mara Makunura (attended the meeting as Standing Deputy)

Non-Voting Member

Mr Tom Davies – Independent Member (Audit) (joined the meeting via Teams)

An apology for absence was submitted on behalf of Cllr Ade Adeola.

26. MINUTES

The minutes of the meeting held on 28th November 2022 were agreed and signed as a correct record of the proceedings.

27. ATTENDANCE AT MEETINGS OF THE COMMITTEE

The Chairman advised the Committee that Cllr Sarah Spall had been absent from three consecutive meetings of the Committee held on 26th July, 26th September and 28th November 2022. Under the Council's Standing Orders, Standing Order 4 (5) stated that 'if any Member shall be absent from three consecutive meetings of a committee, he or she shall cease to be a Member thereof, unless he or she shall in the opinion of the Committee show reasonable grounds for their absence.'

Cllr Sarah Spall addressed the Committee giving her reasons for non-attendance at the meetings. The Committee respected and understood the reasons given and agreed that Cllr Spall should continue to serve as a Member of the Committee.

The Chairman reminded the Committee that, if any Member was going to be absent from a meeting, the Committee Administrator and the Chairman should be notified by email and also including whether the standing deputy had been contacted.

RESOLVED: That Cllr Sarah Spall continue to serve as a Member of the Committee for the remainder of the 2022/23 Municipal Year.

28. **SELECTION OF THE MAYOR AND DEPUTY MAYOR 2023/24**

The Committee considered the Chief Executive's Report No. DEM2303 which set out the outcome of the selection process for the Mayor and Deputy Mayor for the 2023/24 Municipal Year.

Following a review of the process and criteria for the selection of the Mayor and Deputy Mayor, which had been led by the Committee, the Council had adopted a revised protocol for the selection of the Mayor and Deputy Mayor on 8th December 2022. In accordance with the updated procedure, all Councillors had been invited to indicate their interest in the role of Deputy Mayor for 2023/24, progressing through to Mayor in 2024/25.

The Committee was advised that the Deputy Mayor, Cllr C.P. Grattan, had confirmed his wish to proceed through the normal progression to the position of Mayor for 2023/24. Cllr Mara Makunura had expressed in the mayoralty role and, from amongst those who had submitted their interest, was the councillor who had best met the criteria by order of seniority and eligibility.

The Committee **RECOMMENDED TO THE COUNCIL** that:

- (i) Cllr C.P. Grattan be appointed as Mayor-Elect for the 2023/24 Municipal Year; and
- (ii) Cllr Mara Makunura be appointed as Deputy Mayor-Elect for the 2023/24 Municipal Year.

NOTE: Cllr Mara Makunura declared a personal interest in this item and, in accordance with the Members' Code of Conduct, left the meeting during the discussion and voting on this item.

29. **ANNUAL CAPITAL STRATEGY 2023/24**

The Committee considered the Executive Head of Finance Report No. FIN2303 which set out the proposed Capital Strategy for the year 2023/24 to 2025/26, including the Prudential Indicators for capital finance for 2023/24. The Report gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services, along with an overview of how associated risk was managed and the implications for future financial sustainability. The Strategy had been written in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the CIPFA Prudential Code and Ministry of Housing, Communities and Local Government guidance on local government investment.

The Committee was advised that decisions made during the year on capital and treasury management would have financial consequences for the Authority for many years into the future. They were therefore subject to both a national regulatory framework and to local policy framework, which were summarised in the report.

During discussion, a question was raised on liability benchmarking. The Executive Head of Finance undertook to provide a written response to the Committee on this.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that the Capital Strategy for 2023/24 to 2024/25 and Prudential Indicators for 2023/24 (subject to (ii) below) and as set out in the Executive Head of Finance Report No. FIN2303 be approved; and
- (ii) **RESOLVED** that the Prudential Indicators for 2023/24 be reviewed by the Council's treasury management advisors (Arlingclose) for completeness with any update to be included in the report to the Council on 23rd February 2023.

30. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2023/24**

The Committee considered the Executive Head of Finance Report No. FIN2302 which set out the proposed Treasury Management Strategy and Non-Treasury Management Strategy for the year 2023-24, including the borrowing and investment strategies and treasury management indicators for capital finance for 2023-24 and the Minimum Revenue Provision Statement.

Treasury risk management at the Council was conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which required approval of a treasury management strategy before the start of each financial year. The Executive Head of Finance's Report No. FIN2302 fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The CIPFA Code also required the Authority to have a separate Non-Treasury Investment Strategy (as set out in Appendix 2 to the report) which had to be approved before April 2023. Local authorities were also required by regulation to have regard to the provisions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) 2021.

The report set out the purpose, functions and activities of the treasury management operation and the non-treasury investment management operations and set out the Treasury Management Strategy, Annual Borrowing Strategy and Annual Treasury Management Investment Strategy (Appendix 1), Non-Treasury Investment Strategy (Appendix 2) and the Council's Minimum Revenue Provision (MRP) Statement (Appendix 3). These policies and parameters provided an approved framework within which officers undertook the day-to-day capital, treasury and non-treasury investment activities.

Following discussion on the report, the Executive Head of Finance undertook to provide a written briefing for the Committee on the issues covered, including liability benchmarking, liquidity, rates of return received (Appendix 2, 9.4) and business models.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that
 - (a) the Treasury Management Strategy 2023-24 and Annual Borrowing Strategy 2023-24 (as set out in Appendix 1 to the Executive Head of Finance Report No. FIN2302) be approved;
 - (b) the Annual Non-Treasury Investment Strategy 2023-24 (set out in Appendix 2) be approved; and
 - (c) the Minimum Revenue Provision (MRP) Statement (set out in Appendix 3) be approved; and
- (ii) **RESOLVED:** That the Prudential Indicators for 2023-24 be reviewed by the Council's treasury management advisors – Arlingclose – for completeness with any update to be included in the report to the Council on 17th February 2023.

31. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION 2019/20 - UPDATE NO. 4**

The Executive Head of Finance provided an update to the Committee on the current position regarding the Annual Statement of Accounts and External Auditor's Opinion for 2019/20. It was noted that the Council's external auditor (EY) had agreed the Statement of Accounts and would be given two supporting documents (Cash Flow Statement and Going Concern Note) by the end of that week. As previously delegated, the Statement of Accounts would be signed off by the Chairman and Chief Executive as soon as was practicable in order to allow EY to produce its Audit Opinion for 2019/20.

The Committee was advised that as much as possible was being done to avoid duplication of work for the audit of the 2020/21 Statement of Accounts and it was therefore hoped that work would then progress quickly on the audit by EY.

RESOLVED: That the update be noted.

32. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2301 which provided: an update of the work completed since the previous meeting in November 2022; a progress update on the 2022/23 Audit Plan; a schedule of work to be delivered during Quarter 4; and, an update on the outstanding audit issues.

The Audit Manager apprised the Committee on the number of finalised audit reviews. The Committee also noted that, of the five high risk audit recommendations currently outstanding, two (application patch management and PCI DSS) had had the completion date extended and the reasons for this were given.

RESOLVED: That the Audit Manager's Report No. AUD2301 be noted.

33. **SECTION 106 AGREEMENTS - FOLLOW-UP FROM PREVIOUS AUDIT ACTIONS**

The Internal Audit Manager gave an update to the Committee on the arrangements for following up areas of risk management in the internal audit of Section 106 Agreements. The Committee was advised that the Internal Audit Manager would be meeting with relevant officers to go through the recommendations following the audit. A report would then be made, as part of the Internal Audit report, to the next meeting of the Committee on how the recommendations would be implemented and followed up.

RESOLVED: That the update be noted.

34. **CONSTITUTION UPDATES**

The Committee considered the Corporate Manager – Democracy Report No. DEM2302, which set out proposed updates to the Constitution in respect of:

- Standing Orders for the Regulation of Business (Appendix 1 to the Report)
- Scheme for the Appointment of Standing Deputies (Appendix 2)
- Scheme for Public Speaking at Development Management Committee (Appendix 3) and a minor update to the Terms of Reference for the Development Management Committee (as considered and recommended by the Development Management Committee on 18th January 2023)
- Schedule summarising all the updates to the Constitution which have been made since the last major review and report to the Council in May 2020 (Appendix 4). These included updates to reflect the changes that have been made to the senior staffing structure, job titles and officer responsibilities as determined by the Chief Executive.

The Committee was advised that the proposals referenced in Appendices 1 and 2 to the Report (arrangements for dealing with Notices of Motion with financial implications outside of the approved budget, the number of standing deputies appointed to Committees and public speaking at the Development Management Committee) had been considered and supported by the Constitution Working Group at its meeting in December 2022. The Working Group had been appointed by the Committee and had been attended by Councillors P.J. Cullum, Sue Carter, Christine Guinness and S. Trussler.

Following discussion, it was agreed to raise the issues of Deputy Leaders of the Council and Cabinet Champions at a future meeting of the Constitution Working Group.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that a revised and updated Constitution be adopted, as set out in the Corporate Manager – Democracy Report No. DEM2302; and
- (ii) **RESOLVED** that any further minor amendments required to finalise the report to the Council be agreed by the Executive Director and Corporate Manager – Democracy in consultation with the Chairman.

The meeting closed at 8.15 pm.

CLLR P.J. CULLUM (CHAIRMAN)

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE
27 MARCH 2023

ASSISTANT CHIEF EXECUTIVE
REPORT NO. ACE2203

KEY DECISION? NO

RISK MANAGEMENT PROCESS 2022/23

SUMMARY AND RECOMMENDATIONS:

This paper updates Members of the Corporate Governance, Audit and Standards Committee on the ongoing development and maintenance of the Council's risk management process over 2022/23.

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 to CGAS Members on risk management activity that has taken place over the course of 2022/23 in line with arrangements set out in the Council's Risk Management Policy, which is attached as Appendix A.
- 1.3 2022/23 has been a period of significant turmoil and uncertainty across a broad range of economic, social and political matters. With the volatility of the energy markets, the costs of living rises, continued pressure on the NHS and unprecedented inflationary increases, it is important to recognise the role that the Council's risk management process has played in recognising the potential impacts and appropriately mitigating against them.
- 1.4 The risk management process will continue to play an important role in the Council meeting its key objectives as existing risks continue to develop during 2023/24, such as extreme weather events due to climate change, ongoing budgetary pressures and supply chain disruption. New risks continue to be identified as part of the Council's horizon scanning process, giving us the time to fully consider the action required to limit the impact, one example of this is the introduction of new legislation and legal duties, such as the proposals being drafted to deliver Martyn's Law, with a draft Bill expected in Spring 2023.

2. Council's Risk Management Policy

- 2.1 The Council has continued its work to embed risk management within the organisation and streamline the processes in place. The Council's risk registers were moved onto an MS Lists based system located on Sharepoint in 2022, with the first risk register published in this format in July 2022. This greatly improves efficiency and also allows the risk registers to be easily interrogated in a live format at any time by key personnel, such as Audit and the Corporate Risk Manager.
- 2.2 The Council's risk management policy and arrangements continue to be reviewed and developed in order to remain effective and to provide continual improvement. The last revision was published in November 2021 and is attached. A new, updated draft is expected to be published in Q1 2023/24, amongst other updates this will incorporate improvements in the way that the Council carries out its annual PESTLE analysis and determines its risk appetite.

3. Risk management in 2022/23

- 3.1 As set out in the risk management policy, reports on risk have been presented to the Council's Corporate Management Team on a minimum quarterly basis and presented to Cabinet alongside the quarterly performance reports. In addition, risk is discussed with greater frequency outside these meetings, with regular discussions and risk register reviews taking place across projects and programmes.
- 3.2 In addition to activity taking place in line with the risk management policy, work has continued in response to the internal audit of risk management that concluded in February 2022. Of the 6 actions identified, the final outstanding item will be addressed as soon as possible in 2023/24. This will be to develop an effective way to establish a high level risk appetite policy (or policies), in addition to risk appetite being determined on a risk by risk basis.

4. Conclusion

- 4.1 CGAS is asked to note this report which summarises how risk has been managed across the Council in 2022/23.

BACKGROUND DOCUMENTS:

Appendix A – Risk Management Policy

CONTACT DETAILS:

Rachel Barker, Assistant Chief Executive – 07771 540950
rachel.barker@rushmoor.gov.uk

Roger Sanders, Corporate Risk Manager – 01252 398809,
roger.sanders@rushmoor.gov.uk

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

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

Rating Consistency Guidance

	Likelihood of Occurrence (L)	Severity of Outcome (S)
1	Very unlikely Very unlikely to occur, (no history or near misses etc). Less than 5% probability.	Minor Risk to specific role. Legal action unlikely. No significant illness or injury. Negative customer complaint. Financial impact negligible.
2	Unlikely 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	Moderate 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.
3	Likely 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	Significant 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.
4	Very likely 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	Major 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.

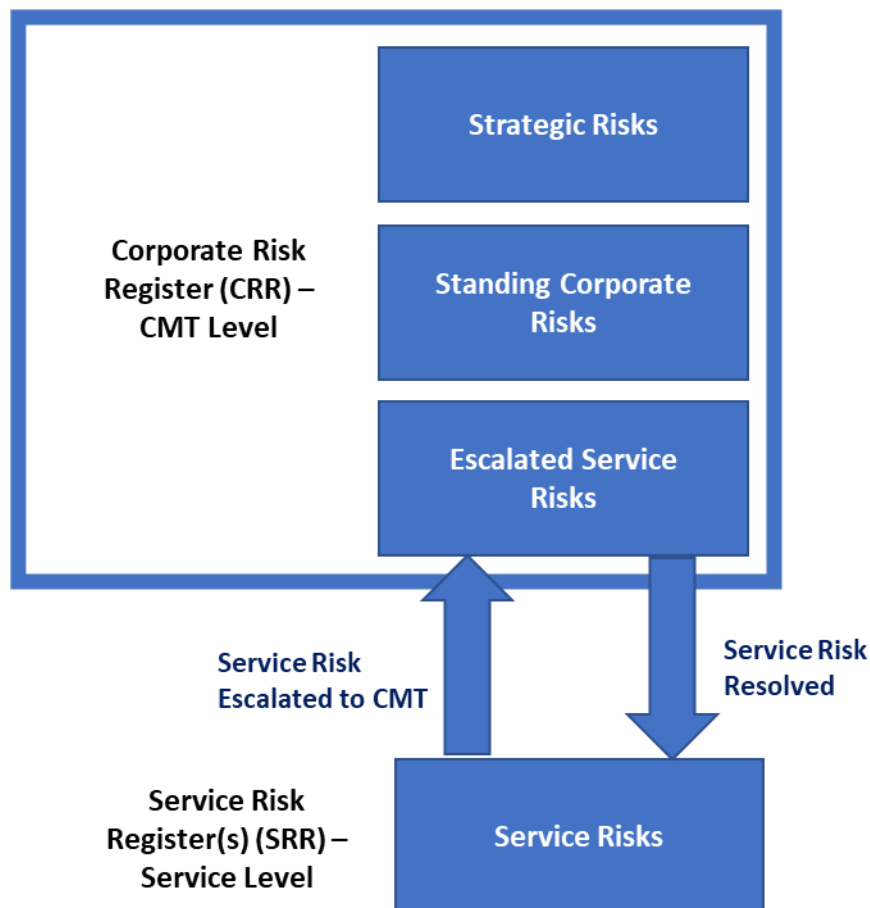
With the assistance of HoS, the CRR will be updated by the CRM every 2 months in order that it can be presented to CMT by the ACE.

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
Business Planning	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.	
Internal Audit		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.
CMT	CRR presented to CMT by ACE			CRR presented to CMT by ACE			CRR presented to CMT by ACE			CRR presented to CMT by ACE		
Cabinet		CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report			CRR reported via Quarterly Performance Report	
CGAS								CRR Report to CGAS				

Risk Register Format Template v1.0

Page 1 of 1 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	
Descriptive Title 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
27TH MARCH 2023**

**EXECUTIVE DIRECTOR
REPORT NO: ED2301**

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 2023/24.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the council are required to publish gender pay gap calculations annually. This information is for noting.

RECOMMENDATION:

The Council be recommended to agree the Pay Policy Statement for 2023/24 as set out in Appendix A

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 2023/24 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 2010 (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 2023/24 is 6.1:1,
- 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 2023/24 is 3.5:1, this is a slight change to last year when it was 3.7:1.
- 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 13.8 % with the female average salary being lower than the male average salary. The gap has increased from 11.7% in the previous year.
- 3.3 The median gender pay gap equates to 10.9% with the female median rate being lower than the male median rate. The gap has decreased slightly from 11.3% reported in the previous year.
- 3.4 The proportion of men and women in each quartile has changed slightly in all however the greatest percentage changes are in the mid upper quartile and the upper quartile where there has been a decrease in the proportion of women on the previous year.

CONTACT DETAILS:

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Executive Director:

Karen Edwards (karen.edwards@rushmoor.gov.uk)

APPENDICES

Appendix A: Pay Policy Statement 2023/24

Appendix B: Gender Pay Gap Report 2022

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

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

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Appendix A

Rushmoor Borough Council Pay Policy Statement for the Financial Year 2023-2024

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 2023-24, 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*
- Assistant Chief Executive
- Executive Directors
- Executive Heads of Service
- 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.

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 13 grades (1 – 7, Service Manager, Corporate Manager, Head of Service, Executive Head of Service, Executive 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 Corporate Manager are determined directly from the negotiations held between the Local Government Employers and the recognised Trades Unions under the NJC agreement. Pay Awards at Chief Officer level are determined by the negotiations held between Local Government Employers and

recognised Trade Unions under the JNC for Chief Officers and similarly the pay awards for the Chief Executive is negotiated nationally with ALACE (Association of Local Authority Chief Executives) .

The analysis used for this report draws upon the pay rates as at 1st April 2023.

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 relevant Chief Officer.

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, Assistant Chief Executive, Executive Directors, Executive Head of Service 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, in the financial year 2022/23 the pay award for all Chief Officers was agreed at an increase of £1,925 on the base salary.

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.

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 1st April 2023 are as follows:

Lowest:	£20,812
Median	£36,298
Highest	£127,849

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 **1:6.1** emerges. This is a slight reduction on the previous year's ratio which was 1:6.7.

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 **1:3.5** which is a slight reduction to the **1:3.7** 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.

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Rushmoor Borough Council Gender Pay Gap Report 2022

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 30th March 2023.

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 31st March 2022.

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 31st March 2022, there were 242 permanent employees and 31 casual employees included in the data. Therefore, the total number of 273 records were used for the data source.

The gender breakdown of Rushmoor's workforce is 162 female employees (59.34%) and 111 male employees (40.66%).

Average Pay Calculations:

The average female hourly rate is £17.60 per hour. The average male hourly rate is £20.41 per hour. This means that on average male employees within Rushmoor Borough Council earn £2.81 per hour more than female employees.

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

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

For Rushmoor Borough Council the following applies:

$$\frac{\text{£20.41 (male average)} - \text{£17.60 (female average)}}{\text{£20.41}} \times 100 = 13.8\% \text{ difference between male salaries and female salaries}$$

This equates to a 13.8% difference (or 'gap') in pay rates, with the female average salary being lower than the male average salary.

Comparison with 2021 data:

In 2021, the average female hourly rate was £16.96 per hour and the average male hourly rate was £19.21 per hour.

This equated to a percentage difference of 11.7%, with the average female salary being lower than the male average salary.

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

Median Pay Calculations:

The female median hourly rate is £17.34 per hour.

The male median hourly rate is also £19.46 per hour.

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

$$\underline{\text{£19.46} - \text{£17.34} = \text{£2.12}}$$

$$\text{£19.46} \times 100 = 10.9 \%$$

Comparison with 2021 data:

In 2021, the median female hourly rate was £15.22 per hour and the median male hourly rate was also £17.15. This year we see an increase in both of these figures. The gap has decreased slightly from 11.3% to 10.9%

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

	Total Count	Female Actual	Male Actual	Female %	Male %
Quartile 1 – Lower	68	44	24	65% <i>(67%)</i>	35% <i>(33%)</i>
Quartile 2 - Mid Lower	68	48	20	71% <i>(66%)</i>	29% <i>(34%)</i>
Quartile 3 - Mid Upper	68	41	27	60% <i>(69%)</i>	40% <i>(31%)</i>
Quartile – Upper	69	29	40	42% <i>(51%)</i>	58% <i>(49%)</i>
Total Workforce	273	162	111	59% <i>(63%)</i>	41% <i>(37%)</i>

*(*figures shown in blue italics are the % figures for 2021 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.

Conclusion

At Rushmoor Borough Council the average difference (or 'gap') in pay rates between male and female salaries has increased from 11.7% to 13.7%. To note, the largest number of female employees are situated in Quartile 2 (Mid Lower) and the second largest in Quartile 1. There are also more female part-time employees (85.9%) compared to female full-time employees (49.8%) in the Council and many of these are located in roles in the lower quartiles. At this snapshot time there was also a reduction in the number of female employees located in the Mid Upper and Upper Quartiles. Both the median female hourly rate and the median male hourly rate has increased and the median gap has decreased slightly from 11.3% to 10.9%.

How we are addressing the Gender Pay Gap

- **Recruitment and Talent Management** – the council will continue to use gender neutral wording in recruitment advertising and promote inclusivity to attract a wider talent pool. The council will continue to promote secondments, cross council project working and design further talent management initiatives.
- **Learning and Development** – the council will continue to promote and provide flexible access to learning and development opportunities and resources to all and encourage career progression. The council will continue to work with external partners on projects encouraging knowledge sharing and personal development.
- **Flexible working practices** – the council actively supports work/life balance including part time working, hybrid working, working compressed hours and job shares and there is the opportunity to purchase additional annual leave.

**CORPORATE GOVERNANCE
AUDIT AND STANDARDS COMMITTEE
27TH MARCH 2023**

**AUDIT MANAGER
REPORT NO. AUD2303**

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes:

- The work completed by Internal Audit since the last report;
- A progress update on the 2022/23 Audit Plan; and
- An update on outstanding audit issues.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work completed since the last update.
- ii. Note the outstanding audit issues.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed since the update provided to the Committee in January 2023;
- A progress update on the 2022/23 Audit Plan; and
- An update on the outstanding audit issues, highlighting any significant risk exposures or control issues.

2 Audit Work Completed

2.1 The table below provides an overview of the assurance opinion, given to the completed audit since the last update:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2022/23 Internal Audit Plan				
Alderwood follow up	N/A	N/A	N/A	N/A
Procurement	Limited	4	8	4
Cash Receipting	Reasonable	1	3	1
Taxi Licensing follow up	Substantial	0	1	2

2.2 Below is a summary of the key findings from the audits.

Alderwood Follow up

Majority of the recommendations made are no longer viable to implement, due to the change in circumstances since the audit recommendations were agreed, whereby the facility has been transferred to the school and no longer the control of the Council.

A project group, formulated of relevant officers, including Internal Audit, are overseeing the transfer of the facility to the school and ensuring that necessary governance and controls are in place. The transfer was finalised on the 1st March 2023.

Procurement

The procurement service has been run via a service level agreement (SLA) with Portsmouth City Council (PCC) since October 2021. Testing within the audit found that improvements have been made regarding compliance, evidence retention and documentation since the SLA with PCC started.

The Contract Standing Orders (CSO) are not being fully complied with across the Council. In addition to this, relevant documentation is not being maintained to provide supportive evidence of quotes, scoring, or tender evaluation carried out. Therefore, the Council may be unable to demonstrate value for money has been achieved or respond to challenges from unsuccessful suppliers. It should be noted however, that procurements PCC had been involved in were found to contain suitable evidence.

There is no suitable control framework in place to ensure that relevant contracts are included within the contract register upon execution. As a result, assurance cannot be given that the current version of the register is accurate and therefore the Council is not meeting the mandatory requirements of the Transparency code, in which the Council is required to publish details of all contracts above £5,000. This has been recognised and work is currently ongoing to update and verify the accuracy of the information held within the contract register.

The Council does not currently have enough guidance, training and procurement documentation in place, to ensure compliance of the CSO across the Council.

Cash receipting

The cash receipting system is audited on a three-year cycle as a key financial system. Since Covid-19 changes have resulted in seldom cash being taken at the Council offices. As a result, it is no longer relevant for this to be deemed

as a key financial system, especially as number of elements tested within this audit will be picked up within other audits of key financial systems which interface with the cash receipting system.

£908k is currently held on the Council's suspense account which is a large increase from the £19k balance held at the time of the previous audit. Finance is aware of this and are currently working with services to identify the amounts on the suspense account.

Reconciliations between cash receipting and interfacing systems have not been regularly carried out. Although, testing did not highlight any errors or delays with payments being shown on interfacing systems.

A cost code had been incorrectly set up on the cash receipting system so VAT was not correctly accounted for.

Taxi Licensing Follow up

The original Taxi Licensing review was undertaken in 2019-20 with an overall Limited level of assurance.

Since this review, the team has increased their scope of work but this also enabled a re-structure and an additional Administrator to join the team. There is now independent review for each application before approval, enabling anomalies to be resolved before the issue of licences.

Testing identified that the original key issues of incomplete applications, incomplete records on the Uniform system and financial errors in charging have all been addressed. The team have also been managing a notable increase in taxi licence applications since Spring 2021.

There are three findings included in the management action plan and a value-added observation within Section 5, which are intended to enhance the current good processes in operation.

Progress towards the 2022/23 Audit Plan

2.2 Since the last update to the Committee, there has been no further changes to the audits set out within the 2022/23 Audit Plan.

2.3 The table below provides a summary of progress to date (17/03/23):

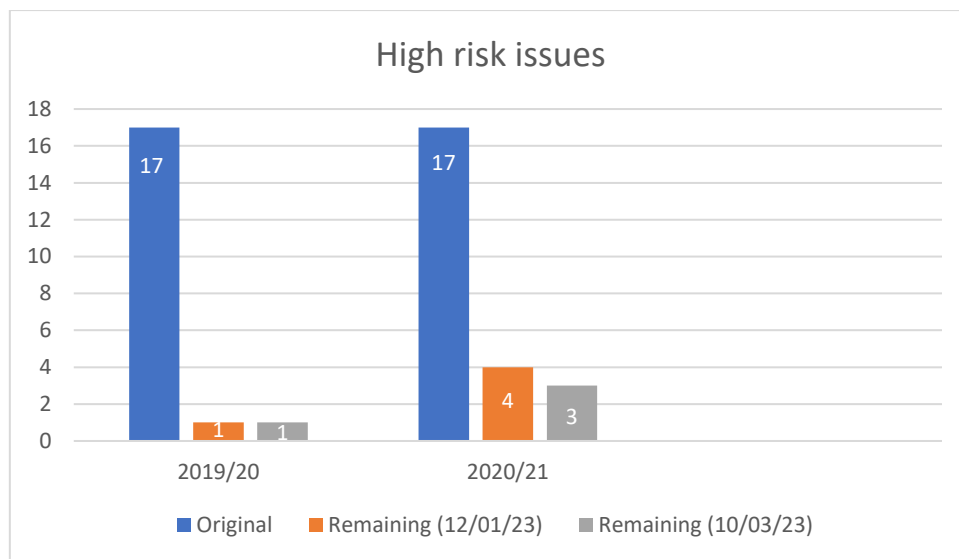
Audit/ Audit follow up status	Number of reviews	%
Finalised	10	47.6
Draft report	7	33.3
In progress	4	19.1
Total	21	100%

NB: The figures within the table include 2 audits carried forward from the 2021/22 audit plan.

2.4 The audits remaining to be finalised will be completed and used to support the Internal Audit Manager’s annual assurance opinion, which will be reported to this Committee in May.

3. Outstanding High Risk Audit Issues

3.1 The high-risk issues identified are ones which require focus by the organisation in order to implement the actions agreed to mitigate the high-risk issues identified. Below the graph shows the number of high-risk issues identified against the number implemented as of March 2023.



3.2 It is in the Audit Manager’s opinion that sufficient progress is being made towards the high-risk recommendations. The 2 recommendations with regards to Purchase Ledger have had the implementation date extended due system changes being required and therefore testing within the test environment prior to going on the live system. However, there have been some issues within the test environment, which need to be rectified before going live.

3.3 The table below shows the expected completion date for these outstanding high risks.

Year recommendations made	Service Area	Audit	No. of high-risk recommendations	Expected implementation date	Total
2019/20	Finance/IT	PCI DSS	1	31/7/23	
					1
2020/21	IT	Application Patch Management	1	31/5/23	
2020/21	Finance	Purchase Ledger	2		
					3

4. Recommendation

- 4.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2022/23 audit plan and the outstanding high risk audit issues.

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HEAD OF SERVICE: Simon Little, Interim Executive Head of Financial Services and S151 Officer

simon.little@rushmoor.gov.uk

References: *Internal Audit – Audit Plan 2022/23*, presented to the Committee on 28 March 2022.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 28th March, 2022, 7.00 pm - Rushmoor Borough Council](#)

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27 MARCH 2023

INTERNAL AUDIT – AUDIT PLAN**SUMMARY:**

This report is to set out the annual Audit Plan for 2023/24.

RECOMMENDATIONS:

Members are required to:

- Agree to the annual Audit Plan, which will be monitored and updated on a rolling basis and progress will be reported on to this Committee.

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 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 has been updated to show auditable areas as at January 2023. This will be reviewed as appropriate throughout the year.
- 3.2 The Audit risk criteria has 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, the Corporate Risk Register and the details

within the Annual Governance Statement are also taken into account when 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 and, if significant, then the Corporate Risk Register.

Input from Heads of Service

3.4 Heads of Service were consulted on the areas, which were high risk on the audit universe and highlighted any potential areas of concern within their service which they felt would require further assurance in the year.

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 providing a more agile plan to meet changes in the auditable environment.

Communication and monitoring of the Plan

Table 1

Date	Meeting	Report	Details
6 March 2023	CGG	Internal Audit Plan	<ul style="list-style-type: none"> Present the audit plan for 2023/24 Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.) Report on the work carried out to date.
14 March 2023	ELT		
27 March 2023	CGAS Committee		
		Audit Update	
2 May 2023	CGG	Internal Audit Assurance Opinion	<ul style="list-style-type: none"> Present the audit opinion for 2022/23 Present compliance towards the PSIAS and plan of work towards the standards in 2023/24. An overview of the work completed in 2022/23. Including an update on audits not reported in March. Present the AGS and update to the Local Code of Corporate Governance
9 May 2023	ELT		
25 May 2023	CGAS Committee		
		Yearend update report	
		Annual Governance	

		Statement and The Local Code of Corporate Governance	
4 September 2023	CGG	Internal Audit update	<ul style="list-style-type: none"> • Report on the work carried out to date. • Report any changes required to the plan. • Set the work for quarter 3.
12 September 2023	ELT		
27 September 2023	CGAS Committee		
30 October 2023	CGG	AGS update on actions	<ul style="list-style-type: none"> • Report on the work carried out to date towards the actions defined within the AGS
7 November 2023	ELT		
22 November 2023	CGAS Committee	Update on recommendations	<ul style="list-style-type: none"> • Report on the implementation of recommendations to date.
8 January 2024	CGG	Internal Audit update	<ul style="list-style-type: none"> • Report on the work carried out to date. • Report any changes required to the audit plan. • Set the work for quarter 4.
16 January 2024	ELT		
31 January 2024	CGAS Committee		
4 March 2024	CGG	Internal Audit Plan	<ul style="list-style-type: none"> • Present the audit plan for 2024/25 • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.)
12 March 2024	ELT		
20 March 2024	CGAS Committee		
		Internal Audit update	<ul style="list-style-type: none"> • Report on the work carried out to date.

4 Resources

- 4.1 The resources and service deliverables within the Internal audit service has been reviewed along with the Investigations service. As a result, the two services will now be combined to provide and Audit and Investigation service, whilst providing a saving to the Council the level of deliverables will not be reduced. The combined role provides more resilience for the deliverability of the audit plan, whilst still taking measures to protect the public purse.
- 4.2 The level of resources required to deliver the audit plan and the Council's current investigation workload has been determined. Within the financial year there will be a period where officers are not in post. However, arrangements will be put in place for contractors to cover the work required during this period until permanent resources are in place.

5 2023/24 Audit Plan

- 5.1 The first six months' work, as set out in Appendix A, has been selected from the higher risk areas. 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 September.

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Table of Audit expected deliverables for Quarters 1 & 2

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

Service	Audit	Scope indication*
Property & Growth	H&S of Council Buildings	Review the process for H&S checks and related maintenance of Council buildings, including commercial assets.
Finance	Procurement cards	Review the process for procurement cards.
ELT	Rushmoor Homes Limited	Review the processes in place for RBC involvement with RHL including the process for drawing down funding.
CMT	Financial assistance to organisations – Ongoing grants	Review of the ongoing grants given to organisations and the performance measures in place.
Operations	Serco contract management	A review of the Serco contract to ensure SLAs and additional costs are in line with the contract.
Regeneration/ Finance/ Property & Growth	Capital Programme – Meads	A review of the acquisition of the Meads.
Finance	CIPFA financial code	To review the Council's compliance towards the CIPFA financial code.
CMT (IT/ACE)	Cyber Security within the Supply chain	A review of the internal processes and requirements of suppliers from a cyber security aspect.
ACE	Homes for Ukraine fund	A review of the processes for the Homes for Ukraine funding.

Follow Up of Previous Audits

Service	Audit	Scope indication*
Various	Follow up of all recommendations made.	Review the status of recommendations made in previous audits.

Provisional forward programme of audit work

Service	Audit	Scope indication*
IT	Intune mobile device management	To ensure that the implementation of the Council's new mobile device management is appropriate.
HR	Payroll	Key financial system reviewed on a 3-year cycle.
Democracy	Elections	Review of process and system changes.
Finance	Purchase Ledger	Key financial system reviewed on a 3-year cycle.
Operations/ CSU	Parking	Post transfer review.
IT	Cloud CRM	A review of the implementation of the Council's cloud-based CRM system.

* 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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