



The Gateshead Housing Company Audit Committee

Wednesday, 14 October 2015 at 10.30am
The Bridges Room, Gateshead Civic Centre, Regent Street,
Gateshead
Agenda

Item	Business
1.	Apologies for Absence
2.	Declarations of Interest
3.	Minutes and Matters Arising (Pages 3-9) To approve as a correct record the minutes of the last meeting of the committee held on 1 July 2015
	<u>PRESENTATION</u>
4.	Risk Management Training for Audit Committee Members
	<u>ITEMS FOR DECISION</u>
5.	Risk Management Policy (Pages 10-21) Report of Head of Corporate Services
6.	Strategic Risk Register (Pages 22-35) Report of Head of Corporate Services

ITEMS FOR INFORMATION

7. **2015/16 Internal Audit Plan – Progress Report (Pages 36-38)**
Report of Chief Internal Auditor, Gateshead Council
8. **Forward Plan (Pages 39-41)**
Report of Head of Corporate Services
9. **Items for Future Agendas**
10. **Date and Time of Next Meeting**
The next meeting of the Audit Committee will be held on Wednesday, 13 January 2016 at 2pm in Room S21, Gateshead Civic Centre, Regent Street, Gateshead
11. **Exclusion of the Press and Public**
The committee may wish to consider excluding the press and public from the meeting during consideration of the remaining items in accordance with Category 4 of the company's Access to Information Rules.



AUDIT COMMITTEE

1 July 2015

PRESENT:

Directors

George Clark (Chair)
 Robert Buckley
 Mick Davison
 Helen Hall
 Joachim Moussounda Mouanda
 Peter Mole

Advisers

Jon Mallen-Beadle	Managing Director
Neil Bouch	Director of Customers and Communities
Natalie Hewitt	Head of Corporate Services
Phil Gallagher	Head of Investment and Development
Kevin Johnson	Head of Customer Services
Stuart Gibson	Governance and Risk Officer

Also in attendance

David Johnson	Chief Internal Auditor, Gateshead Council
Jane Wright	Audit and Risk Manager, Gateshead Council
Nick Plumb	KPMG
James Morgan	KPMG

Apologies

Tracy Harrison

13 MINUTES

The minutes of the meeting of the committee held on 22 April 2015 were approved as a correct record.

14 REPORT ON THE STATEMENT OF INTERNAL CONTROL – 2014/15

It is a requirement under the UK Corporate Governance Code that companies undertake, at least annually, a review of the effectiveness of their systems of internal control. A company's board should undertake this review for the purposes of making its public Statement of Internal Control, which is published as part of the financial statements.

The statement of internal control as published as part of the financial statements was submitted, covering the following areas: -

- Governance and Risk Management

- Performance Management
- Financial Management
- Internal Audit
- External Audit

The report is designed to provide assurance that the information, as stated within the statement of internal control, is accurate and reliable and can be published as part of the financial statements.

- RESOLVED – (i) That the Board be recommended to approve the Statement of Internal Control contained within the Financial Statements for the year ended 31 March 2015.
- (ii) That Helen Hall be provided with a copy of the Langlands Report.
- (iii) That the committee place on record its congratulations to all employees for receiving a clean bill of health.

15 DRAFT DIRECTORS' REPORT AND FINANCIAL STATEMENTS – 2014/15

The committee received the report and financial statements, as agreed with the auditors, KPMG, for the year ended 31 March.

The financial result for the period was a surplus of £546,000 (2014: £621,000 deficit).

The fourth quarter management accounts indicated that the financial result was an expected surplus of £413,000, however it was subsequently agreed that the Repairs and Maintenance budget surplus of £158,000 would be returned to the Council.

This was then offset by an additional £21,000 of repairs costs that required accruing and an increase in the FRS 17 adjustment from Aon Hewitt in relation to Pension Scheme Finance Costs (£500,000).

The company achieved a pre-tax and interest surplus in the year of £44,000 prior to interest receivable of £2,000 and pension scheme finance income of £500,000 (2014: interest receivable of £4,000; finance costs of £50,000).

The balance sheet has been increased due to the surplus, resulting in closing revenue reserves excluding net pension provisions of £1,066,000 (2014: £830,000). The directors and management continue to implement efficiency savings ahead of targets and as a result believe the company is in a strong financial position to deliver its strategic and operational goals.

In line with last year's accounts, it has been necessary under FRS 17 (a financial reporting standard) to adjust the accounts for the pension fund liability attributable to the company's employees. The net pension liability was £11.71m as at 31 March 2015 (£7.75m as at 31 March 2014) as calculated by the Pension Fund's actuary.

The committee queried why less interest had been generated than last year despite there being more money in the bank. The Managing Director agreed to look into this and report back to the committee.

The committee asked for an explanation why the pension fund was so different during the last two years. It was noted that there was no simple explanation, however it was primarily due to the gild yield in each year.

RESOLVED – That the Board be recommended to approve the Directors Report and Financial Statements for the year ended 31 March 2015.

16 KPMG MANAGEMENT REPORT – YEAR ENDED 31 MARCH 2015

The committee received the external auditor, KPMG's management report on the financial statements for the year ended 31 March 2015.

There were no significant issues raised in the report and all of the recommendations have been responded to by the Company.

As part of the audit, KPMG require the letter to be signed by the Chair and the Company Secretary on behalf of the Board, a copy of which was submitted.

When KPMG presented its management report for the year ended 31 March 2014, the committee requested that future reports also include a glossary of terms/abbreviations. It was agreed that this would be added to the report.

- RESOLVED –
- (i) That the management report for the year ended 31 March 2015 be approved, subject to the inclusion of a glossary of the terms/abbreviations.
 - (ii) That the Board be recommended to authorise the Chair and the Company Secretary to sign the management representation letter on behalf of the Board.
 - (iii) That the financial performance be presented in a more understandable format in future reports.
 - (iv) That the committee place on record its thanks to the TGHC Finance Team for receiving such a good bill of health with only one minor recommendation.

17 OPERATIONAL RISK REGISTER

An updated Operational Risk Register for the Corporate Services and Customers & Communities Directorates was submitted.

The following risk has been added to the register following a recommendation made by Internal Audit during its audit of VAT arrangements: -

Finance

- Incorrect treatment of VAT could lead to fines and interest payments to HMRC

The following risk has been updated to a green risk and will be monitored internally: -

Investment Works

- Increase in complaints from customers, councillors and other stakeholders.

The following risk has been deleted from the register as it is no longer considered an issue: -

Lettings

- Lack of availability of properties in demand.

The committee expressed concern about the residual scores of the some of the repairs risks relying on the BARIS interface given that no date was provided for implementation. It was noted that while a work around is in place and testing of the Baris interface was ongoing the benefits of integration had not yet been realised. The Company is continuing to work with the Council's Construction Services and ICT supplier on the solution.

RESOLVED – That the updated operational risk registers for the Corporate Services and Customers & Communities Directorates be approved.

18 ICT SECURITY POLICY

The Board approved an ICT Security Policy in 2008 to ensure that all users of the Company's ICT systems were aware of the security risks that were always present.

Following an internal audit report in March 2012, and in the face of changing technology and working practices, it was found that TGHC needed to review its ICT Security Policy.

Internal Audit reviewed the ICT Security Policy, the Computer Security Policy and the Internet and Email Policy and found conflicting statements in relation to the disposal of data storage equipment and also in relation to the use of personal email and internet. This was resolved and an updated Policy was rolled out to all employees in September 2012.

In June 2015, the TGHC ICT Development Team was realigned to better meet the needs of the company and responsibilities redefined, with ownership of the ICT Security Policy now lying with the ICT Development Manager.

The ICT Security Policy has therefore been reviewed and the updated ICT Security Policy was submitted.

As part of a wider schedule of information governance, the ICT Security Policy will be reviewed and updated annually.

RESOLVED – That the Board be recommended to approve the updated ICT Security Policy, which is attached as an Appendix to these minutes, and the policy be reviewed annually.

19 SENIOR INFORMATION RISK OFFICER (SIRO) ANNUAL REPORT

Following an internal audit report in November 2013, it was found that TGHC needed to manage risks associated with its information assets in the same manner that other corporate risks were managed. To ensure the ongoing management of information risk, a Senior Information Risk Officer (SIRO) role was created and delegated to Andrew Curtis, ICT Development Manager.

It was also agreed that the SIRO would work with the TGHC Governance Officer to ensure that any risk management procedures were compatible with the current corporate approach and incorporated into existing policies and procedures. Risks would be identified and assessed and added into the current risk register.

A review of information risks across TGHC was carried out by the SIRO and Governance Officer. 16 Information Assets were identified and agreed as risks across TGHC, details of which were reported.

A risk assessment was carried out for each risk using the four scale matrix, to assess impact and likelihood, in line with other TGHC Risk Registers.

A summary of the information asset risk scores in consideration of pre and post mitigation measures and details of the Information Asset Owner for each Information Asset were submitted.

The Risk Assessment Task List for areas where further mitigation has been identified was also submitted. Each outstanding task has been delegated to a specific task owner with a forecasted completion date.

RESOLVED – That the Information Asset Risk Register be approved and updates be brought back to future committees.

20 INTERNAL AUDIT ANNUAL REPORT 2014/15

The committee received details of the work undertaken by the Internal Audit Service for 2014/15 and an overall assessment of the adequacy of the Company's internal control systems based on this work.

The position for the year highlights the completion of 132% of the audit plan, in terms of actual audit hours against planned hours (123% for 2013/14). Details of other relevant performance information were also reported.

The 2014/15 Internal Audit Plan agreed 20 audits to be carried out in the year. All audits have now been fully completed with the exception of one which is currently at the draft report stage.

Of the 20 planned audits for 2014/15, 18 concluded that systems and procedures in place were operating well or satisfactory, one audit was a follow-up audit and an opinion was not required and one audit is still issued in draft.

Internal Auditors have received full co-operation from all employees involved in the areas under review and all audit recommendations have been satisfactorily addressed by management.

The committee noted that the one audit report still in draft was around insurance and in particular an issue around responsibility of land which needed to be agreed at a strategic level. The Chief Internal Auditor reported that Internal Audit could take a similar report to the Council's Audit Committee to try and speed up resolution of the issue. The Managing Director agreed to look into the issue.

The Chief Internal Auditor has in place a quality review process which appraises external assessment against Public Sector Internal Audit Standards (PSIAS), self-assessment against the CIPFA Statement on the Role of the Head of Internal Audit, reliance placed upon Internal Audit by the Council's external auditor and assessment of the effectiveness of the Audit Committee and relevant performance information.

For the year ended 31 March 2015, the Internal Audit Service has been externally assessed against Public Sector Internal Audit Standards. This assessment was undertaken by external audit.

The outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with the standards in all significant aspects and that there are no areas of concern that the Internal Audit Service is unable to form a judgement as to the proper and effective working of the system of internal control.

RESOLVED – (i) That the committee is satisfied with the Internal Audit Annual Report 2014/15.

(ii) That the committee placed on record its thanks to the Council's Internal Audit Service for its work during the year.

21 2015/16 INTERNAL AUDIT PLAN – PROGRESS REPORT

Progress made by the Internal Audit Service against the audit plan for the financial year 2015/16 was reported.

As at 19 June 2015, one final report has been issued and two further audits were in progress.

RESOLVED – That the committee is satisfied with progress to date with the 2015/16 Internal Audit Plan.

22 FORWARD PLAN

A forward plan of reports which will be presented to Audit Committee during the next year was submitted.

RESOLVED – That the forward plan be noted.

23 DATE AND TIME OF NEXT MEETING

The next meeting of the committee will be held on Wednesday, 14 October 2015 at 2pm in Room S21, Gateshead Civic Centre, Regent Street, Gateshead.

24 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business in accordance with Category 4 of the Company's Access to Information Rules.



Report to Audit Committee

14 October 2015

Title: Risk Management Policy

Report of: Head of Corporate Services

Purpose of report

1. To approve an updated Risk Management Policy.

Background

2. The Board approved a new Risk Management Policy at its meeting on 8 July 2010. This was following a comprehensive review of risk management that was carried out by Price Waterhouse Coopers.
3. Following an internal audit of risk management in 2012, one of the recommendations in the report was to carry a review of how risks and mitigation are evaluated to allow the operational risk register to be developed to highlight the impact of the cost effectiveness of controls. This resulted in residual likelihood and impact after future actions and the impact of cost of effectiveness of future actions being added to the risk register. These changes have been reflected in the Policy.
4. The Policy previously based its definition of risk around the Audit Commission's definition. Given that the Audit Commission has been abolished for some time now, a more current definition has been included in the Policy.
5. Other minor changes have also been made to the Policy since it was approved in 2010 which have not been reported to the Board but have been updated to the Policy in the Governance Handbook.
6. The updated Policy with all the changes highlighted in red is attached at the Appendix to this report.

Link to Values

7. This report links to the company values of being
 - Customer focused
 - Open and honest
 - Accountable

- Inclusive, valuing diversity

Risk Management Implications

8. The risk management implications are addressed throughout the report and in the Risk Management Policy.

Financial Implications

9. There are no financial implications directly arising from this report.

Equality and Diversity Implications

10. There are no equality and diversity implications directly arising from this report.

Health Implications

11. There are no health implications arising from this report.

Environmental Implications

12. There are no environmental implications arising from this report.

Value for Money Implications

13. A robust risk management process that is embedded throughout the company will provide value for money.

Consultation carried out

14. It has not been necessary to carry out any consultation when compiling this report.

Impact on Customers

15. An effective risk management process will maintain the delivery of services to customers.

Recommendation

16. The committee is asked to approve the updated Risk Management Policy and for the policy to be reviewed bi-annually.



The Gateshead Housing Company
Working with Gateshead Council

RISK MANAGEMENT POLICY

RISK MANAGEMENT POLICY STATEMENT

The Gateshead Housing Company will adopt the principles of risk management to protect the health, safety and welfare of its employees and the people it serves, to protect its property, assets and other resources and to maintain its reputation and good standing in the wider community.

The company provides a wide range of housing management services to the tenants and leaseholders of Gateshead Council, all of which give rise to some level of risk. We are fully committed to regularly identifying and assessing these risks and taking appropriate action to prevent, or minimise, their impact on service delivery. In this way the Company will better achieve its corporate objectives and enhance the value of the services it provides to the community.

The company's Risk Management Policy objectives are to:

- Integrate risk management into the culture of the Company.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental, economic and legislative risks – including opportunities as well as threats.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those connected with the delivery of services.
- Support sustainable improvements in service and the achievement of best value.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Company in relation to risk management.
- Providing opportunities for shared learning on risk management across the Company.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees through relevant training.
- Monitoring risk management arrangements and seeking opportunities through effective risk management on an ongoing basis.

RISK MANAGEMENT POLICY

General

1. This Policy provides the framework within which the company will manage the strategic and operational risks associated with the provision of its wide range of services.
2. Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Company's strategic objectives and enhances the value of the services it provides to the community.

Definition

3. **The Institute of Risk Management (IRM) Risk Management Standards defines risk as:**

'The combination of the probability of an event and its consequences. Events and consequences can constitute opportunities for benefits or threats to success.'

When does Risk Management apply?

5. Risk management will apply throughout the Company's operations and strategic objectives, the following situations are examples of where risk management is essential:
 - Making corporate, strategic and service planning arrangements
 - Priority setting
 - Developing policies and supporting strategies
 - Planning service delivery and operational activities
 - Considering new legislation
 - Project planning and managing
 - Procuring or undertaking options appraisals
 - Partnership and joint working arrangements
 - Performance management framework

Benefits of Risk Management

6. There are a number of benefits which can be gained through an effective and robust risk management process:
 - Enabling future activity to take place in a consistent and controlled manner
 - Improving decision making, planning and prioritisation by the use of a comprehensive and structured understanding of business activity, volatility and project opportunity/threat
 - Contributing to more efficient use of capital and resources within the organisation
 - Reducing volatility in the non-essential areas of the business
 - Protecting and enhancing assets and company image
 - Developing and supporting people and the organisation's knowledge base
 - Optimising operational efficiency

Risk types

7. Strategic risks - those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements. Strategic risks will be owned by the **Management Team**.
8. Operational risks - those which are encountered during the day to day running of the Company. Operational risks are owned by the relevant **Head of Service**.
9. Project risk will also be identified and managed through the project management process. **Relevant projects will be required to have an individual project risk register.**

Risk Registers

10. A strategic risk register should be maintained by the **Management Team** and the Board **and monitored by Audit Committee**.
11. An operational risk register should be held for the following two directorates within the Company:
 - Corporate Services
 - **Customers and Communities**
12. The strategic and operational risk registers should link to the Company's objectives and performance management framework.
13. **An example of the template risk register which should be used for strategic risk registers is shown at Appendix 1.**
14. An example of the template risk register which should be used for operational risk registers is shown at Appendix 2.

Risk Appetite

15. The Board's role is to determine the company's appetite for risk. This should be reviewed annually and agreed by the Board.

Risk Scoring

16. The risks are prioritised based on likelihood and impact using a traffic light system.
17. Both strategic and operational risks will be scored using a traffic light system based on likelihood and impact. Given that strategic risks are critical to the future operation of the business, the impact will be significantly higher for these risks. The likelihood is the same for both types of risks.

Likelihood – Strategic and Operational Risks

Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months

Scoring	Definition	Timing of occurrence
3	Likely	3 – 6 months
2	Moderate	6 – 12 months
1	Unlikely	In excess of 12 months

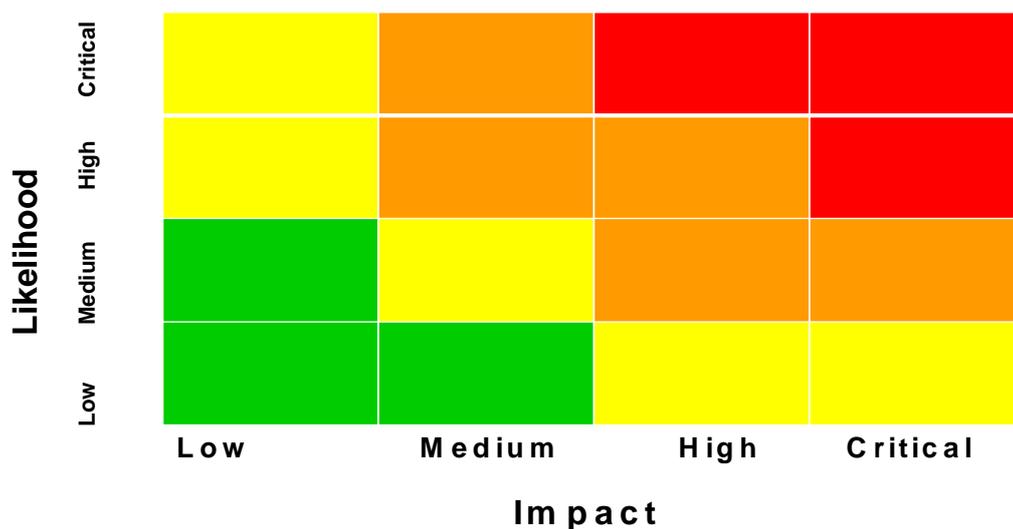
Impact – Strategic Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £500,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £100,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £50,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £50,000 Isolated service user complaints

Impact – Operational Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £200,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £50,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £25,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £25,000 Isolated service user complaints

18. The following four scale matrix demonstrates how the risks will be assessed using a traffic light system: -



Cost Effectiveness of Future Actions

19. When reviewing the risk registers, future actions and timescales should be identified.
20. A residual likelihood and impact score after the future actions should also be identified. In addition, this should also include any relevant details of the cost effectiveness of implementing the future actions to highlight how they offer value for money.

Risk Identification

21. It is the responsibility of the Board and every risk owner within the Company to identify emerging risks. Risk management should be integrated into the culture of the Company. The next section identifies how this process will be managed and monitored.

Monitoring of Risks

The Board

22. The strategic risk register will be scrutinised by the Audit Committee up to three times each year prior to being presented to the Board for approval.
23. The Board will have an annual planning session to undertake a full review of the strategic risks, to identify any emerging risks and to update the current risks proposed.

Audit Committee

24. The Audit Committee will scrutinise the operational risk register for both directorates at each alternate meeting, as well as any critical / high risks that require attention. It will recommend to the Board any risks to be escalated to the strategic register.
25. The roles of the Board and the Audit Committee are outlined in their terms of reference.

Management Team

26. The **Management Team** is responsible for overseeing the strategic direction of the Company and will review the strategic risk register before it goes to Audit Committee with particular attention to the 'red' risks. It will also periodically review the operational risk registers and recommend to the Board any risks that should be escalated to the strategic register. Risk ownership of strategic risks will lie with the **Management Team**.

Heads of Service

27. The **Heads of Service** are responsible for overseeing the operational activities within the Company. They will review the operational risk registers every six weeks and recommend to the **Management Team** any risks that should be escalated to the strategic risk register.

Risk Owners

28. Risk owners will be responsible for updating their risk register every six weeks and identifying any new risks. Risk owners will be required to report on progress.

Risk Manager

29. For the purposes of this policy, the Risk Manager is the Governance and Risk Officer. The Risk Manager will review all risks at an operational level. The review will include but not be limited to:
- A gap analysis of the organisations functional risks which are not covered by any of the risk registers
 - Proposition of any 'red' rated operational risks to the strategic register
 - Challenge to the officers to ensure that scoring is accurate and consistent and that prioritisation is appropriate
 - To ensure that mitigating actions which were proposed have been undertaken or that appropriate revised timescales have been provided
30. The Risk Manager is responsible for implementation of this Policy.
31. The Risk Manager will present the risk registers to the Board and **Audit Committee** in accordance with the timescales outlined above.

How to Treat a Risk

32. There are potentially four ways that a risk should be treated: -
- Tolerate – Done enough; cannot do any more; monitor risk closely.
 - Transfer – Try to move the risk to another organisation, for example outsourcing; insure against risk.
 - Terminate – Stop doing the activity.
 - Treat – Put in place additional controls and monitoring arrangements.
33. These decisions will be taken at the appropriate level of the governance structure depending on the severity of the risk.

Training

34. Those involved with the risk management process will receive appropriate training and periodic refresher training.

Internal Audit

35. Periodically, risks will be reviewed and tested by Internal Audit. Any changes or discrepancies noted will be updated on the relevant risk register by the Risk Manager.

Responsibility

36. The responsibility for the implementation of the Policy is as follows:
- The Head of Corporate Services, in consultation with the Managing Director is responsible for advising the Company on risk management arrangements (Financial Regulation 12.1)
 - The Head of Corporate Services will make the necessary arrangements to facilitate the implementation, monitoring and auditing of the company's Corporate Risk Management Policy
 - Management Team will be responsible for identifying emerging risks, assessing significant risks arising from their service activities and for escalating risks to the strategic risk register
 - All risk owners have a responsibility to implement and monitor adherence to the policy in the everyday activities of their specific service areas
 - The Risk Manager will be responsible for implementing the Corporate Risk Management Policy, reviewing all risks at an operational level

Evidence of Compliance

37. Compliance will be evidenced by:
- The existence and implementation of a Risk Management Policy.
 - Related policy statements and documented procedures.
 - Strategic and operational risk registers for all of the Company's activities.
 - Minutes from the TGHC Board, **Audit Committee** and Management Team.
 - Internal audit reports.

Communication

38. The Policy will be published on the Company's Internet, Intranet and the Board Members website.

Review of Policy

39. The Policy will be reviewed and updated **periodically with any significant changes being reported to the Audit Committee every two years.**

Appendix 1

Ref No.	Strategic Risk	Owner
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Consequence of the risk	
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Current	Likelihood	Current Impact

Previous Likelihood	Previous Impact

Existing Controls

1	
2	
3	
4	

Planned Controls

		Timescale
1		
2		
3		
4		

Future Likelihood	Future Impact

Cost effectiveness of planned controls



Report to Audit Committee

14 October 2015

Title: Strategic Risk Register

Report of: Head of Corporate Services

Purpose of Report

1. To recommend to the Board an updated Strategic Risk Register for the company.

Background

2. The Board, at its meeting held on 11 November 2010, approved an updated Strategic Risk Register following a review of risk management by Price Waterhouse Coopers.
3. The Board, at its meeting held on 8 July 2010, approved an updated Risk Management Policy. The Policy requires the strategic risk register to be reviewed by the Board.
4. The Board, at its meeting on 21 March 2014, agreed that future Strategic Risk Registers be scrutinised by this committee prior to being presented to the Board for approval.

Strategic Risk Register

5. Strategic risks are those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements.
6. The Strategic Risk Register has been updated since it was last reported to the committee in April 2015. A copy is attached as the Appendix to this report with the updates highlighted in red.
7. The following four scale matrix has continued to be used for impact and likelihood:

Likelihood

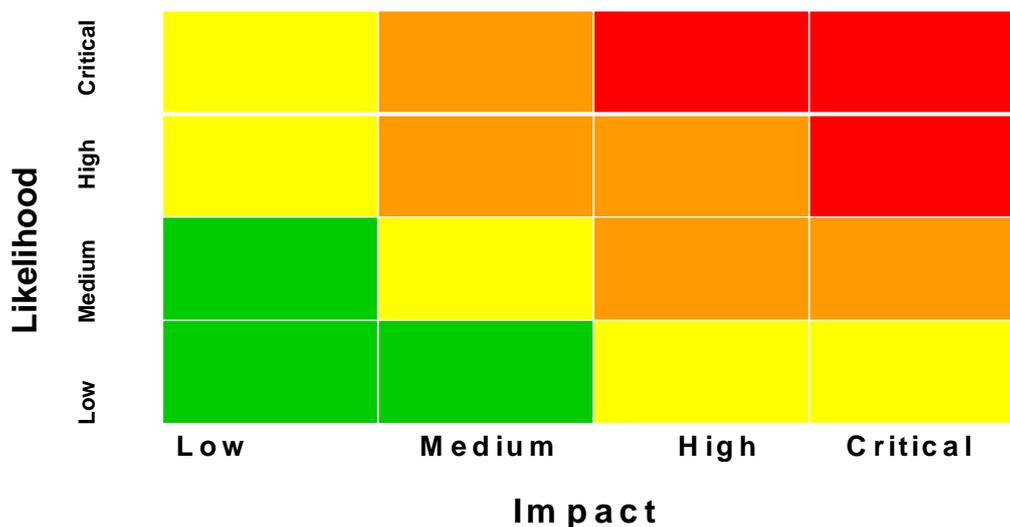
Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months
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2	Moderate	6 – 12 months

Scoring	Definition	Timing of occurrence
1	Unlikely	In excess of 12 months

Impact – Strategic Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £500,000 Government / Council intervention
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2	Medium	Service disruption Loss time injury Financial loss over £50,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £50,000 Isolated service user complaints

8. The following four scale matrix demonstrates how the risks will be assessed using a traffic light system: -



Link to Values

9. This report links to the following values to be: -

- Fair
- Customer focused
- Open and honest
- Accountable
- Inclusive, valuing diversity

Risk Management Implications

10. The risk management implications are identified throughout this report.

Financial Implications

11. There are no financial implications directly arising from this report, however financial risks are identified in the risk register.

Equality and Diversity Implications

12. There are no equality and diversity implications directly arising from this report.

Health Implications

13. Although there are no implications directly arising from this report, the successful implementation of the recommendations will have a positive impact on the health and well being of Gateshead residents.

Environmental Implications

14. There are no environmental implications directly arising from this report.

Value for Money Implications

15. There are no value for money implications directly arising from this report.

Consultation carried out

16. The Strategic risks, existing and planned controls have been discussed and agreed with the managers responsible for the relevant areas..

Impact on Customers

17. An effective risk management process will maintain the delivery of services to customers.

Recommendation

18. The committee is asked to recommend to the Board approval of the updated Strategic Risk Register.

Strategic Risks - Heat map as at April 2015

Likelihood	Almost certain				1
	Likely				1
	Moderate		1	2	
	Unlikely		2	3	
		Low	Medium	High	Critical
		Impact			

Risk No	Risk	Likelihood	Impact	Owner
SR1	Failure to focus on the customer	1	3	Director of Customers & Communities
SR2	Failure to manage the Company's finances & demonstrate value for money	1	3	Head of Corporate Services
SR3	Failure to manage organisational capacity	1	2	Managing Director
SR4	Failure to deliver on new projects	2	3	Director of Customers & Communities
SR5	Failure to deliver effective asset management	2	3	Head of Investment & Property
SR6	Failure to effectively manage business continuity	1	3	Head of Corporate Services
SR7	Failure to manage effective corporate governance	1	2	Managing Director
SR8	Failure to maintain a positive reputation	1	3	Managing Director
SR9	Adverse impact of welfare reform legislation	4	4	Head of Customer Services
SR10	Adverse impact of right to buy	3	4	Head of Corporate Services

SR1	Failure to focus on the customer	Director of Customers and Communities
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Consequence of the risk	Risk of customer dissatisfaction and poor standards of service
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Current Likelihood	Current Impact
1	3

Previous Likelihood	Previous Impact
1	3

Existing Controls

1	New 5 year plan agreed by the Board
2	Annual customer satisfaction surveys monitored and lessons learnt
3	Accreditation of customer services excellence
4	Regular review of service delivery and performance by the Council
5	Scrutiny of service delivery areas by TALISMAN
6	Service Improvement Groups involved in service developments
7	Performance Management Framework in place
8	Monitoring of complaints and implementing learning
9	Work carried out with customers to access services online

Planned Controls

		Timescale
1	Customer Satisfaction Survey	Summer 2015
2	Review of how we deliver services	2015/16
3	Annual programme of service delivery areas by TALISMAN	2015/16
4	Annual programme of Service Improvement Group Activity	2015/16
5	Working with the Complaints Panel to review of complaints performance, learning and service delivery	2015/16

Future Likelihood	Future Impact
1	3

Without the planned controls there is a risk of the likelihood increasing.

SR2	Failure to manage the Company's finances and demonstrate value for money	Head of Corporate Services
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Consequence of the risk	Financial loss to the Company that we are unable to meet through our reserves, inability to deliver services and maintain staffing levels
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Current Likelihood	Current Impact
1	3

Previous Likelihood	Previous Impact
1	3

Existing Controls

1	Regular, accurate budget monitoring scrutinised by TGHC Resources Committee & GC Monthly Finance Meeting
2	2015/16 Budgets approved by Board
3	Comprehensive Internal Audit programme reported to Audit Committee
4	External Audit carried out annually, no significant issues ever raised
5	Robust insurance arrangements in place
6	Qualified Finance Team in place
7	Value for Money Strategy in place and Service Improvement Group
8	Financial Regulations and standing orders in place and regularly reviewed

Planned Controls

		Timescale
1	Revised financial regulations and standing orders to be approved by the Board	30 Nov 2015
2	Value for Money Strategy to be reviewed and approved by Resources Committee	28 Feb 2016

Future Likelihood	Future Impact
1	3

Whilst the planned controls are unlikely to improve the current likelihood and impact, there is a risk of the likelihood and impact increasing if these planned controls are not implemented.

SR3	Failure to manage organisational capacity	Managing Director
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Consequence of the risk	Loss of key members of staff, increase in turnover of staff, increase in sickness absence rates - specifically around an increase in stress levels amongst existing staff
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Current Likelihood	Current Impact
1	2

Previous Likelihood	Previous Impact
1	2

Existing Controls

1	Detailed staffing budgets in place and closely monitored
2	Procedures in place to replace staff who leave
3	Sickness absence closely monitored - ultimately by Resources Committee
4	Dedicated training provided to staff
5	Sickness Absence review meetings held with staff (agreed trigger points)
6	Excellent working relationship with the trade unions
7	Work life balance policy in place
8	Investors in People (IiP) employer
9	Monitor employee turnover and monitor and report on exit interviews

Planned Controls

		Timescale
1	Develop five year Human Resources and Organisational Development Strategy	31 December 2015
2	Work closely with the council on the implementation of Occupational Health and Health and Safety Service Level Agreements (SLA)	Ongoing
3	Work towards The Better Health at Work Award Gold accreditation	01 November 2015
4	IiP review Assessment	30 November 2015
5	Employee surveys for engagement and wellbeing	29 February 2016
6	Explore the value of carrying out an assessment for work related stress using the HSE Management Standards to inform a corporate risk assessment	30 November 2015

Future Likelihood	Future Impact
1	2

Whilst the planned controls are unlikely to improve the current likelihood and impact, there is a risk of the likelihood and impact increasing if these planned controls are not implemented.

SR4	Failure to deliver on new projects	Director of Customers and Communities
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Consequence of the risk	Loss of reputation with the Council, partner agencies and stakeholders leading to reduced opportunities to generate additional income and customer dissatisfaction.
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Current Likelihood	Current Impact
2	3

Previous Likelihood	Previous Impact
2	3

Existing Controls

1	Annual Risk Appetite report to the Board September 2015
2	Specific projects or new ventures are subject to Board approval.
3	Systems in place to ensure accountability and resources identified to support new projects
4	Project management systems in place to deliver new projects and services

Planned Controls

		Timescale
1	Annual Risk Appetite report to the Board	30 Sep 2016
2	Specific projects or new ventures are subject to Board approval.	Ongoing
3	Linked to the delivery of new projects effective risk management process will maintain the delivery of services to customers.	Ongoing
4	Specific projects or new ventures are subject to evaluation by the Board.	Ongoing

Future Likelihood	Future Impact
2	3

Specific projects or new ventures are subject to Board approval and evaluation.

SR5	Failure to deliver effective asset management	Head of Investment & Development
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Consequence of the risk	Properties will fall into non decency, increasing corporate complaints and potential for negative publicity and reputational damage to Council and TGHC. Sustainability of tenancies and neighbourhoods will be adversely affected. Without effective asset management, investment decisions will be ill informed and priorities for the stock not addressed jeopardising longer term sustainability.
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Current Likelihood	Current Impact
2	3

Previous Likelihood	Previous Impact
2	2

Existing Controls

1	Regular operational meetings with Investment Partner and Capital monitoring meetings to oversee progress. Contractors report with progress and KPI performance included for review.
2	Agreed 5 year capital programme to enable a strategic approach to investment decisions.
3	Regular meetings and close working relationship with R&M teams to ensure maintenance issues are identified at earliest opportunity and factored into decisions.
4	Asset, Development and Investment Committee that provide scrutiny to asset management decisions.
5	Cyclical and Planned Maintenance has been aligned with Investment and Development Service so ensure better integration and inform investment decisions, particularly in Multi Story and Sheltered Schemes.

Planned Controls

		Timescale
1	Asset Management Strategy needs to be considered alongside stock condition findings and impact of rent reduction on the sustainability of the HRA business plan.	01 November 2015
2	Establish Cross TGHC / Council - Asset Management Group to endorse and support implementation of strategy. Linked to Above.	01 November 2015
3		

Future Likelihood	Future Impact
2	3

This risk has increased from 2:2 to 2:3 due to concerns around the levels of investment required to our high rise and non-traditional stock. Investment projections have now been made based on stock condition findings. These are being considered in terms of HRA business plan, alongside revised projections on rental income, void loss, RTB etc but risk remains high.

SR6	Failure to effectively manage business continuity	Head of Corporate Services
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Consequence of the risk	Inability to deliver services, leading to an impact on customer satisfaction and potential financial losses to the Housing Revenue Account
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Current Likelihood	Current Impact
1	3

Previous Likelihood	Previous Impact
1	3

Existing Controls

1	Business Continuity Plan in place and reviewed annually
2	Business Continuity Plan exercise carried out
3	Business Continuity team in place
4	MEARS and Construction Services have their owned dedicated plans in place

Planned Controls

		Timescale
1	Review and update of the Business Continuity Plan	31 Jul 2016
3	Work with MEARS & Construction Services to ensure the appropriateness of their plans	30 Sep 2015

Future Likelihood	Future Impact
1	3

The planned controls will ensure that this risk continues to be appropriately managed.

SR7	Failure to manage effective corporate governance	Managing Director
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Consequence of the risk	Failure to manage effective corporate governance could lead to poor strategic decision making, reputational damage to the company and could ultimately lead to direct intervention from the Council.
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Current Likelihood	Current Impact
1	2

Previous Likelihood	Previous Impact
1	2

Existing Controls

1	Board consisting of 5 tenants, 5 independent and 5 Councillor Directors
2	Training and annual appraisal programme in place for all Board Members
3	Annual Governance Review undertaken
4	Revised Committee Structure approved and rolled out including separate Audit Committee
5	Board Governance Pack provided to all Board Members
6	Comprehensive tailored induction programme provided to all new Board Members
7	Board members code of conduct in place
8	Internal and External Audits of the company undertaken

Planned Controls

		Timescale
1	Board Appraisals for 2015/16	31 Dec 2015

Future Likelihood	Future Impact
1	2

This is an area that is already being effectively controlled and the future planned controls will ensure this continues

SR8	Failure to maintain a positive reputation	Managing Director
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Consequence of the risk	Loss of confidence from the Council and our customers, negative press stories
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Current Likelihood	Current Impact
1	3

Previous Likelihood	Previous Impact
1	3

Existing Controls

1	Regular meetings with the Council - Bi-Monthly Strategic Monitoring Meetings, regular monthly meeting with all key Council officers, attendance at housing portfolio meetings and ward issues estate tours.
2	Regular involvement opportunities for customers with a number of different options available to them eg Service Improvement Groups, focus groups, tenants directors on the board / committees
3	Communications team in place to provide positive press stories and react to negative stories

Planned Controls

		Timescale
1	Continue to attend meetings with the Council	Ongoing
2	Continue to involve customers in service delivery	Ongoing

Future Likelihood	Future Impact
1	3

Despite the planned future controls this is an area where it is unlikely to be able to reduce the risk further.

SR9	Adverse impact of welfare reform legislation	Head of Customer Services
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Consequence of the risk	Tenants unable or not willing to pay rent. TGHC and partners unable to meet requests for assistance. Mismatch between demand and supply of appropriately sized properties. Increase in levels of voids, with associated increase in demands on resources. Some properties at risk of being unsustainable, with high turnover and low demand. Rental income significantly reduced due to increased rent arrears and void rent loss. Will lead to TGHC being unable to meet budgetary requirements within revenue, repair and capital budgets; - reduction in satisfaction with services and loss of confidence in ability to manage
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Current Likelihood	Current Impact
4	4

Previous Likelihood	Previous Impact
4	4

Existing Controls

1	Specialist teams provide information, advice and guidance, arrears prevention and recovery services and referral, including 4 x Advice and Support Officer posts embedded within the service
2	2 x Advice and Support Officer posts embedded within Rent and Income Service.
3	Membership of various council-led partnership groups
4	Partnership arrangements with public, private and third sector agencies
5	Advice and support for tenants looking to downsize
6	Assistance given to tenants with applications for Discretionary Housing Payments
7	Redesignation of properties at highest risk of becoming unsustainable
8	Claimants for Universal Credit offered support through application process

Planned Controls

		Timescale
1	Recruit 2 x Advice and Support Officers (to make 4 in total), to assist focus on preparation for Universal Credit	29/05/2015 Complete, added to control (1) above
2	Universal Credit scheduled to go live for new ("JSA") claims from single persons in Gateshead, Felling and Blaydon JobCentres. Identify and support any tenant claimants.	15/06/2015 onwards See new control 8
3	Subject to feasibility study, develop facility for "any day" direct debits (so tenant can link payment day to Universal Credit day)	31 March 2016
4	Meetings with local manager from DWP / Jobcentre Plus re learning and review from implementation of Universal Credit in Gateshead	ongoing initially until 31/03/2016

Future Likelihood	Future Impact
4	4

Planned controls will reduce the impact of welfare reform, but the financial impact (and impact on tenants) will continue to be (at least) high, and probably critical.

SR10	Adverse impact of right to buy	Head of Corporate Services
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Consequence of the risk	Reduction in stock numbers with the subsequent impact on the HRA Business Plan.
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Current Likelihood	Current Impact
3	4

Previous Likelihood	Previous Impact
2	4

Existing Controls

1	Quarterly review with the Council on applications to purchase and numbers sold
2	Right to Buy Update provided to the Board

Planned Controls

		Timescale
1	In conjunction with the Council, continue to review Right to Buy sales and the impact on the investment programme, properties available to let and HRA Business Plan	Quarterly
2	Annual update on impact of Right to Buy to be provided to the Board	31 July 2016

Future Likelihood	Future Impact
3	4

Planned activity will monitor the financial impact on the HRA. The likelihood will continue to be (at least) high, and probably critical.



Report to Audit Committee

14 October 2015

Title: 2015/16 Internal Audit Plan – Progress Report

Report of: Chief Internal Auditor

Purpose of Report

1. This report outlines progress made by the Internal Audit Service against the audit plan for the financial year 2015/16.

Summary

2. The Audit Plan for 2015/16 was agreed by this Committee on 22 April 2015. Progress against the plan is detailed in Appendix 1. As at 30 September 2015, six final reports and one draft report have been issued and three further audits are in progress.
3. The Internal Audit Strategy 2015-18 was agreed by the Committee on 22 April 2015 and details our performance management targets. The table below sets out the current position against each target.

Performance Indicator	Actual Position at 30/9/15	Annual Target
Number of audit assignments completed against annual plan	6 (30%)	20 (95%)
Audits completed within agreed time	100%	90%
Draft reports agreed and returned within 2 weeks	100%	90%
Number of audit recommendations implemented	100%	90%

Link to values

4. This report links to the company values of being: -
 - Fair
 - Customer Focused
 - Open and Honest
 - Accountable

Risk Management Implications

5. The perceived risk of each audit is based on a thirteen point assessment taking into account such areas as materiality, complexity of the system, potential for fraud and sensitivity. Based on a score derived from the assessment, audits are categorised as high, medium and low priorities. This informs the frequency in which audits will be carried out.

Financial Implications

6. The cost of the internal audit work plan is fully provided for in the 2015/16 budget.

Equality and Diversity Implications

7. There are no Equality and Diversity implications associated with this report.

Value for Money implications

8. The delivery of the 2015/16 audit plan and the implementation of internal audit recommendations will assist in identifying efficiencies and achieving value for money.

Health Implications

9. There are no Health implications associated with this report.

Environmental Implications

10. There are no Environmental implications associated with this report.

Impact on Customers

11. Implementation of the recommendations will provide our customers with a better service in terms of customer care.

Consultation carried out

12. The audit plan was developed following consultation with all relevant stakeholders within the Company.

Recommendation

13. The views of the committee are sought on whether it is satisfied with progress to date with the 2015/16 Internal Audit Plan.

Internal Audit Plan 2015/16	Risk		Planned Hours	Planned Report to Committee	Progress at 30 September 2015	Opinion
	Rating	Score				
Fundamental Financial Systems						
Procurement and the Creditors System	251	High	70	Oct-15	Audit moved to quarter 4	
Budget Setting and Monitoring	250	High	50	Oct-15	Final Report Issued	Operating Well
Capital Investment and Asset Management	258	High	90	Jan-16		
Payroll and Human Resources	255	High	80	Jan-16		
Main Accounting	266	High	40	Oct-15	Final Report Issued	Operating Well
Rent Arrears	255	High	150	Apr-16		
Rent Collection	235	High	70	Apr-16	Audit brought forward to quarter 3	
			550			
Corporate Governance						
Business Continuity Arrangements	158	Medium	40	Jul-15	Final Report Issued	Operating Well
Governance	174	Medium	40	Oct-15	Final Report Issued	Operating Well
Performance Framework	157	Medium	50	Jul-15	Final Report Issued	Operating Well
Counter Fraud Arrangements	175	Medium	50	Oct-15	Final Report Issued	Operating Well
			180			
Other Strategic and Operational Risks						
Tenancy Allocation and Lettings	270	High	110	Jan-16	In progress	
Housing Management	266	High	90	Apr-16		
Repairs	269	High	90	Apr-16		
Corporate IT	239	High	10	Apr-16		
Asbestos Management	155	Medium	70	Oct-15	In progress	
Health and Safety	151	Medium	70	Jul-15	Draft report issued	
Gas Servicing	198	Medium	40	Jan-16		
Change Management - IT Audit	149	Low	60	Jan-16	In progress	
Customer Focus	159	Medium	50	Jan-16		
Housing Office Investigation Follow Up	266	High	50	Oct-15	In progress	
			640			
General						
General Advice, Consultancy and Systems Review			40			
Committee Training			15			
Audit Committee			30			
			85			

Total Hours	1,455
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Risk Score Categories:

High: >210

Medium: 150-210

Low: 0 - 149



Report to Audit Committee

14 October 2015

Title: Forward Plan

Report of: Head of Corporate Services

Purpose of report

1. To note the forward plan of reports which will be presented to Audit Committee during the next year.

Background

2. The committee requested, at its last meeting held on 13 January 2015, that a forward plan of reports it will receive at future meetings become a standing item on every committee agenda.
3. Attached as an Appendix to this report is a forward plan of reports that will be presented to meetings of this committee during the next year.
4. This will not be an exhaustive list of reports and there will be some items of business that the committee will be required to consider during the course of the next year.
5. In addition, it will not always be possible to bring all the finalised internal audit reports to the indicated meeting and therefore the Plan will need to be amended from time to time.
6. It will however give the committee an idea of forthcoming business. It will also assist officers when planning in business and meetings to avoid when there is a lot of business.

Link to Values

7. This report relates to the following company values:
 - Fair
 - Customer Focused
 - Open and Honest
 - Accountable
 - Innovative

Risk Management Implications

8. The forward plan will mitigate the risk of reports not being planned into the committee cycle.

Value for Money Implications

9. There are no value for money implications directly arising from this report.

Equality and Diversity Implications

10. Equality and diversity implications will be addressed separately in future reports.

Financial Implications

11. There are no financial implications directly arising from this report.

Health Implications

12. There are no health implications directly arising from this report.

Environmental Implications

13. There are no environmental implications arising from this report.

Consultation carried out

14. Lead officers within the company have identified reports for future meetings of this committee.

Impact on Customers

15. There is no impact on customers as a result of compiling this report.

Recommendation

16. It is recommended that the forward plan be noted.

Audit Committee Forward Plan

Audit Committee	Issues to be discussed
13 January 2016	<ul style="list-style-type: none"> • Operational Risk Register • Internal Audit Plan 2015/16 – Progress Report • Internal Audit Reports 2015/16 <ul style="list-style-type: none"> - Health and Safety - Procurement and the Creditors System - Asbestos Management - Housing Office Investigation Follow Up - Capital Investment and Asset Management - Payroll and Human Resources - Tenancy Allocation and Lettings - Gas Servicing - Change Management – IT Audit - Customer Focus
April 2016 (date still to be confirmed)	<ul style="list-style-type: none"> • Strategic Risk Register • External Audit Strategy and Planning Memorandum 2015/16 • Internal Audit Plan 2015/16 – Year End Progress Report • 2016/17 Internal Audit Plan and Strategy • Internal Audit Reports 2015/16 <ul style="list-style-type: none"> - Rent Arrears - Rent Collection - Housing Management - Repairs - Corporate IT
June/July 2016 (date still to be confirmed)	<ul style="list-style-type: none"> • Operational Risk Register • Report on Statement of Internal Control • Draft Directors' Report and Financial Statements – 2015/16 • KPMG Management Report – Year End 2015/16 • Internal Audit Annual Report 2015/16 • Internal Audit Reports 2016/17
October 2016 (date still to be confirmed)	<ul style="list-style-type: none"> • Strategic Risk Register • Internal Audit Plan 2016/17 – Progress Report • Internal Audit Reports 2016/17