The Gateshead Housing Company
Audit Committee

Tuesday 26 April 2016 at 2pm
Room S21, Gateshead Civic Centre, Regent Street, Gateshead
Agenda

Item	Business
1.	**Apologies for Absence**
2.	**Declarations of Interest**
3.	**Minutes and Matters Arising (Pages 3-6)** To approve as a correct record the minutes of the last meeting of the committee held on 13 January 2016
	ITEMS FOR DECISION
4.	**External Audit Strategy and Planning (Pages 7-31)** Report of Head of Corporate Services
5.	**Strategic Risk Register (Pages 32-45)** Report of Head of Corporate Services
6.	**2016/17 Internal Audit Plan and Strategy (Pages 46-53)** Report of Chief Internal Auditor, Gateshead Council
	ITEMS FOR INFORMATION
7.	**2015/16 Internal Audit Plan – Progress Report (Pages 54-56)** Report of Chief Internal Auditor, Gateshead Council

Contact: Stuart Gibson Tel: (0191) 433 5308 Date: 20 April 2016

Item	Business
8.	**Forward Plan (Pages 57-59)** Report of Head of Corporate Services
9.	**Items for Future Agendas**
10.	**Date and Time of Meetings 2016/17** To note the following schedule of meetings of the committee for the remainder of 2016/17: - • Wednesday, 6 July 2016 at 2pm • Wednesday, 26 October 2016 at 2pm • Wednesday, 18 January 2017 at 2pm
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

The Gateshead Housing Company
Working with Gateshead Council

AUDIT COMMITTEE

13 January 2016

PRESENT:

Directors
George Clark (Chair)
Robert Buckley
Mick Davison
Helen Hall
Tracy Harrison
Peter Mole

Advisers

Neil Bouch	Director of Customers and Communities
Natalie Porthouse	Head of Corporate Services
Phil Gallagher	Head of Investment and Development
Stuart Gibson	Governance and Risk Officer

Also in attendance

David Johnson	Chief Internal Auditor, Gateshead Council
Jane Wright	Audit and Risk Manager, Gateshead Council

Apologies
Joachim Mouanda Moussounda

39 MINUTES

The minutes of the meeting of the committee held on 14 October 2015 were approved as a correct record.

40 MATTERS ARISING – RISK MANAGEMENT POLICY

The Company could not find any specific guidance from the HCA around data assurance but was satisfied that it had appropriate controls in place to guarantee the integrity of its data presented to the Board.

41 OPERATIONAL RISK REGISTER

The committee received an updated Operational Risk Register for Corporate Services and Customers & Communities Directorates.

The following risks have been updated to green risks and will be monitored internally: -

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

- Governance – Inability to fill vacancies or retain directors on the Board or a Board without the right mix of skills.

RESOLVED – That the updated Operational Risk Register for Corporate Services and Customers & Communities Directorates be approved, subject to: -

(i) Consideration of whether a risk was required around cyber fraud.
(ii) Resources Committee considering whether a separate risk was required around absence due to stress.
(iii) The score of the following risks be reconsidered to determine whether the current likelihood should be reduced: -
- FI1 – Increasing occurrence and cost of third party insurance claims
- HS2 – Unsafe working practices on increasing number of decommissioned sites across the borough
- HR2 – Personal injury claims for employees
- PF1 – Inaccurate performance reporting through inaccurate working papers

42 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 31 December 2015, 10 final reports and three draft report have been issued with three further audits in progress.

An additional audit report has been issued that was not included in the Audit Plan, this finding arose during an audit of Gateshead Council's Right to Buy Service. This audit has not been included in the performance figures.

The Committee expressed concern about validity of the performance indicators. It was noted that Internal Audit was looking to review all the current indicators and introduce new indicators related to outcomes from 2016/17.

The committee was advised why it was not possible to bring some internal audit reports to this committee as originally scheduled.

RESOLVED – That the progress to date with the 2015/16 Internal Audit Plan be noted.

43 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.

44 DATE AND TIME OF NEXT MEETING

RESOLVED – That the next meeting of the committee be held on Wednesday 20 April 2016 at 2pm at Gateshead Civic Centre.

45 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.

ITEM 4

Report to Audit Committee

26 April 2016

Title:	External Audit Strategy and Planning Memorandum
Report of:	Head of Corporate Services

Purpose of Report

1. To approve the external audit strategy and planning memorandum for the financial year ending 31 March 2016.

Summary

2. KPMG, our external auditors, have produced their external audit strategy and planning memorandum for the financial year ending 31 March 2016, which is attached as an Appendix to this report.

Link to values

3. This report links to Company values of being open and honest and accountable across the Company.

Impact on tenants

4. There is no direct impact on tenants arising from this report.

Risk Management Implications

5. As part of the plan, KPMG have already reviewed the company's risk profile to identify the potential impact on our financial statements (see page 7 of the Appendix).

Financial Implications

6. The cost of the work 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 company's external audit requirements were subject to a full tender process based on cost and quality.

Consultation carried out

9. The plan has been developed in consultation with all relevant staff within the company.

Recommendation

10. The committee is asked to approve the plan.

Contact: Jon Mallen-Beadle, Managing Director Tel No: (0191) 433 5300

The Gateshead Housing Company

Report to the audit committee – Audit plan and strategy
26 April 2016

Contents

The contacts at KPMG in connection with this report are:

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Audit summary

This is an overview page of the key aspects of our audit approach.

Question	Position	Page
Has there been a change in timeline and approach?	— The timeline and approach is broadly in line with prior year. — We have performed an interim audit visit in March and will carry out our final audit in May, with reporting expected in June.	5
Has there been a change in materiality?	— We have maintained the level of materiality at £750,000 as the scale of operations of the business has not changed significantly. — KPMG will continue to report all individual differences greater than £35,000 to the audit committee.	6
Have there been any changes to our risk assessment and other areas of audit focus?	— We continue to use a risk based audit approach to identify the key risks affecting the Company. — It is anticipated that the risks that will have the greatest effect on our audit, and other areas of audit focus, will be similar to prior year. — We set out our planned approach to pensions balances and our responsibilities in respect of fraud.	7-9
What are the new financial reporting requirements affecting the Company?	— New UK GAAP becomes mandatory for 2015/16. — FRS 102 is a single set of accounting standards developed by the Financial Reporting Council (FRC) and replaces the current UK GAAP. — As part of the conversion, the company will potentially need to restate both their opening Balance Sheets as at 1 April 2014 and comparative Balance Sheets as at 31 March 2015 as if FRS 102 had always been in place.	10

Introduction

Our Audit Strategy and Planning Memorandum sets out our approach to the audit of the Company for the year ending 31 March 2016.

Purpose

This document has been prepared for presentation to the audit committee of The Gateshead Housing Company.

It sets out our proposed approach to the audit of The Gateshead Housing Company for the year ending 31 March 2016 and includes brief information on key members of our core audit team.

In particular this paper:

— Describes our overall strategy and scoping (page 7);

— Sets out our approach to materiality (page 6);

— Identifies the risks and other areas of focus to be addressed by our audit (pages 8-9).

The document has been prepared in an environment where there is considerable focus on governance, and in particular, on accounting and reporting (full and fair disclosure, appropriateness of accounting policies, etc.) and auditing (audit committee responsibility for audit and auditor oversight; auditor independence, etc.)

In this context we welcome input to our strategy and its subsequent approval by the audit committee.

Our responsibilities as auditor

As auditor to The Gateshead Housing Company we are required to provide an audit opinion in accordance with UK law and regulations.

Under UK company law, our responsibility is to the shareholders of The Gateshead Housing Company. In addition, we have professional responsibilities to report certain matters, if they come to our attention, to regulatory bodies.

Our audit of The Gateshead Housing Company is conducted in accordance with the relevant provisions of International auditing standards (UK and Ireland) (ISAs) and our formal terms of reference are set out in our engagement letter. The Audit Additional Terms attached to that letter set out the relevant duties and responsibilities of directors and auditors respectively.

Intended audience

This paper is provided on the basis that it is for the information of the audit committee, other directors and management of the company; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Planned audit timeline

Overview

Our approach to the audit is based on understanding and assessing the Company's structures and processes for decision-making, accountability, control and behaviours and weaknesses and identifying those risks that can affect the financial statements. We then carry out audit procedures to address any identified risks and weaknesses. We assess where the greatest risk of misstatement exists and how effective internal controls are at mitigating these risks.

Audit approach

- Understand the business.
- Identify business risks.
- Identify significant transactions.
- Assess impact on statutory accounts.
- Assess impact on statutory accounts.
- Core business processes.
- Test systems and control.
- Assessment of residual risk.
- Substantive and analytical procedures on reported figures.
- Internal and external debrief.

When

- Audit planning March
- Interim audit March
- Audit strategy April
- Year end audit May
- Reporting June
- Debrief July

What we do

- Planning meeting and agree detailed logistics.
- Interim issues reporting to management.
- Audit strategy presented to the Audit Committee.
- Detailed audit work and clearance meeting with management.
- Presentation of highlights memo.
- Audit report.

Benefit to The Gateshead Housing Company

- Business risk focus.
- Industry specific focus.
- Robust assurance on operation of controls.
- Issues monitored and cleared throughout the year.
- Ongoing liaison with Internal Audit.
- Continuous two way communication.

Materiality and reporting of audit differences

We have maintained our materiality at £750,000 as the scale of operations has not changed significantly from the prior year.

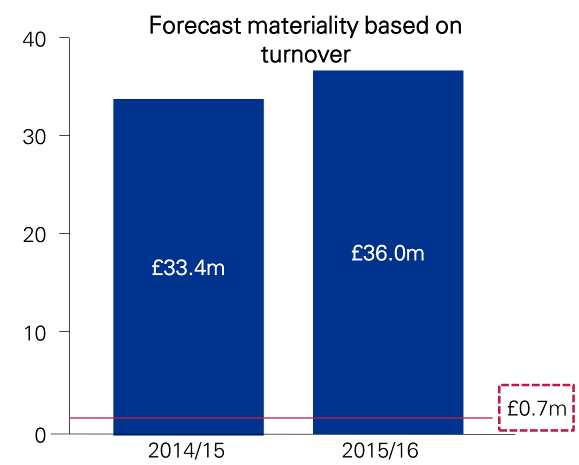
We propose to report all individual differences greater than £37,500 to the audit committee.

Materiality

International Standards on Auditing (UK and Ireland) require that we plan our audit to determine with reasonable confidence whether or not the financial statements being reported on are free from material misstatement.

An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.



Materiality has been set at £750,000 which is 2% of total forecast turnover.

We design our procedures to detect errors at a lower level of precision, set at £562,500, and we have some flexibility to adjust this level downwards.

Reporting to the audit committee

Whilst our audit procedures are designed to identify misstatements (including disclosure misstatements) which are material to our opinion on the financial statements as a whole, we nevertheless report to the audit committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements (including disclosure misstatements) other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In line with ISA 450 we will request you to correct uncorrected misstatements.

In the context of The Gateshead Housing Company we propose that an individual difference could normally be considered to be clearly trivial if it is less than £37,500.

- We propose to report all individual adjusted and unadjusted differences (including disclosure misstatements) greater than £37,500 to the audit committee.
- We will also have regard to other errors below this amount if evidence of systematic error or if material by nature.

Audit overview

We use a risk based audit approach to identify the key risks affecting the Company.

This will be based on our sector experience and our planning meetings with The Gateshead Housing Company staff.

Our audit work will therefore focus on your key risk areas which are set out on the following slides.

Overview

Our approach to the audit is based on understanding and assessing the Company's structures and processes; areas we consider include decision-making, accountability, control and behaviours. We then carry out audit procedures to address any identified risks and weaknesses. We assess where the greatest risk of misstatement exists and how effective internal controls are at mitigating these risks.

Audit planning process

As part of the planning process we have met with management to discuss a number of the key issues in advance of our fieldwork.

In conjunction with the Finance Department we have identified those issues which will be the main focus of our audit (see pages 8-9). This will minimise the amount of work required in the final audit phase and includes work to satisfy the requirements of ISA 330 'The auditor's procedures in response to assessed risks', including tests of key financial controls.

Working with internal audit

During our audit we will seek to place reliance on the Company's higher level controls, and as part of our assessment of the overall control environment we will review and discuss the work carried out by internal audit.

Where any internal audit findings suggest weaknesses in key controls that could impact on significant account balances, we will adjust our approach to reflect these findings and where necessary perform additional testing to ensure that we can gain sufficient, appropriate audit evidence over those significant associated balances.

Use of specialists

Our tailored use of specialists will benefit the Company by providing broader assurance on systems and controls and the application of KPMG's wider experience of the sector. We will use the following specialists:

- Taxation:
  - Assist the audit team to understand and address the corporate tax risk as it affects the audit.
  - Support the team and deliver value through the provision of wider commercial VAT expertise
- Pensions:
  - Assessment of actuarial assumptions for the Local Government Pension Schemes.

Risks, including risks that ISAs require us to raise in all cases, other areas of audit focus and our approach to them

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In the context of the Gateshead Housing Company's audit, we do not consider this to be a significant risk of fraud as there are limited incentives and opportunities to manipulate the way income is recognised, as revenue is governed by the management agreement with the Council.

We are also required to consider the fraud risk from management override of controls.

During our planning we have not identified any additional significant risks that the ISAs would require us to raise with you, therefore we have highlighted the area we consider to be of special interest to the Audit Committee.

Identified risks	Why	Our audit approach
Pensions	The valuation of Local Government Pension Schemes relies on a number of assumptions, most notably around the actuarial assumptions. The different actuarial firms involved in valuing pension liabilities for FRS 17 purposes in the sector adopt a range of assumptions. From recent experience we have found that the discount rate and inflation assumptions can be problematic and have in some instances let to an overly prudent valuation figure. It is therefore critical that the assumptions reflect the profile of the Company's employees, and are based on most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year	We will: Circulate a questionnaire to the actuaries to confirm their qualifications and the basis for their calculations; Agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data; Review the actuarial valuation and consider the disclosure implications; and Review the assumptions made by your actuaries with benchmarks, which are collated by our KPMG actuaries, and to the assumptions used for 2015/16 for consistency.

Significant risks that ISAs require us to assess	Why	Our audit approach
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.	Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business or otherwise unusual.

Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Audit Committee and auditors:
  - Any significant deficiencies in internal controls.
  - Any fraud involving those with a significant role in internal controls.

KPMG's identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Audit Committee, and others.
- Evaluate broad programmes and controls that prevent, deter, and detect fraud.

KPMG's response to identified fraud risk actors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Audit Committee and management.

KPMG's identified fraud risk factors

- Whilst we consider the risk of fraud for The Gateshead Housing Company to be low, we will monitor the following areas throughout the year and adapt our audit approach accordingly:
  - Revenue recognition.
  - Purchasing income.
  - Management control override.
  - Manipulation of results to achieve targets and expectations of stakeholders

New UK GAAP - FRS 102

The Company is applying FRS 102 for the first time for 2015/16.

As part of the conversion, the company will need to restate both their opening Balance Sheets as at 1 April 2014 and comparative Balance Sheets as at 31 March 2015 as if FRS 102 had always been in place.

We have provided management with detailed guidance on transitioning to FRS 102.

New UK GAAP

In late 2012 and early 2013 the Financial Reporting Council issued a suite of standards that replace existing UK accounting standards.

There is a choice, subject to eligibility, of multiple sets of standards under which entities can choose to prepare their accounts. The Gateshead Housing Company is eligible to prepare accounts in accordance with either EU-IFRS or FRS 102.

As FRS 102 requires less extensive disclosures than EU-IFRS and is more closely aligned to the previous UK GAAP standards, management have determined that FRS 102 is the most appropriate choice.

FRS 102

FRS 102 is a single set of accounting standards developed by the Financial Reporting Council (FRC) and replaces the existing UK GAAP.

As part of the conversion, the company will need to restate both their opening Balance Sheets as at 1 April 2014 and comparative Balance Sheets as at 31 March 2015 as if FRS 102 had always been in place.

We have helped both private and public sector bodies to deal with the impact of new accounting frameworks, including IFRS. We have seen clear benefits to starting the conversion process early to ensure the project is properly planned and information requirements are readily available and have already begun discussions with management as to how they will approach conversion.

Overall impact

The concepts and basic principles included within FRS 102 are not significantly different to UK GAAP. Four primary statements are to be presented:

- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Balance Sheet; and
- Cash Flow Statement.

The Statement of Changes in Equity s is a new primary statement and there is no longer a requirement for a statement of historical cost surpluses and deficits. The formats and naming conventions are also slightly different. Following the lead set by IFRS, the notes to the financial statements are generally more extensive under FRS 102.

Differences on transition

For The Gateshead Housing Company there are likely to be relatively few differences in the measurement and recognition of the amounts in the financial statements and the differences are likely to be largely in the way in which the accounts are presented.

Management will, however, need to carry out a detailed analysis of the differences between previous UK GAAP and FRS 102 for all material financial statement items. We have provided management with guidance on how to carry out this analysis and will be available to assist and advise on the process.

Audit management

In our view the most important thing is that the team consists of the right people.

Your team has the relevant housing sector experience, commitment, knowledge, time and personality to continue working with you in a proactive and positive way

Your audit team

Selecting the right team with relevant expertise and experience is crucial to a successful working partnership.

Our audit team has the required skills and experience and combines:

extensive experience in the housing sector and the local marketplace;

a genuine commitment to continuity of service; and

a desire to respond quickly and proactively to requests for information and advice.

The key members of the audit team are:

Nick Plumb will continue to lead the audit service to the Company. Nick will be responsible for ensuring that we provide the highest quality of audit and that your needs and expectations are met. He will be the key point of contact for the Audit Committee.

James Morgan will continue to be responsible for the overall management of the audit with a particular focus on the key risk areas and communication with the Audit Committee and management. He will be responsible for directing and reviewing the fieldwork, supervising the audit team on a day-to-day basis and raising key issues on the audit with Company management as they arise.

Contact details are provided on page 1.

Audit fee

Our proposed audit fee for 2015/16 is £17,500 exclusive of VAT and outlays (2014/15 £17,500).

In addition the also based on the following standard assumptions:

- The Company's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this); and
- There are no significant changes in the Company's activities which impact on our audit work other than those listed in this document.

The Company will also receive the following services, which are included in this fee:

- Membership of the KPMG sponsored Audit Committee Institute;
- Invitations to attend our housing seminars;
- The provision of informal advice; and
- Briefing documents on technical, tax and governance issues.

Appendices

Mandated communications with the audit committee

In addition to matters discussed elsewhere in this presentation, Auditing Standards require us to discuss certain matters with the Audit Committee including the following.

Communication	Section reference
— Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Corporate Governance Code). We must also establish with you a timetable for reporting any insignificant breaches of the IESBA Code of Ethics and UK Ethical Standards (significant breaches are required to be reported as soon as possible). (IESBA Code of Ethics).	— See appendix 2.
— The general approach and overall scope of the audit, including levels of materiality, fraud risks and audit responses, engagement letter and expected general content of communications (ISA 260).	— This paper, including responses to fraud on page 9 and audit materiality on page 6. Our engagement letter is unchanged since 2015.
— Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380).	— In the event of such matters of significance we would expect to communicate with the Audit Committee throughout the year. Formal reporting will be included in our Audit Committee paper for the next Audit Committee meeting, which focuses on the financial statements.
— Significant difficulties we encountered during the audit. — Significant matters discussed, or subject to correspondence, with management. (ISA 260).	
— Our views about the qualitative aspects of the entity's accounting and financial reporting. — The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).	
— Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450).	
— The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570).	
— Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570).	
— Expected modifications to the auditor's report (ISA 705).	
— Other matters warranting attention by those charged with governance, such as any insignificant breaches of the IESBA Code of Ethics and UK Ethical Standards[a], significant deficiencies in internal control, questions regarding management integrity, non-compliance with laws and regulations including illegal acts, and fraud involving management (ISA 265, ISA 260, ISA 250 and ISA 240).	— As above, except that formal reporting on any material weaknesses identified in internal control will be at the June Audit Committee meeting.

Confirmation of independence

We confirm the independence of KPMG LLP

To: Audit Committee members

Professional ethical standards require us to communicate to you as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of Nick Plumb and the audit team. This letter is intended to comply with this requirement although we will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit & Risk Committee.

Confirmation of audit independence

We confirm that as of 26 April 2016, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Partner and audit staff is not impaired.

This report is intended solely for the information of the Audit & Risk Committee and should not be used for any other purposes.

Yours faithfully

KPMG LLP

KPMG LLP

Sector updates

Other articles are provided in this report for information.

If you would like to discuss any of these matters further with us please contact us.

Consumer Regulation Review 2014/15

In September 2015, the HCA set out its experience of carrying out its consumer regulation role in 2014/15. During 2014/15, they published 6 findings of serious detriment. In each of these cases they found that providers had breached the home standard. In previous years, a failure to meet statutory obligations with regard to gas servicing underpinned all of the breaches identified. In 2014/15 this occurred in the majority of cases, but they also found serious detriment both as a consequence of a structural failure of a building, and a widespread, persistent failure of an emergency repairs service.

The key messages highlighted were as follows:

Boards are responsible for ensuring that their organisation complies with all of the standards, both economic and consumer. The fact that the regulator regulates consumer standards reactively does not lessen the obligation to comply, but does make the risk of non-compliance significant as interventions in the event of failure are likely to be of consequence.

The importance of health and safety obligations. Boards and councillors who govern housing associations' service delivery must make sure that they have proper oversight of all health and safety issues, including gas servicing, fire safety and other issues such as asbestos. Meeting health and safety requirements in respect of tenants is a fundamental responsibility.

Many of the referrals which come to the regulator are ultimately judged to be individual complaints which, however well-founded they may be, do not represent a breach of the standards.

The correct route for redress for these continues to be the association's own complaints process, a Designated Person under the terms of the Localism Act 2011, and the Housing Ombudsman. The HCA continues to encourage tenants to pursue the appropriate route for their complaints, and encourages associations to ensure their tenants know of that route.

In the case of private registered providers, when the HCA finds a breach of the standard which has or may cause serious detriment, they will also consider the impact upon their view of the provider's compliance with the Governance and Financial Viability Standard. There is a separate process and basis for consideration: there is no "double jeopardy" whereby a breach of a consumer standard automatically creates a judgement of a breach of the Governance and Financial Viability Standard.

Where a provider becomes aware of a potential breach of a consumer standard which it believes has or could result in serious detriment to tenants, it should communicate this to the regulator in a timely way. The increasing number of self-referrals by providers to the regulator, particularly on well-established gas safety issues, indicates growing awareness of this obligation.

The consumer standards continue to apply to local authorities, even though the economic standards do not.

Where another statutory body is investigating a matter which may be a breach of the consumer standards (such as the Health & Safety Executive), the HCA will take into account the action being undertaken by that authority when exercising our own regulatory powers.

Further detail can be found here: http://bit.ly/1jDB92s

Sector updates

Other articles are provided in this report for information.

If you would like to discuss any of these matters further with us please contact us.

Learnings from in-depth assessment (IDA) pilots

In June 2015, the Homes and Communities Agency (HCA) published the latest "Regulating the Standards" document, which provided detail about the HCA's new IDA process (http://bit.ly/1HqGLZh).

Instead of an annual profile on all providers with more than 1,000 homes, the HCA will conduct periodic IDAs, although these are expected to be every three or four years. The IDA is designed to look at risks, finances and governance and will be bespoke to each individual provider. An annual stability check will also be carried out using data supplied by individual providers.

Pilot IDAs have taken place at 10 providers and the first substantive IDAs started in Autumn 2015. Providers should be working towards compliance with the new requirements within Regulating the Standards, particularly the requirement for stress testing scenarios and an assets and liabilities register.

Sector risk profile

The primary focus of the Sector Risk Profile is to outline the key financial risks which, if not properly or adequately managed, may cause a registered provider to fail the HCA's economic standards, in particular the viability element of the Governance and Financial Viability standard.

The 2015 publication particularly highlights changes to the operating environment that will result from the July Budget. These include reductions in rental income, the extension of "Pay to Stay" and further welfare reform changes. Along with the extension of Right to Buy, these changes are likely to have financial implications for associations' business plans.

Boards must ensure they understand issues relating to all the regulatory standards, both economic and consumer.

The full publication can be found here: http://bit.ly/1Qe1MJE

Sector updates

Other articles are provided in this report for information.

If you would like to discuss any of these matters further with us please contact us.

Universal Credit – first steps

Parliament passed the Welfare Reform Act in 2012. A key element of the Act was the abolition of a number of existing welfare benefits and their replacement with a single Universal Credit, designed to be simpler to operate and to incentivise claimants to gain employment. Disability benefits and benefits payable to old age pensioners were not included within the plan. Universal Credit is also paid monthly in arrears, like a salary, rather than weekly.

The key change affecting the sector is the replacement of Housing Benefit with Universal Credit. Universal Credit payments are made direct to the claimant, not the landlord as under Housing Benefit. Research undertaken during the early phases of Universal Credit implementation have shown that:

direct payments resulted in 5.5 percentage points less rent being paid to landlords than under the Housing Benefit system. The bulk of the financial impact occurred during the first few months after tenants migrated to direct payments. There was a distinct and significant drop in rent payments when tenants first migrated, which then improved dramatically over time. (Source: Direct Payment Demonstration Projects: the longitudinal survey of tenants, Department of Work and Pensions, December 2014, http://bit.ly/1Ck3vTF)

98% of housing associations are concerned about their tenants' capability to cope with monthly budgeting and 94% about their tenants' capability to access online systems, and 92% of tenants say they would prefer their housing benefit to be paid directly to their landlord. (Source: Welfare reform impact assessment: Final report, National Housing Federation, January 2015, http://bit.ly/1OKQyLx)

The transfer to Universal Credit

In September 2014, it was announced that Universal Credit will be rolled out to all Jobcentres and local authorities from early 2015, for new claims for single jobseekers. The final tranche (the fourth) of roll-outs is taking place between December 2015 and April 2016. From May 2016, existing benefit claimants will start to be transitioned onto Universal Credit as the roll out for new, more complex claims, continues across the UK. The process should be completed by December 2019.

Alternative payment mechanisms

Housing associations have the option to request an Alternative Payment Arrangement (APA) where their tenant is:

- two or more months in arrears; or
- one or more month in arrears as a result on continually underpaying their rent over a period of time.

When making a request for an APA, the landlord can also request deductions from the tenant's Universal Credit to repay the arrears balance. Deductions can be made of between 10% and 20% of the Universal Credit allowance, at a rate determined by the Department of Work and Pensions.

Sector updates

There have been a number of recent changes to taxation rates and compliance rules.

Please feel free to talk to your audit team about any tax concerns you may have, and where appropriate they can put you in touch with one of our tax specialists.

Apprenticeship Levy – The Government confirmed that the Levy will be set at a rate of 0.5% with effect from April 2017. An allowance of £15,000 will be available to employers to offset the Levy, meaning that only those with a pay bill in excess of £3 million per annum will be liable to the charge. As expected, the Levy will be collected via the PAYE system. In addition to the direct impact on workforce costs, it is possible that some of the larger employment agencies will be covered by the Levy and that increases in agency costs may be passed on to end users.

The Government's aim is to let employers choose and pay for the apprenticeship training they want, which should make apprenticeships more responsive to their business needs. Organisations should review their training requirements, learning and development policies and current training costs to help them plan their future training programmes to benefit from the Levy. The Government's response to the Apprenticeship Levy Consultation indicates that there is scope for employers to get out more than they pay in. With control of the funding, employers should become more demanding customers for high quality training programmes which fully meet their organisation's needs.

Childcare Support – the Government will increase free childcare provision for 3 and 4 year olds and tax free childcare support from 6 April 2017. This will only be available to individuals who earn less than £100,000 per year (per parent, not household) and who work at least 16 hours a week.

Employment intermediaries and tax relief for travel and subsistence – as initially announced in March 2015, workers engaged through employment intermediaries or personal service companies to which the intermediaries' legislation applies, will be denied tax relief on travel and subsistence expenditure from 6 April 2016.

Diesel Company cars – the previously announced abolition of the 3% premium on the company car benefit in kind for diesel vehicles has been deferred from 6 April 2016 to 6 April 2021.

National Insurance Contributions (NIC) contracting out rebates ended on 5 April 2016. The standard rate of NIC from 5 April 2016 was unchanged and will remain at current rates (13.8% for employers and 12% for employees).

Glossary of terms

We define key terms in our memoranda and in the statutory accounts

Accruals: obligations which arise when a good/service has been received but not yet invoiced.

Actuarial loss/gain: gains or losses on pension plans that arise as assumptions change.

Amortised cost: the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

APB Ethical Standards: Standards issued by the Auditing Practices Board covering the integrity, objectivity and independence of auditors.

Articles of Association: the internal rule book for incorporated businesses – a contract that sets out the duties and responsibilities of the Directors and Shareholders.

Balance Sheet: a snapshot of the value of assets and liabilities held by a business at a particular point in time. Aka Statement of Financial Position.

Benefits in kind: remuneration offered to employees instead of cash, e.g. a company car or health insurance.

Capitalised: expenditure held in the balance sheet as the benefits relate to future periods.

Cash Flow Statement: this shows how the level of cash has changed over the period. It takes into account cash payments (eg purchase of an asset) and cash receipts (e.g. receipts from a bank loan, cash sales or proceeds from a disposal of an asset). The Opening cash balance is added to cash receipts and cash payments are deducted to arrive at the Closing cash balance. This is usually different from the Income Statement as it does not include non-cash items such as depreciation, accruals or prepayments.

Chapter 3 of Part 16 of the Companies Act 2006: the Companies Act 2006 is an Act of Parliament which covers a wide range of Company Law. This specific part of the Act describes the Functions of the Auditor which includes requirements/information about the audit report, duties and rights of auditors etc.

Charities Act 2011: an Act of Parliament consisting of rules and regulations which charities must follow.

Code of Conduct for Trustees: a rule book detailing the expected behaviour and responsibilities of Trustees.

Combined Code: sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Construction Industry Scheme: where contractors deduct money from a subcontractor's payments and pass it to HMRC. They are essentially advance payments towards the subcontractor's tax and NI.

Corporation Tax Act 2010: an Act of Parliament for rules over Corporation Tax – who is applicable, what rate, how it's paid and how it's calculated etc.

CPI: stands for Consumer Price Index. The most common measure of Inflation. This is calculated as a percentage based upon how much the price rises for a typical 'basket' of goods over a period.

Creditors: amounts owed by the business to suppliers for goods/services received where the cash hasn't been paid out yet.

Debtors: amounts owed to the business from customers for goods/services sold where the cash has not been received yet.

Deferred tax assets: these are taxes that have been paid or carried forward which have not yet been recognised in the income statement. This can be used to reduce future tax liabilities and can arise due to timing differences between the tax authority's policies and the accounting standards.

Deficit: a shortage of something e.g. not enough cash to meet requirements.

Defined benefit net pension liability: defined benefit schemes are where employees are paid a set amount rather than based upon their contributions. A net liability means the pension liabilities exceed the pension assets.

Glossary of terms (continued)

We define key terms in our memoranda and in the statutory accounts

Depreciation: a cost recognised in the year to reflect the reduction in value of an asset over time.

Derivative: an arrangement or product (such as a future, option, or warrant) whose value derives from and is dependent on the value of an underlying asset, such as a commodity, currency, or security.

Director's remuneration: aka Directors Emoluments. This is the amount that the Directors are paid by the business for the period. This can include Salary, Bonuses, Pensions and Benefits in Kind.

Dissolution: where a business ceases trading and winds down. Its assets are sold to pay off its liabilities and the remainder is distributed out amongst the shareholders.

Emoluments: a salary, fee, or profit from employment or office.

Experience adjustments: adjustments made to actuarial values to obtain actuarial gains and losses. They are used to estimate the reliability of costs used.

Fair value: unbiased estimate of the potential market price of a good, service, or asset.

Finance Act 2010: an Act of Parliament which provides legislation surrounding taxes, duties, exemptions and reliefs. Sets out the current tax rate etc.

Financial instrument: a document representing legal agreement for a monetary value. They can be equity based or debt based and can be traded on stock markets.

First tranche sales of shared ownership properties: the first part of shared ownership properties sold which are classified as stock until sale, as opposed to the remainder which is held as fixed assets.

Fixed asset: an item that is expected to generate economic benefits for the business and is expected to be owned for >1 year. E.g. Cars, Buildings, Patents.

Gilt yields: a Gilt is a UK Government Liability that is listed on the stock exchange, aka Treasury Stock. Investors can obtain these and by doing so are essentially lending to the government. The yield is how much the investor will get back in interest from the gilt over time.

Going concern basis: the financial statements are prepared based on the assumption that the business is expected to continue normal trading operations for at least 12 months.

Goodwill: this is the additional amount paid for a business over and above the value of its Net Assets. This is often to take into account the reputation of the business, branding or its existing customer base.

Gross cost: the cost of a good/service after VAT is charged. Net Cost excludes VAT.

Housing and Regeneration Act 2008: an Act of Parliament that provides the rules and regulations around Social Housing. The Homes and Communities Agency was established as part of this.

Housing Revenue Account: an account which records all revenue expenditure and income relating to the provision of council houses and related services. This is a requirement for Councils and the account cannot be used to fund non-housing related expenditure.

IFRS: International Financial Reporting Standards are rules set by the International Accounting Standards Board (IASB) detailing how accounts should be prepared.

Impairment: this is where an asset is actually worth less than the Net Book Value. For example, a more up to date type of technology could be released which may mean that the asset comes obsolete, or the asset has been damaged. The difference between the carrying amount (the higher of its Fair Value less Selling Costs, and its Value in Use) and the Net Book Value should be recorded as an expense in the Income Statement and the NBV should be reduced

Income and Expenditure Account: this shows the cumulative value of income and expenses that have incurred over a period e.g. 12 months. This shows the profit or loss made by the business and hence aka the Profit & Loss Account.

Inflation risk premium: investors hold assets at nominal value and are therefore exposed to inflation. As the real return over a period depends on how inflation changes over the same period, investors demand a premium for taking on the risk of inflation.

Glossary of terms (continued)

We define key terms in our memoranda and in the statutory accounts

ISA 260: stands for International Standard of Auditing. This specific standard details the requirements for Communication with Those Charged with Governance by the auditors.

ISA 330: stands for International Standard of Auditing. This specific standard details the requirements regarding the Auditor's Response to Assessed Risks.

ISA 610: stands for International Standard of Auditing. This specific standard details the requirements for external auditors when Using the Work of Internal Auditors.

iXBRL tagging: stands for Extensible Business Reporting Language. It is a standard for reporting financial data using labels that computers can interpret.

LGPS: Local Government Pension Scheme.

Liabilities: amounts owed to other parties (external such a bank loans or internal such as intercompany creditors). They reduce net assets in the balance sheet.

Limited by guarantee: this is where the Directors/Shareholders contribute a guaranteed amount to financially back the company up to a certain amount if it gets into financial difficulties.

Material misstatement: an error that has a significant impact on the financial statements to the extent that it could influence the decisions of the users of the financial statements (Stakeholders). What is deemed to be 'material' depends on the size of the business.

Material weaknesses: where one or more of the business's internal controls are ineffective and could lead to a material misstatement in the financial statements.

Memorandum of Association: a legal document which provides general information about the business such as the company name, the name of its shareholders, the address of its registered office and what types of trading it can conduct etc. This must be drawn up upon incorporation (if the business becomes a Limited company).

Net book value: the current value of a fixed asset, which is cost less depreciation to date.

Net current assets: a balance sheet term. It is the amount by which the value of current assets (e.g. cash, trade debtors, stock) exceeds the value of current liabilities (e.g. bank overdraft, trade creditors).

Net realisable value: the amount expected to be received if the asset was sold to the market. Aka NRV.

NHF: stands for the National Housing Federation. They represent the work of housing associations and campaign for better housing.

Operating costs: expenses that are incurred in the general day to day running of the business e.g. rent and rates, administrative salaries, stationary. They are incurred regardless of the level of sales in the period and are therefore also known as indirect costs.

Operating lease: the business rents an asset from a supplier for a periodic charge rather than purchasing the asset outright. The business does not own the asset and therefore it is not recognised in the balance sheet, it is recognised as an expense in the income statement.

Operating surplus: where income is in excess of expenses.

P11D: a form required by HMRC where employers detail the cash equivalents of benefits and expenses that they have provided to employees/directors during the tax year.

Parent undertaking: this is the entity that is above the business in the group and has control over it.

Prepayments: these are assets. the good/service has not been received yet but the business has already paid for them (in advance). The expense should be recognised in the period that the good/service was received rather than when it's paid for.

Prevention of Social Housing Fraud Act: an Act of Parliament prohibiting un-lawful sub-letting and parting with possession of social housing.

Glossary of terms (continued)

We define key terms in our memoranda and in the statutory accounts

Prudent: assets are valued at the lower of cost and net realisable value and liabilities are valued at the higher value. This is to avoid overstating the value of the business.

Rate of return: the percentage profit the business expects to receive on an investment.

Related party transaction: a transaction between the business and another member of the group (e.g. its subsidiary or parent). This can also include transactions between the business and its Directors/Owners etc.

Reserves: this is at the bottom of the Balance Sheet and should equal the value of Net Assets. Can consist of Revaluation Reserves, Share Capital and the Profit & Loss Reserve for example. The total of these reserves is essentially owed by the business to the owners/shareholders.

Revaluation reserve: a Balance Sheet item which records any increase/decrease in the value of Fixed Assets after a revaluation occurs.

RPI: stands for Retail Price Index. This is a measure of Inflation and is calculated as a percentage. Main difference from CPI is that it includes House Prices.

S400 of the Companies Act 2006: section 400 provides an exemption from preparing group accounts for companies included in EEA group accounts of a larger group.

Shared ownership: where the occupier buys a proportion of an asset such as property and pays rent/fees on the remainder to the business.

Social housing grant: funding given to Registered Housing Associations from the government.

Statement of Comprehensive Income (SOCI): shows the changes in net assets over a period of time from sources other than changes in shareholder equity.

Statement of Total Recognised Surpluses and Deficits: a statement showing business performance which presents the profit for the year before dividends, unrealised gains or losses on revaluation of assets, currency translation differences and prior year adjustments.

Straight line basis (depreciation): this is where a fixed asset reduces in value by the same amount each period. This is calculated as follows.

Subsidiary: a business which is controlled by another business (parent) which has >50% voting power.

Surplus: an excess of something e.g. more cash than required.

Swaps: a derivative contract where two parties exchange financial instruments.

Tangible fixed assets: fixed assets which have a physical existence.

Taxation and Chargeable Gains Act 1992: an Act of Parliament which governs the levying of capital gains tax in the United Kingdom.

True and fair view: the financial statements are an accurate representation of the business's activities and performance.

Turnover: the value of goods/services sold over a period.

UK GAAP: stands for Generally Accepted Accounting Practice. Framework for preparing accounts in the UK.

Unqualified audit opinion: the auditor believes the financial statements are not materially misstated, represent a true and fair view of the business and that the appropriate accounting standards have been followed.

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ITEM 5

Report to Audit Committee

26 April 2016

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 October 2015. A copy is attached as the Appendix to this report.

7. The following four scale matrix has continued to be used for impact and likelihood:

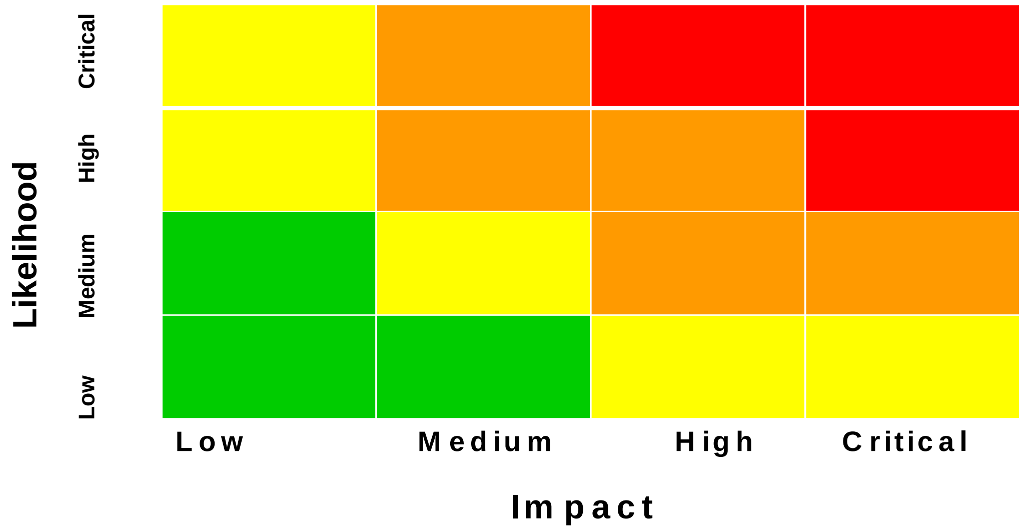
Likelihood

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

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.

Contact: Natalie Porthouse, Head of Corporate Services Tel No: (0191) 433 5350

Strategic Risks - Heat map as at April 2016

Likelihood	Low	Medium	High	Critical
Almost certain				1
Likely				1
Moderate			2	
Unlikely		1	5	

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	3	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 & Development
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

Consequence of the risk	Risk of customer dissatisfaction and poor standards of service

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
2	Review of how we deliver services	2016/17
3	Annual programme of service delivery areas by TALISMAN	2016/17
4	Annual programme of Service Improvement Group Activity	2016/17
5	Working with the Complaints Panel to review of complaints performance, learning and service delivery	2016/17

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**

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

Current Likelihood	Current Impact
1	**3**

Previous Likelihood	Previous Impact
1	**3**

Existing Controls

1	Regular, accurate budget monitoring scrutinsed by TGHC Resources Committee & GC Monthly Finance Meeting
2	2016/17 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	Value for Money Strategy to be reviewed and approved by Resources Committee	**03 May 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

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

Current Likelihood	Current Impact
1	3

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
10	Occupational Health and Health and Safety Service Level Agreements (SLA)

Planned Controls

		Timescale
1	Draft five year People Plan - action plan to be developed - Resources Committee for approval	31 May 2016
3	Work towards The Better Health at Work Award Gold accreditation	31 July 2016
4	IiP Re-Assessment	30 June 2016
5	Annual Employee surveys for engagement and wellbeing	28 February 2017
6	Explore the value of carying out an assessment for work related stress using the HSE Management Standards to inform a corporate risk assessment	31 December 2016
7	Planned integration of employees from TUPE	30 April 2016
8	Planned induction of employees from TUPE (including consideration of holding Employee Conference)	31 December 2016

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**

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.

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

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 adversley affected. Without effective asset management, investment decisions will be ill informed and priorities for the stock not addressed jeopardising longer term sustainability.

Current Likelihood	Current Impact
2	3

Previous Likelihood	Previous Impact
2	3

Existing Controls

1	Regular operational meetings with Investment Partner and Capital monitoring meetings to oversee progress. Comntractors 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 maintanance 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 alligned with Investment and Development Service so ensure better integration and inform investment decisions, particulalry in Multi Story and Sheltered Schemes.

Planned Controls

		Timescale
1	In light of pressures on HRA, aim is to allign asset management with responsibility for the HRA to ensure that investment decisions are made in the context of the HRA Business Plan.	**01 June 2016**
2	Establish Cross service - Asset Management Group to endorse and support implementation of strategy. Linked to Above.	**01 October 2016**

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 remntal income, void loss, RTB etc but risk remains high.

SR6	Failure to effectively manage business continuity	Head of Corporate Services

Consequence of the risk	Inability to deliver services, leading to an impact on customer satisfaction and potential financial losses to the Housing Revenue Account

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**

Future Likelihood	Future Impact
1	**3**

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

SR7	Failure to manage effecive corporate governance	Managing Director

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.

Current Likelihood	Current Impact	Previous Likelihood	Previous Impact
1	2	1	2

Existing Controls

1	Board consisting of 5 tenants, 5 independent and 5 Councillor Directors
2	Training and appraisal programme in place for all Board Members
3	Annual Governance Review undertaken
4	Revised Committee Structure approved and rolled out including sepearate 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	**Ongoing**

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 postive reputation**	**Managing Director**

Consequence of the risk	Loss of confidence from the Council and our customers, negative press stories

Current Likelihood	Current Impact	Previous Likelihood	Previous Impact
1	**3**	**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 diiferent options avalaible 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

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

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
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
9	Facility for "any day" direct debits enables tenants to link timing of rent payment with Universal Credit payment

Planned Controls

		Timescale
1	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. Extended for 2016/17**
2	Information to be provided on LHA cap on Housing Benefit to all new tenants. Cap will be effective from April 2018. Note that govt policy deferred for one year for supported tenancies (means tenancies commencing from April 2017, may still be effective in April 2018)	**All new tenancies from April 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

Consequence of the risk	Reduction in stock numbers with the subsequent impact on the HRA Business Plan.

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 most likely critical.

ITEM 6

Report to Audit Committee

26 April 2016

Title: 2016/17 Internal Audit Plan and Strategy

Report of: Chief Internal Auditor, Gateshead Council

Purpose of Report

1. To approve the Internal Audit Plan for the year 2016/17.

Summary

2. The Chief Internal Auditor has produced an Internal Audit Strategy Statement for 2016-2019 which includes the Annual Plan for 2016/17, attached at Appendix 1. The plan is based upon a requirement of 210 audit days (1575 hours). Further detail of the individual audit areas is provided in Appendix 2.

3. Due to the recent transfer of responsibilities from Gateshead Council to the Company 47 additional audit days (350 hours) have been included in the Annual Plan for 2016/17 to ensure all new areas are audited in the first year. From 2017/18 the frequency of these audits will be reviewed using the current risk scoring system.

Link to values

4. This report links to the corporate value of being fair, customer focused, open and honest and accountable across the Company.

Impact on tenants

5. No impact directly from this report.

Risk Management Implications

6. 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 or low priorities. The Company's risk registers, the previous year's audit work and new audit areas are also reviewed. This informs the time allocation and the frequency in which audits will be carried out.

Financial Implications

7. The cost of the internal audit work plan is fully provided for in the 2016/17 budget.

Equality and Diversity Implications

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

Value for Money implications

9. The delivery of the 2016/17 audit plan and the implementation of internal audit recommendations will assist in identifying efficiencies and achieving value for money.

Consultation carried out

10. The plan has been developed following consultation with management.

Recommendation

11. The Committee is asked to approve the Internal Audit Plan for 2016/17.

Contact: David Johnson, Chief Internal Auditor, Gateshead Council Tel: (0191) 433 3711

Appendix 1

The Internal Audit Strategy Statement

2016 - 2019

& Annual Plan 2016/17

The Gateshead Housing Company

Working with Gateshead Council

Introduction

1. Internal Audit plays an essential role in supporting the Company to achieve its objectives and outcomes. The Annual Audit Plan for 2016/17 has been formulated from a review of the major risks that the Company faces over the next 3 years. The plan therefore focuses on areas where we can add the most value and provide assurance that identified risks are being properly managed. Our objective over the 3 years is to promote and champion sound governance and effective and efficient internal controls throughout the Company and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support the Annual Delivery Plan.

2. The Company's internal audit function is provided by Gateshead Council's Internal Audit and Risk Service which is based within the Corporate Finance, Corporate Resources.

Purpose

3. This document sets out Internal Audit's Strategy for 2016-19 and Annual Audit Plan for the financial year 2016/17.

4. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

    - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that require the Chief Internal Auditor to produce a risk based annual plan taking into account the need to give an independent annual opinion on the overall adequacy and effectiveness of the Company's framework of governance, risk management and control;
    - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015; which require [Councils] to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
    - Ensure effective audit coverage and a mechanism to provide independent and objective assurance to the Audit Committee and Senior Managers.
    - Assess the key risks facing the Company and determine the corresponding level of audit resources required to review and comment on the mitigating controls.
    - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money.

Key Outputs 2016-19

5. The Internal Audit and Risk Service will deliver the following key responsibilities:

- To provide ongoing assurance to management on the Company's control environment, comprising systems of governance, risk management and internal control;
- To support the Company's values and expected standards of behaviour;
- To be responsive to organisational change and service demands;
- To work together with the Company's external auditors to ensure reliance can be placed on our audit work ;
- To continue to develop joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across the Company;
- To ensure agreed management actions to audit recommendations made are fully implemented;
- To deliver the statutory requirements of the Accounts & Audit Regulations 2015;
- To deliver effective and timely training to the Company's managers and Audit Committee;
- To provide an effective corporate counter fraud & corruption service.

Risk Analysis and Strategic Plan

6. To allow an annual opinion on the effectiveness of the internal control environment to be delivered Internal Audit will review all major systems and areas of activity within a three-year period. The three-year risk based strategic plan is reviewed annually after considering:

   - The Company's priorities;
   - The risks documented in the strategic and operational risk registers;
   - Consultation with senior managers;
   - Changes in legislation;
   - The scope of any planned external audit work;
   - The implications of external inspection reports;
   - Findings and outcomes from audit and investigation work in 2015/16 and earlier years;
   - The impact of any new areas of responsibility;
   - Time elapsed since the previous audit; and
   - The availability of resources.

7. Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, complexity, potential for fraud and sensitivity. Based on a score derived from these assessments audits are categorised as high, medium or low priority which dictates where they will be audited within the 3-year cycle. High priority areas are audited on an annual basis. The 3 year strategic plan is attached at Appendix 2.

8. Internal Audit cannot manage risks directly; however, it can play an important role by developing a flexible audit approach and a dynamic plan to address emerging risks as well as those risks yet to be identified. As such, it may be necessary to update the audit plan in year, should the risk profile change and different risk emerge. Any changes will be brought to the committee for approval.

How the service will be provided

9. Internal audit provision is delivered by Gateshead Council's in-house team supplemented by a joint working arrangement with Newcastle Council for any ICT auditing. This arrangement will be kept under review on an annual basis over the 3-year period.

10. In order to deliver the Annual Audit Plan at the required quality and professionalism all internal audit employees are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians, or undertaking professional studies.

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

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

12. Staff development needs are continually assessed to ensure we maintain the required level and mix of skills required to deliver a professional and added value internal audit service.

Performance Management

13. We will continually ensure compliance with relevant professional standards through a combination of internal and external reviews of compliance and quality; with the outcomes reported to the Audit Committee. Examples of this include:

    - Internal self assessments by the Chief Internal Auditor.
    - Customer satisfaction questionnaires.
    - Any reliance placed on our work by external auditors.
    - Annual benchmarking information.
    - External assessment every 5 years by a recognised, qualified and independent assessor.

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

Internal Audit Indicators

Performance Indicator	Target
Number of audit assignments completed against annual plan	95%
Audits completed within agreed time (planned hours)	90%

Management Indicators

Performance Indicator	Target
Number of draft reports agreed and returned within 2 weeks	90%
Number of audit recommendations due and implemented	90%

The Gateshead Housing Company Three Year Internal Audit Plan 2016/19

Audit Name	Risk Score	Risk Rating	Frequency (Months)	2016/17 Hours	2017/18 Hours	2018/19 Hours	Coverage of Risks	Report to Committee
Management Activities								
General Advice, Consultancy and Systems Review			12	**40**	40	40		
Committee Training			12	**15**	15	15		
Audit Committee			12	**30**	30	30		
Total Management Activities				**85**	**85**	**85**		
Fundamental Financial Systems								
Procurement and the Creditors System	251	High	12	**90**	90	90	FI3, SR2	Apr-17
Budget Setting and Monitoring	250	High	12	**50**	50	50	FI5, SR2, SR3, SR5, SR8, SR10	Oct-16
Capital Investment and Asset Management	258	High	12	**90**	90	90	SR4, SR5, SR10	Jan-17
Payroll and Human Resources	255	High	12	**60**	60	60	FI5,HR5, HR6, SR3	Jan-17
Main Accounting	266	High	12	**40**	40	40	FI4, SR2	Oct-16
Rent Arrears	255	High	12	**120**	120	120	SR9	Apr-17
Rent Collection	235	High	12	**70**	70	70	LH4, SR9	Oct-16
Total Fundamental Financial Systems				**520**	**520**	**520**		
Corporate Governance								
Risk Management and Business Continuity Arrangements	158	Medium	24	**60**	0	60	IT1, SR4, SR6	Jun-16
Governance	174	Medium	24	**0**	40	0	GR6, SR2, SR7, SR8, SR10	
Performance Framework	157	Medium	24	**50**	0	50	PF1	Jun-16
Counter Fraud Arrangements	175	Medium	24	**0**	50	0		
Information Security Management and Governance	149	Low	36	**0**	0	60	GR1, GR4, GR5, IT1	
Insurance Arrangements	146	Low	36	**0**	0	45	FI1, FI5, HR2, SR2	
Investigations			12	**50**	50	50		
Total Corporate Governance				**160**	**140**	**265**		
Strategic and Operational Risks								
Tenancy Allocation and Lettings	270	High	12	**110**	110	110	SR1, SR9	Jan-17
Housing Management	266	High	12	**40**	40	40	LH4, HR4	Apr-17
Repairs	269	High	12	**90**	90	90	SR1, SR5	Apr-17
Corporate IT	239	High	12	**10**	10	10	IT1	Apr-17
VAT Procedures	157	Medium	24	**0**	30	0	FI6	
Leaseholder Service Charges	160	Medium	24	**50**	0	50	LH1-4	Oct-16
Asbestos Management	155	Medium	24	**0**	70	0	HS2	
Health and Safety	151	Medium	24	**0**	70	0	HS2-6, HR2, HR4	
Void Management	177	Medium	24	**100**	0	100	SR9	Jan-17
Gas Servicing	198	Medium	24	**0**	40	0	SR5, SR8	
IT Audit - Data Security	149	Low	36	**60**	60	60	IT1	Apr-17
Communications	112	Low	36	**0**	0	50	CO1, SR8	
Equality and Diversity	129	Low	36	**0**	0	50	ED1	
Customer Focus	159	Medium	36	**0**	50	0	CO1, SR1	
Total Strategic and Operational Risks				**460**	**570**	**560**		
New Areas								
Housing Support	177	Medium	24	**100**	0	0		Apr-17
Adaptations and Housing Renovation Grants	155	Medium	24	**100**	0	0		Oct-16
Homeless Accommodation	154	Medium	24	**100**	0	0		Oct-16
Sheltered Accommodation	144	Low	36	**50**	0	0		Jun-16
				350	**0**	**0**		

SUMMARY			
Management Activities	**85**	85	85
Fundamental Financial Systems	**520**	520	520
Corporate Governance	**160**	140	265
Strategic and Operational Risks	**460**	570	560
New Areas	**350**	0	0
Total Hours	**1,575**	**1,315**	**1,430**

ITEM 7

Report to Audit Committee

26 April 2016

Title:	2015/16 Internal Audit Plan – Year End 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 the Appendix. At year end, 18 final reports and three draft reports have been issued. Of the two outstanding audits, the Corporate IT report has been delayed until the outcome of a number of Council IT audits have been finalised and extended testing is almost complete on the Procurement and Creditor audit.

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 31/3/16	Annual Target
Number of audit assignments completed against annual plan (includes draft reports where field work is complete)	20 (95%)	20 (95%)
Number of audit recommendations due and implemented	97%	90%
Audits completed within agreed time (planned hours)	90%	90%
Draft reports agreed and returned within 2 weeks	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.

Contact: David Johnson, Chief Internal Auditor, Gateshead Council Tel: (0191) 433 3711

Appendix

Internal Audit Plan 2015/16	Risk		Planned Hours	Planned Report to Committee	Progress at 31/03/2016	Opinion
	Rating	Score				
Fundamental Financial Systems						
Procurement and the Creditors System	251	High	70	Oct-15	In Progress	
Budget Setting and Monitoring	250	High	50	Oct-15	Final Report Issued	Operating Well
Capital Investment and Asset Management	258	High	90	Jan-16	Final Report Issued	Operating Well
Payroll and Human Resources	255	High	80	Jan-16	Final Report Issued	Operating Well
Main Accounting	266	High	40	Oct-15	Final Report Issued	Operating Well
Rent Arrears	255	High	150	Apr-16	Draft Report Issued	
Rent Collection	235	High	70	Jan-16	Final Report Issued	Operating Well
			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	Final Report Issued	Operating Well
Housing Management	266	High	90	Apr-16	Draft Report Issued	
Safeguarding - Secondary report from Housing Management Audit.	N/A	N/A	N/A	N/A	Draft Report Issued	
Repairs	269	High	90	Apr-16	Final Report Issued	Operating Well
Corporate IT	239	High	10	Apr-16	Awaiting completion of Council audits	
Asbestos Management	155	Medium	70	Oct-15	Final Report Issued	Satisfactory
Health and Safety	151	Medium	70	Jul-15	Final Report Issued	Satisfactory
Gas Servicing	198	Medium	40	Jan-16	Final Report Issued	Satisfactory
Change Management - IT Audit	149	Low	60	Jan-16	Final Report Issued	Operating Well
Customer Focus	159	Medium	50	Jan-16	Final Report Issued	Satisfactory
Housing Office Investigation Follow Up	266	High	50	Oct-15	Final Report Issued	Satisfactory
			640			
General						
General Advice, Consultancy and Systems Review			40			
Committee Training			15			
Audit Committee			30			
			85			

Total Hours	**1,455**

Additional Audit						
Right to Buy					Final Report Issued	Satisfactory

Risk Score Categories:
High: >210
Medium: 150-210
Low: 0 - 149

ITEM 8

Report to Audit Committee

26 April 2016

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 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.

Contact: Stuart Gibson, Governance and Risk Officer Tel No: (0191) 433 5308

Appendix

Audit Committee Forward Plan

Audit Committee	**Issues to be discussed**
6 July 2016	• 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 - Procurement and the Creditors System - Housing Management - Safeguarding – Secondary report from Housing Management Audit • Internal Audit Reports 2016/17
26 October 2016	• Strategic Risk Register • Internal Audit Plan 2016/17 – Progress Report • Internal Audit Reports 2016/17
18 January 2017	• Operational Risk Register • Internal Audit Plan 2016/17 – Progress Report • Internal Audit Reports 2016/17
April 2017 (date still to be confirmed)	• Strategic Risk Register • External Audit Strategy and Planning Memorandum 2016/17 • Internal Audit Plan 2016/17 – Year End Progress Report • 2017/18 Internal Audit Plan and Strategy • Internal Audit Reports 2016/17