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11 March 2013

To: Chairman – Councillor Francis Burkitt  
Vice-Chairman – Councillor David McCraith  
Members of the Corporate Governance Committee – Councillors Richard Barrett,  
Mark Hersom, Douglas de Lacey, Ted Ridgway Watt, Peter Topping and  
John Williams

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **SWANSLEY ROOM, GROUND FLOOR** at South Cambridgeshire Hall on **TUESDAY, 19 MARCH 2013 at 9.00 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully  
**JEAN HUNTER**  
Chief Executive

**The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.**

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<b>AGENDA</b>		<b>PAGES</b>
<b>1. Apologies for Absence</b> To receive apologies for absence from committee members.		
<b>2. Declarations of Interest</b>		
<b>3. Minutes of Previous Meeting</b> To confirm the minutes of the meeting held on 14 December 2012 as a correct record.		<b>1 - 4</b>
<b>AUDIT REPORTS</b>		
<b>4. Internal Audit Progress Report</b>		<b>5 - 8</b>
<b>5. Internal Audit Strategy Update 2013-14</b>		<b>9 - 24</b>
<b>6. External Audit: Audit Plan 2012/13</b>		<b>25 - 42</b>

## **DECISION ITEMS**

7. **Risk Management Strategy: Annual Review**

43 - 72

## **INFORMATION ITEMS**

8. **Matters of Topical Interest**

9. **Date of Next Meeting**

To note the following meeting dates:

- 28 June 2013
- 27 September 2013
- 13 December 2013

All meetings to commence at 9am.

### **OUR VISION**

South Cambridgeshire will continue to be the best place to live and work in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment. The Council will be recognised as consistently innovative and a high performer with a track record of delivering value for money by focussing on the priorities, needs and aspirations of our residents, parishes and businesses.

### **OUR VALUES**

We will demonstrate our corporate values in all our actions. These are:

- Trust
- Mutual respect
- A commitment to improving services
- Customer service

## **GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL**

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If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

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**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Corporate Governance Committee held on  
Friday, 14 December 2012 at 9.00 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman	
Councillors:	Richard Barrett Douglas de Lacey Peter Topping	Mark Hersom Ted Ridgway Watt John Williams
Officers:	Patrick Adams Alex Colyer John Garnham Fiona McMillan	Senior Democratic Services Officer Executive Director, Corporate Services Head of Finance, Policy & Performance Legal & Democratic Services Manager and Monitoring Officer
External:	Daniel Harris Suzanne Lane Neil Gibson Mark Hodgson	RSM Tenon RSM Tenon Ernst & Young Ernst & Young

**66. DECLARATIONS OF INTEREST**

None.

**67. MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 28 September 2012 were agreed as a correct record.

**68. INTERNAL AUDIT PROGRESS REPORT**

Dan Harris of RSM Tenon presented this Internal Audit Progress Report which summarised the audits carried out so far during 2012/13.

**Repairs – Partnership Arrangements**

The Executive Director and Dan Harris explained that Internal Audit had revealed deficiencies in the compiling of management information with regard to repairs, but that there was no evidence to suggest that the actual service offered to the Council's tenants had declined. Councillor Richard Barrett, a member of the Direct Labour Organisation Board, provided reassurance as to the latter point.

Members of the Committee expressed concern that without accurate key performance indicators in this area it would be difficult to confirm the level of service being provided.

It was noted that Internal Audit would be carrying out a follow-up report to review whether the recommendations, all of which had been accepted by officers, had been implemented. It was agreed that the date of this review should be brought forward from March to the end of February and the Committee would be informed of its findings at its next meeting.

The Executive Director explained that Internal Audit reports were instigated by the Council's managers to investigate potential areas of concern. These reports were a management tool and as such were usually not widely circulated. However, as an exception to this general practice:

- Reports that directly affected Members, such as the review of Member Development, had been sent to councillors; and
- It was agreed that, due to its obvious relevance, the full report of the forthcoming review of Governance would be tabled as an agenda item at the next following meeting of the Corporate Governance Committee, together with officer's comments on any recommendations.

The Committee

**NOTED** The Internal Audit Progress Report.

**69. EXTERNAL AUDIT: ANNUAL AUDIT LETTER 2011-12 AND CERTIFICATION OF CLAIMS REPORT**

It was noted that the Audit Commission was no longer responsible for auditing the Council, so the Executive Director presented

- The Annual Audit Letter, which summarised the 2011/12 audit of the District Council by the Audit Commission; and
- The Certification of Claims Report, which summarised the claims and returns made by the Council to central government and other grant-paying bodies.

Mark Hodgson of Ernst and Young was welcomed to his first meeting. It was noted that Mark was also the external auditor for Cambridge City and covered Hertfordshire. He lived locally and for logistical reasons he had replaced Paul King who was based in Sussex.

The Committee

**NOTED** The Annual Audit Letter 2011/12 and the Certification of Claims report.

**70. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - QUARTERLY UPDATE**

The Head of Legal and Democratic Services presented this report which:

- Updated the Committee on the new requirement for authorisations to be obtained from the Magistrates Court; and
- The use of the Regulation of Investigatory Powers Act (RIPA) 2000 in the last quarter.

It was noted that:

- The Protection of Freedoms Act 2012 meant that the Council could only use direct surveillance authorised under RIPA if approved by a Magistrate and if the offence that was suspected carried a potential sentence of imprisonment of six months or more (the serious crime test), or related to the underage sale of alcohol or tobacco.
- Officers assured Members of the Committee that they had, and would only, apply to use RIPA powers if they had clear, direct, demonstrable, valid and defensible suspicions that such an offence was being carried out.
- The Council had used the RIPA twice in the quarter October to December 2012 in relation to fly-tipping and benefit fraud.

It was understood that the Council was using the RIPA powers responsibly and the Committee **NOTED** the report.

**71. MATTERS OF TOPICAL INTEREST****Year-end reports**

The Chairman suggested that the year-end reports and statements should be reduced in length, reduced in number and/or amalgamated. Members of the Committee made the following points:

- Shorter reports would free up officer time.
- If shorter reports were poorly written, there was a risk that they might be less informative and so might result in more questions from anyone who read them.
- The Plain English Accounts had been commended by External Audit at an earlier meeting.

The Executive Director said that he had requested that the Legal and Democratic Services Manager and the internal auditors consider the format and content of the Annual Governance Statement and submit a report on rationalising or reducing all reports at the next meeting.

**Head of Finance, Policy and Performance**

John Garnham was welcomed to his first meeting following his appointment as the Council's new Head of Finance, Policy and Performance.

**Additional authorised signatory**

The Committee noted that the Executive Director Corporate Services intended to delegate authority to Graham Smith (Management Accountant) to act as an authorised person under the Council's bank mandate in accordance with Financial Regulations. This decision was to be taken in consultation with the Chairman. The Chairman informed Members he intended to agree with this decision and no Member objected.

**72. DATE OF NEXT MEETING**

The Committee **NOTED** that its next meeting would be held on 22 March 2013 at 9am.

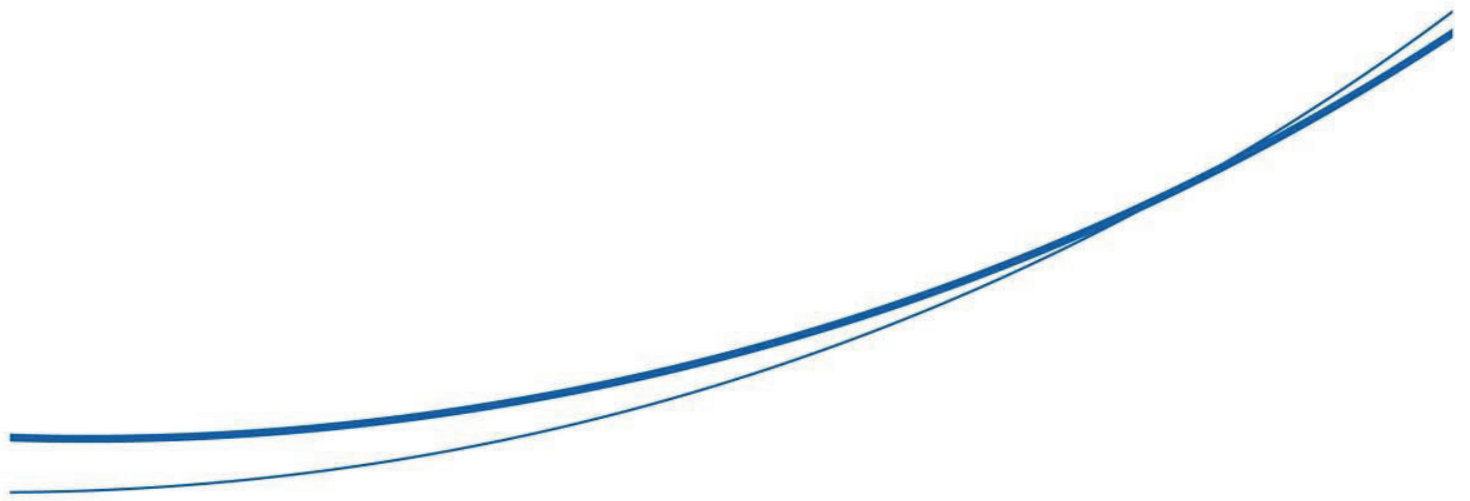
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**The Meeting ended at 9.50 a.m.**

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South Cambridgeshire District Council

Internal Audit Progress Report

Corporate Governance Committee Meeting: 19 March 2013

## Introduction

The internal audit plan for 2012/13 was approved by the Corporate Governance Committee in March 2012. This report provides an update on progress against that plan and summarises the results of our work to date. The reports shown in bold below have been finalised since the previous meeting.

## Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Section 106 Housing and Other Requirements including Open Spaces (1.12/13)	FINAL	Amber / Green	0	3	4
Planning and Growth (2.12/13)	FINAL	Amber / Green	0	1	4
Medium Term Financial Planning (3.12/13)	FINAL	Green	0	0	0
Governance (4.12/13)	FINAL	Amber / Green	0	4	3
Housing Rents (5.12/13)	FINAL	Green	0	1	2
Repairs – Partnership Arrangements (6.12/13)	FINAL	Red	1	6	3
Supported Housing (7.12/13)	FINAL	Amber/Green	0	1	2
General Ledger (8.12/13)	FINAL	Green	0	0	0
<b>Housing Allocations and Voids (9.12/13)</b>	<b>FINAL</b>	<b>Amber / Green</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Capital Expenditure and Capital Accounting (10.12/13)</b>	<b>FINAL</b>	<b>Amber / Red</b>	<b>1</b>	<b>1</b>	<b>1</b>
Creditors (11.12/13)	FINAL	Green	0	1	2
Insurances (12.12/13)	FINAL	Amber / Green	0	2	3
Asset Management (Housing) (13.12/13)	FINAL	Green	0	1	2
Income & Debtors (14.12/13)	FINAL	Green	0	1	0
Procurement (15.12/13)	FINAL	Green	0	1	1
NNDR (16.12/13)	FINAL	Green	0	0	4
Cash, Banking & Treasury Management (17.12/13)	FINAL	Green	0	0	2
Payroll (including Expenses & Pensions) (18.12/13)	FINAL	Amber / Green	0	2	0
Risk Management (19.12/13)	FINAL	Amber / Green	0	0	8
Reconciliation testing (20.12/13)	FINAL	Green	0	0	0
Council Tax (21.12/13)	FINAL	Green	0	0	4

Housing Benefits (22.12/13)	FINAL	Amber / Green	0	0	1
Annual Governance Statement	In Progress				
Follow Up	Quality Assurance Stage				
Repairs Partnership Arrangements - Follow Up Review	Draft report issued				
ICT Review	04 March 2013				
Top up testing	02 April 2013				
Performance Management	15 April 2013				
Environmental Health / Waste Management	Delayed until 2013/14				

## Other Matters

### Planning and Liaison:

Since the last Corporate Governance Committee we have met with Management to discuss the progress of the audit plan and discuss the Internal Audit Plan for 2013/14 which is included as a separate agenda item.

We have issued one red (negative) opinion on the Repairs – Partnership Arrangements audit during 2012/13 which was discussed at the December meeting. The Corporate Governance Committee should note that any negative assurance opinions will be noted in the annual report. No common weaknesses have been identified so far within our reports for 2012/13.

Management have agreed all of the recommendations in the reports finalised above, with agreed target dates for implementation.

### Internal Audit Plan 2012/13 - Change Control:

As reported to the previous Corporate Governance Committee, an additional follow up review of the Red opinion on the Repairs – Partnership Arrangements (6.12/13) has now been completed. A draft report has been issued to management and a verbal update on this report will be provided at the Committee meeting.

At the request of management we have delayed the review on Environmental Health to allow for additional support toward the production of the Annual Governance Statement.

### Information and Briefings:

We have issued two updates electronically since the last Corporate Governance Committee:

- LGE eUpdate LG eUpdate January 2013
- LGE eUpdate LG eUpdate February 2013

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

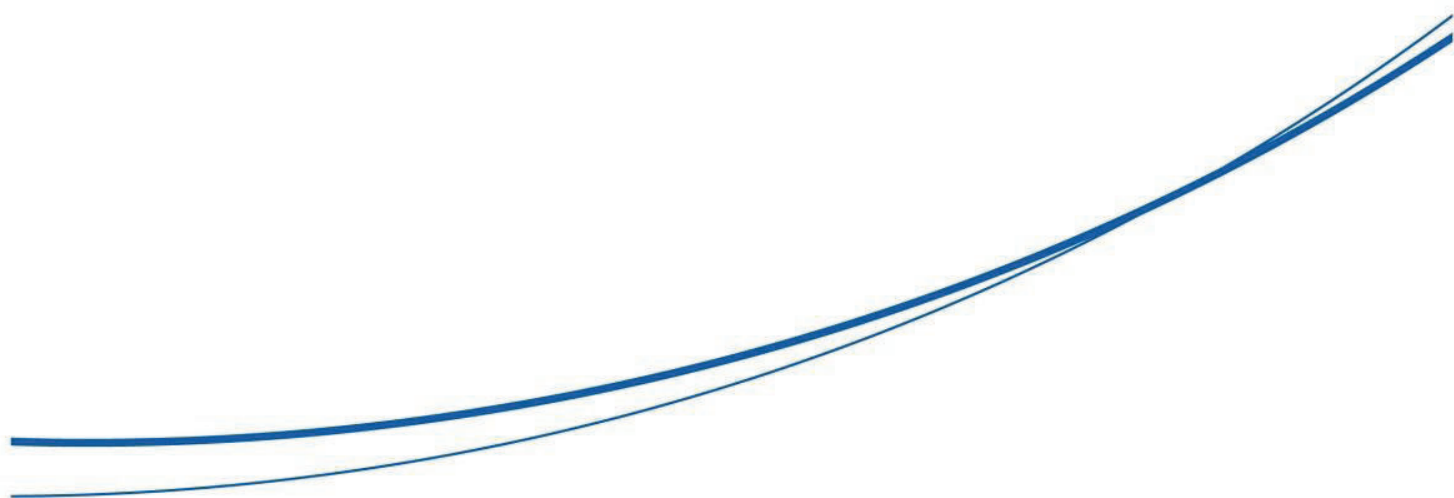
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## South Cambridgeshire District Council

### Internal Audit Strategy Update 2013/14

Presented at the Corporate Governance Committee meeting of:  
19 March 2013

**Recommendation:** That the Committee **Endorses** the Internal Audit Strategy and Plan

Dan Harris  
Head of Internal Audit

## 1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

### 1.1 Role of Internal Audit

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

*(Definition of Internal Audit: Institute of Internal Auditors)*

In line with the requirements of the International Standards, published by the Institute of Internal Auditors, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help South Cambridgeshire District Council to achieve its objectives. The opinion may also be used by the Board to support its Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Corporate Governance Committee.

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

### 2.1 Issues influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of our strategy for delivery of internal audit services.

We have considered our previous work and findings on your risk management processes and consider that we can place reliance on your risk registers to inform the internal audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation. These were used to focus our conversations along with the organisation's assurance priorities with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with the Executive Management Team.

The key changes are summarised below:

#### Key Areas discussed with Management and their impact on the 2013/14 plan

We have added a review of the **Welfare Reform** project as a result of the new risk added to the Strategic Risk Register.

We have delayed the review of **Human Resources** until 2013/14 given the project to be undertaken within the Council within 2013/14.

We have added a review of **Enforcement** to the plan for 2014/15 at request of management

The strategy is set out in Appendix B, with the more detailed annual plan for 2013/14 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the Corporate Governance Committee;
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and

- an audit management allocation, used at Partner and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Corporate Governance Committee.

## **2.2 Working with other assurance providers**

We intend to meet with the External Auditor to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/14.

The Corporate Governance Committee are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes at the organisation. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

## **3 INTERNAL AUDIT RESOURCES**

### **3.1 Your Internal Audit Team**

Your internal audit team is led by Dan Harris as Head of Internal Audit.

Your Client Manager is Suzanne Lane.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

### **3.2 Internal Audit Fees**

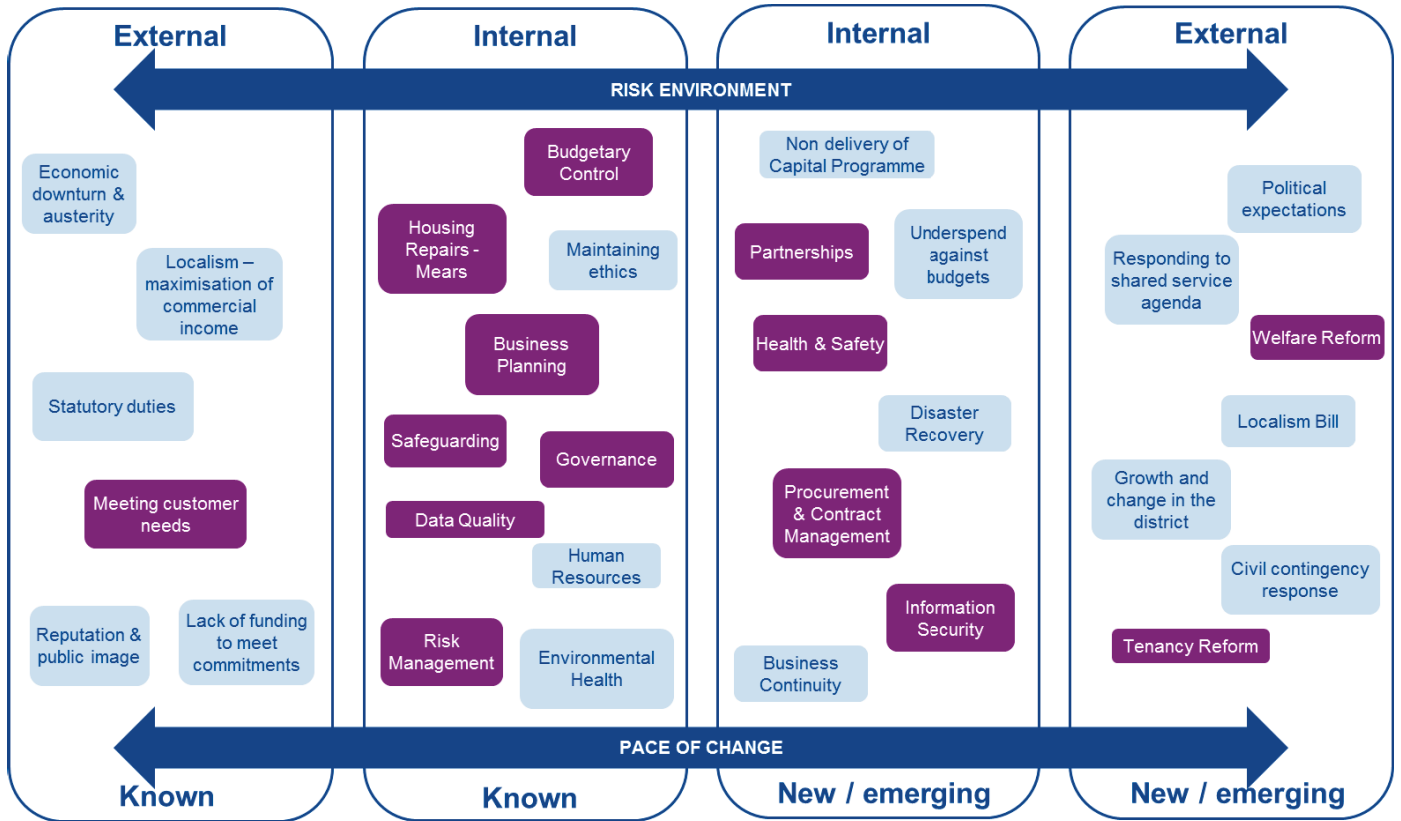
The full year cost for the Internal Audit plan would be £84,440. However, please note it is anticipated that Q1 reviews only will be delivered by RSM Tenon and the fee relating to these audits will be £20,800.

## **4 CONSIDERATIONS FOR THE CORPORATE GOVERNANCE COMMITTEE**

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Corporate Governance Committee?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix C) reflect the areas that the Corporate Governance Committee believes should be covered as priority?
- Is the Committee satisfied that sufficient assurances are being received by the Authority to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

**APPENDIX A: ISSUES AFFECTING SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in purple) are those where internal audit coverage is planned in the coming year.





## APPENDIX B: UPDATED STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16

## Risk Based Assurance

Auditable Areas	Risks	2012/13	2013/14	2014/15
Welfare Reform Project	<p><b>Welfare Reform</b></p> <p>Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system,  <i>leading to possible:</i></p> <ul style="list-style-type: none"> <li>▪ increased IT cost due to required system changes;</li> <li>▪ implementation costs not fully reimbursed by Government grant;</li> <li>▪ increased workload for Benefits and Homelessness teams,</li> </ul> <p><i>resulting in potential for:</i></p> <ul style="list-style-type: none"> <li>▪ adverse effect on service provision due to the number of changes;</li> <li>▪ increased dissatisfaction with the service due to reduced amounts of benefit payable;</li> <li>▪ impact on Medium Term Financial Strategy;</li> <li>▪ devastating effect on people with mental health problems; and</li> <li>▪ dislocation of private sector housing market.</li> </ul>		✓	
<p>Medium Term Financial Strategy (MTFS)</p> <p>Financial Planning and Budgetary Control</p>	<p><b>Medium Term Financial Strategy (MTFS)</b></p> <p>Risks concerning the financial projections include:</p> <ul style="list-style-type: none"> <li>▪ not achieving delivery of savings to meet targets;</li> <li>▪ pay and inflation exceed assumptions;</li> <li>▪ interest rates do not meet forecasts;</li> <li>▪ employer's pension contributions increases exceed projections;</li> <li>▪ impact of successful equal pay claims exceeds available reserves;</li> <li>▪ changes in demand for some service areas could lead to pressures in the related budgets;</li> <li>▪ unforeseen restructuring costs;</li> <li>▪ local government resource review</li> </ul>	✓		✓

Auditable Areas	Risks	2012/13	2013/14	2014/15
	<ul style="list-style-type: none"> <li>- localisation of business rates;</li> <li>▪ major developments do not meet housing trajectory forecast;</li> <li>▪ uncertainty re new homes bonus and formula grant from 2013/14;</li> <li>▪ cost of supporting development and meeting demand from growth;</li> <li>▪ impact of welfare reform (and see STR15 above);</li> <li>▪ costs associated with the economic downturn;</li> <li>▪ HRA self-financing post reform;</li> <li>▪ availability of budget for Cabinet priorities;</li> <li>▪ council tax strategy,</li> </ul> <p><i>leading to</i> the Council needing to take action to cut its budgets, <i>resulting in</i> cuts in services, public dissatisfaction, audit and inspection criticism.</p>			
Planning and Growth	<p><b>Lack of Development Progress</b></p> <p>While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, development is below target, <i>leading to</i> the authority being unable to deliver its housing needs, <i>resulting in</i> the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.</p>	✓		✓
Supported Housing	<p><b>STR12 - Supported Housing</b></p> <p>Reduction in Supporting People (SP) funding,</p> <p><i>leading to</i> loss of staff and changes to delivery structure,</p> <p><i>resulting in</i> dissatisfaction amongst residents and concerns over well being of vulnerable people</p>	✓		✓ (New Contract)
Business Planning	<p><b>HRA Business Plan: Government policy changes</b></p> <p>Government decides to reopen the</p>		✓	

Auditable Areas	Risks	2012/13	2013/14	2014/15
	debt settlement, <i>leading to</i> increased debt requirement, <i>resulting in</i> reduced housing programme.			
Human Resources	<b>Equalities</b> The Council is successfully challenged over not complying with general equalities legislation or legislation specific to public and local authority bodies, <i>leading to</i> possible Commission for Human Rights and Equalities inspection, <i>resulting in</i> reduction in reserves available to support balanced MTFS, adverse publicity and effect on reputation.			✓

#### Core Assurance

Audit Area	Outline scope	2012/13	2013/14	2014/15
Corporate Governance	Annual Review of the Authority's Governance processes.	✓	✓	✓
Risk Management	Annual Review of the Authority's Risk Management processes.	✓	✓	✓
Annual Governance Statement	To ensure that the Annual Governance Statement is an accurate reflection of priority areas.	✓	✓	✓

#### Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2012/13	2013/14	2014/15
Income & Debtors	To provide assurance over the core finance systems and to meet External Audit Requirements.	✓	✓	✓
Budgetary Control		✓	✓	✓
General Ledger		✓	✓	✓
Creditors		✓	✓	✓
Cash, Banking & Treasury Management		✓	✓	✓
Payroll (including Expenses & Pensions)		✓	✓	✓
Capital Expenditure and Asset		✓	✓	✓

Management				
Procurement		✓	✓	✓
NNDR		✓	✓	✓
Council Tax		✓	✓	✓
Housing Benefits		✓	✓	✓
Housing Rents		✓	✓	✓
Top up testing		✓	✓	✓
Reconciliation testing		✓	✓	✓

#### Other Internal Audit Activity

Activity	Rationale	2012/13	2013/14	2014/15
Safeguarding	A review to ensure the Authority is completing and can support the self-assessment Checklist on 'The Implementation of the Key Safeguarding Employment Standards'.		✓	
Partnerships	A review of the Authority's partnership arrangements to ensure that the Authority adequately identifies and manages the partnerships they are engaged in.	✓		✓
Health and Safety	To establish that processes are in place to ensure compliance with Health & Safety legislation and that new legislation is acted upon promptly.		✓	
Human Resources	One of the key platforms to the effective delivery of the Authority's objectives is through its human resource.			✓ See risk based audit
Performance Management	Adequacy of performance management integral part of governance arrangements.	✓	✓	✓
Taxation	To ensure the Authority is correctly identifying VAT, NI and PAYE amounts to be paid promptly and that the payments are reconciled and			✓

Activity	Rationale	2012/13	2013/14	2014/15
	authorised.			
Insurance	To ensure that the Authority has appropriate insurance policies in place, that these are regularly reviewed and claims are appropriately dealt with.	✓		
Environmental Health	To assist in ensuring an effective Environmental Health service which meets its targets and delivers a customer driven service. This could include emergency planning issues.	✓	✓	✓
Repairs – Partnership Arrangements	The Authority has outsourced the contract for responsive repairs/void works and the review will include the partnering arrangements in place and the Council monitoring of the partnership arrangements. (to include both Planned and Responsive Maintenance)	✓	✓	✓
Asset Management (Housing)	To ensure that the Authority is maintaining the standards of its housing stock. The audit will review the stock conditions survey and link to compliance with the Decent Homes Standards.	✓		✓
Housing Allocations and Voids	To ensure that housing stock is allocated promptly to the right applicants through the choice based letting system.	✓	✓	✓
Customer Services	Customer Service arrangements is a key area for the Authority. This review could include customer compliments and complaints or customer first response. The audit in 2013/14 will include the Contact Centre, which has moved to South Cambridgeshire District Council.		✓	
Enforcement	To ensure that a consistent methodology has been applied and compliance with policies and procedures in relation to enforcement.			✓
Section 106	Section 106 planning gain is an important element of any development and maximum benefit should be achieved.	✓		
ICT Review	IT is a key areas core to the operation of the Council's systems.	✓	✓	✓

Activity	Rationale	2012/13	2013/14	2014/15
Proactive Fraud work	Proactive fraud review to ensure compliance with best practice of Managing the Risk of Fraud.		✓	
Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	<p>This will include:</p> <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Corporate Governance Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

## APPENDIX C: INTERNAL AUDIT PLAN 2013/14

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Fees	Proposed Timing	Corporate Governance Committee
<b>Assurance and Advisory Work to Address Specific Risks</b>					
Welfare Reform Project	<p><b>Welfare Reform</b></p> <p>Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system,</p> <p><i>leading to possible:</i></p> <ul style="list-style-type: none"> <li>▪ increased IT cost due to required system changes;</li> <li>▪ implementation costs not fully reimbursed by Government grant;</li> <li>▪ increased workload for Benefits and Homelessness teams,</li> </ul> <p><i>resulting in potential for:</i></p> <ul style="list-style-type: none"> <li>▪ adverse effect on service provision due to the number of changes;</li> <li>▪ increased dissatisfaction with the service due to reduced amounts of benefit payable;</li> <li>▪ impact on Medium Term Financial Strategy;</li> <li>▪ devastating effect on people with mental health problems; and</li> </ul> <p>dislocation of private sector housing market.</p>	To be confirmed - Assurance / Advisory	£2,800	Q2	December 2013
Business Planning	<p><b>HRA Business Plan: Government policy changes</b></p> <p>Government decides to reopen the debt settlement,</p> <p><i>leading to increased debt requirement,</i></p> <p><i>resulting in reduced housing programme.</i></p>	Assurance	£3,200	Q1	June 2013
<b>Compliance</b>					
Corporate Governance	Review of the Governance arrangements in place within the Council.	Assurance	£2,800	Q2	December 2013
Risk Management	<ul style="list-style-type: none"> <li>▪ Risk Management Strategy</li> <li>▪ Risk Register</li> <li>▪ Risk Reporting</li> <li>▪ Identification and use of Assurances.</li> </ul>	Assurance	£2,800	Q3	March 2014

Annual Governance Statement	To ensure that the Annual Governance Statement is an accurate reflection of priority areas.	Advisory	£3,200	Q4	June 2014
<b>Financial Controls</b>					
Income & Debtors	<ul style="list-style-type: none"> <li>Raising and authorisation of invoices;</li> <li>Chasing of outstanding debts;</li> <li>Debt write off.</li> </ul>	Key Financial Controls	£1,600	Q3	December 2013
Budgetary Control	<ul style="list-style-type: none"> <li>Review of monthly budget reports;</li> <li>Budget monitoring meetings;</li> <li>Accuracy of budget reports;</li> <li>Identification of variances and actions taken.</li> </ul>	Key Financial Controls	£2,000	Q3	March 2014
General Ledger	<ul style="list-style-type: none"> <li>Access Controls;</li> <li>Journals;</li> <li>Month end closedown and reconciliation process.</li> </ul>	Key Financial Controls	£1,600	Q3	December 2013
Creditors	<ul style="list-style-type: none"> <li>Placing of orders;</li> <li>Confirmation of goods being received;</li> <li>Authorisation of Invoices;</li> <li>Processing of credit notes;</li> <li>Preparation and authorisation of payment runs.</li> </ul>	Key Financial Controls	£1,600	Q3	December 2013
Cash, Banking & Treasury Management	<ul style="list-style-type: none"> <li>Receipt of cash;</li> <li>Processing of cash payments;</li> <li>Bank mandate;</li> <li>Bank reconciliation;</li> <li>Control over loans and investments where appropriate;</li> </ul>	Key Financial Controls	£2,000	Q3	December 2013
Payroll (including Expenses & Pensions)	<ul style="list-style-type: none"> <li>Starters;</li> <li>Leavers;</li> <li>Changes to contract details;</li> <li>Salary sacrifice;</li> <li>Payment authorisation &amp; run;</li> <li>Authorisation of expenses claims.</li> <li>Reporting.</li> </ul>	Key Financial Controls	£2,250	Q2	December 2013
Capital Expenditure and Asset Management	<ul style="list-style-type: none"> <li>Processing of capital payments;</li> <li>Maintenance of the asset register;</li> <li>Internal verification of assets;</li> <li>Disposals of assets.</li> </ul>	Key Financial Controls	£2,000	Q3	March 2014
Procurement	<ul style="list-style-type: none"> <li>Procurement and Value for Money Strategy;</li> <li>Compliance with the SFI's / SO's;</li> <li>Evidence of obtaining quotations</li> </ul>	Key Financial Controls	£2,250	Q2	September 2013



	<ul style="list-style-type: none"> <li>and tenders;</li> <li>Maintenance of tender register;</li> <li>Approach to monitoring spend within the Authority</li> </ul>				
NNDR	<ul style="list-style-type: none"> <li>Procedures &amp; training;</li> <li>Review of charges;</li> <li>Processing of discounts / exemptions;</li> <li>Processing bills;</li> <li>Debt recovery</li> <li>Reconciliations.</li> </ul>	Key Financial Controls	£2,000	Q3	March 2014
Council Tax	<ul style="list-style-type: none"> <li>Procedures &amp; training;</li> <li>Review of charges;</li> <li>Processing of discounts / exemptions;</li> <li>Processing bills;</li> <li>Debt recovery;</li> <li>Reconciliations.</li> </ul>	Key Financial Controls	£2,000	Q3	March 2014
Housing Benefits	<ul style="list-style-type: none"> <li>Procedures &amp; training;</li> <li>Processing of applications;</li> <li>Checking of applications;</li> <li>Monitoring and Reporting.</li> </ul>	Key Financial Controls	£3,650	Q3	March 2014
Housing Rents	<ul style="list-style-type: none"> <li>Setting of Housing Rents;</li> <li>Rent increases;</li> <li>Collection of rents;</li> <li>Rent arrears monitoring and chasing;</li> <li>Rent arrears reporting.</li> </ul>	Key Financial Controls	£2,000	Q2	September 2013
Top up testing	In order for external audit to place reliance on testing undertaken by internal audit, the sample testing is required across the financial year, as such top up testing is required at year end for the finance systems.	Key Financial Controls	£2,650	Q4	June 2014
Reconciliation testing	Additional financial testing to ensure that reconciliations are undertaken and reviewed in line with External Audit requirements	Key Financial Controls	£1,800	Q3	March 2014
<b>Other Internal Audit Coverage</b>					
Safeguarding	Review of the safeguarding arrangements against the self-assessment checklist on 'The Implementation of the Key Safeguarding Employment Standards'.	Checklist	£2,000	Q1	June 2013
Health and Safety	Review of the Health and Safety procedures held within the council to confirm if these are fit for purpose, regularly reviewed and the	System Based	£2,250	Q1	June 2013

	implementation of these monitored and reported.				
Performance Management	A review to ensure that the performance indicator systems have been established within the Authority that link to the Corporate Plan and that these are being monitored. This will include sample testing some performance indicator back to source systems.	Systems Based	£2,200	Q4	June 2014
Environmental Health / Waste Management	To assist in ensuring an effective Environmental Health and Waste service which meets its targets and delivers a customer driven service. The focus of this review will be agreed with management prior to the start of the review.	Systems Based	£2,250	Q4	June 2014
Repairs – Partnership Arrangements	To follow up on the previous work completed on the Repairs Partnership arrangements.	Systems Based & Follow up	£4,000	Q2	December 2013
Housing Allocations and Voids	A review of the letting allocations process to ensure that properties are promptly identified, applicants chosen and void times minimised.	Systems Based	£2,200	Q2	September 2013
Customer Services – Contact Centre	Review of the Contact Centre including training, monitoring, reporting and dealing with complaints.	Systems Based	£2,250	Q1/2	September 2013
ICT Review	This is a key area of operation which supports the Council's departments. The scope of this review is to be agreed with management prior to the start of the review.	To be confirmed	£4,000	Q1/2	September 2013
Proactive Fraud work	Scope to be agreed with Proactive area of review to be agreed with management.	To be confirmed	£3,650	Q1	September 2013
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	£1,600	Q4	June 2014

Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Corporate Governance Committee meetings.</li> <li>▪ Regular liaison and progress updates.</li> <li>▪ Liaison with external audit.</li> <li>▪ Handover to new Internal Auditors</li> <li>▪ Preparation of the interim / annual internal audit opinion.</li> </ul>	-	£13,800	Ongoing	As used
<b>Total</b>			£84,400		

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

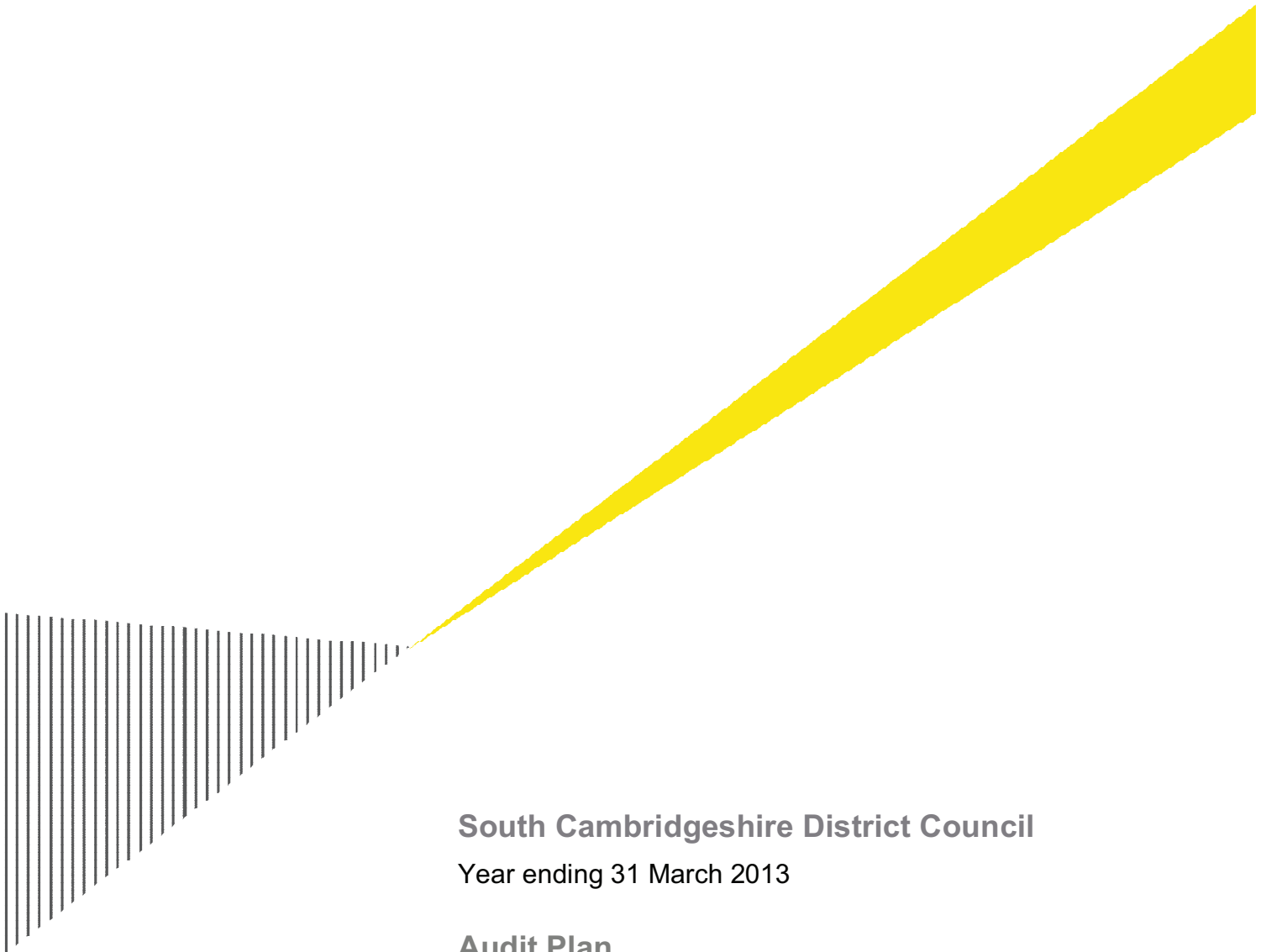
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**South Cambridgeshire District Council**

Year ending 31 March 2013

**Audit Plan**

19 March 2013

Corporate Governance Committee  
South Cambridgeshire District Council  
South Cambridgeshire Hall  
Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6EA

19 March 2013

Dear Francis

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Corporate governance committee with a basis to review our proposed audit approach and scope for the 2012/13 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for South Cambridgeshire District Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 19 March 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson  
Audit Director  
For and behalf of Ernst & Young LLP  
Enc

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# 1. Overview

## Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of South Cambridgeshire District Council give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks.



## **Our process and strategy**

### ▶ Financial Statement Audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We carry out an initial assessment of materiality using the financial statements for 2011/12 but will update this when we receive the draft and final 2012/13 financial statements. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

We aim to rely on the Council's internal controls in the key financial systems. We identify the controls we consider important and seek to place reliance on Internal Audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.

We seek to place reliance on the work of Internal Audit wherever possible. We have already liaised with Internal Audit, established the systems they are testing and made arrangements to review this work.

There has been no change to the scope of our audit compared to previous audits.

### ▶ Arrangements for securing Economy, Efficiency and Effectiveness

We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

We have considered the risks relevant to our value for money conclusion and have not identified at this stage any significant risks requiring specific risk-based work. We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of Internal Audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators. We will also review progress on the Council's financial plans and the transformation programme.

## 2. Financial Statement Risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing South Cambridgeshire District Council, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Estimates</b>	
<ul style="list-style-type: none"> <li>▶ Valuation of Property, Plant and Equipment</li> </ul>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reliance on management experts</li> <li>▶ Reliance on auditor experts</li> <li>▶ Test of detail if required</li> </ul>
<b>Other financial statement risks</b>	
<b>Risk of misstatement due to fraud and error</b>	
<p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Identifying fraud risks during the planning stages.</li> <li>▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.</li> <li>▶ Understanding the oversight given by those charged with governance of management's processes over fraud.</li> <li>▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.</li> <li>▶ Determining an appropriate strategy to address those identified risks of fraud.</li> <li>▶ Performing mandatory procedures regardless of specifically identified fraud risks.</li> </ul> <p>We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.</p>

### 3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

In our planning work so far, we have not identified any significant risks which are relevant to our conclusion on the Council's arrangements. We will continue to monitor the Council's arrangements throughout our audit, including achievement of the 2012/13 budget, financial planning for 2013/14 and 2014/15, and the continued updating of the Council's Medium Term Financial Plan.

If our assessment of risk changes based on this work, we will report this to the Corporate Governance committee.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

#### i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return

#### ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review and re-performance of the work of Internal Audit
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and property valuations
- ▶ Substantive tests of detail of transactions and amounts

## Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- Accounts receivable
- Procure to pay
- Payroll

## Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Corporate Governance committee.

## Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

## Use of experts

We will utilise specialist Ernst & Young resource as necessary, to help us to form a view on judgments made in the financial statements.

## Other procedures

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

### ***Mandatory procedures required by auditing standards on:***

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

**Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

**4.3 Materiality**

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". All uncorrected misstatements found which are not "clearly trivial" will be presented to you in our year-end report.

**4.4 Fees**

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the Council's audit is £68,400, together with an estimated fee of £16,150 for the certification of claims and returns. This fee is predicated on the Council preparing financial statements for audit which are free from material error and which are supported by good quality working papers.

**4.5 Your audit team**

The engagement team is led by Mark Hodgson who has significant experience of the Council's audit.


Mark is supported by Rachel Brittain who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Executive Director, Corporate Services.

## 4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the corporate governance committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Corporate Governance Committee in September 2013. From time to time matters may arise that require immediate communication with the Corporate Governance Committee and we will discuss them with the Corporate Governance Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Corporate Governance timetable	Deliverables	
High level planning:	<b>November</b>		Audit Fee letter	
Risk assessment and setting of scopes	<b>March</b>		Corporate Governance	Audit Plan
Testing of routine processes and controls	<b>February – March</b>			
Year-end audit	<b>July – September</b>			
			Corporate Governance	Report to those charged with governance
			Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).	
			Audit completion certificate	
	<b>Oct</b>		Annual Audit Letter	

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



## **5.2 Relationships, services and related threats and safeguards**

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

### ***Self interest threats***

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report

### ***Self review threats***

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report

### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

### ***Overall Assessment***

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

### **5.3 Other required communications**

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13	Actual Fee 2011/12	Explanation of variance
	£'000	£'000	
<b>Total Audit Fee – Code work</b>	<b>68,400</b>	<b>114,000</b>	40% reduction in line with Audit Commission announcement on scale fees
Certification of claims and returns*	16,150	32,391	See note below

The agreed fee presented above is based on the following assumptions:

- ▶ The Council provides good quality draft accounts which have undergone senior management review by 1 July 2013.
- ▶ Officers provide appropriate responses to queries and other information we request within the agreed timescales to allow us to complete the audit fieldwork by 30 August 2013.
- ▶ We are able to place reliance, as planned, on the work of Internal Audit.
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year.
- ▶ No significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based.
- ▶ Our accounts opinion and use of resources conclusion will be unqualified.
- ▶ The Council maintains an effective control environment.
- ▶ There are no questions asked or objections made by local government electors.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

\*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Corporate Governance Committee of audited clients. These are detailed here:

Required communication	Reference
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Report to those charged with governance
<b>Misstatements</b> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Report to those charged with governance
<b>Fraud</b> <ul style="list-style-type: none"> <li>▶ Enquiries of the corporate governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Report to those charged with governance
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Report to those charged with governance
<b>External confirmations</b> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Report to those charged with governance
<b>Consideration of laws and regulations</b> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the corporate governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the corporate governance committee may be aware of</li> </ul>	Report to those charged with governance
<b>Independence</b> Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and</li> </ul>	Audit Plan Report to those charged with governance

Required communication	Reference
<p>independence</p> <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> <li>▶ Relationships between Ernst &amp; Young, the audited body and senior management</li> <li>▶ Services provided by Ernst &amp; Young that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by Ernst &amp; Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the ethical standards</li> <li>▶ The corporate governance committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Report to those charged with governance
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Report to those charged with governance
<p><b>Opening Balances (initial audits)</b></p> <ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	Report to those charged with governance
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary

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**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

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**REPORT TO:** Corporate Governance Committee

19 March 2013

**AUTHOR/S:** Executive Director (Corporate Services)

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**RISK MANAGEMENT****Purpose**

1. The purpose of this report is for Corporate Governance Committee to conduct the annual review the Council's Risk Management Strategy and process and agree any changes considered necessary.

**Recommendations**

2. That Corporate Governance Committee approves the revised Risk Management Strategy, as set out at Appendix B.

**Reasons for Recommendations**

3. The proposed revised Risk Management Strategy has been updated to address recommendations resulting from Internal Audit's risk management review – it therefore represents appropriate application of risk management best practice to the Council's strategy and process.
4. Executive Management Team (EMT) and the Corporate & Customer Services Portfolio Holder have each rigorously reviewed the Strategic Risk Register, the risks included and assessments of their impact and/or likelihood, control measures / sources of assurance, at quarterly meetings. A review of strategic risks over the past 12 months indicates that Corporate Governance Committee can have assurance that the Council's Risk Management Strategy and process remain effective.

**Background**

5. The Council's Risk Management Strategy was first adopted in January 2004 and has since been updated several times – the last, in March 2012, to address recommendations resulting from an Internal Audit risk maturity review.

**Considerations**

6. The quarterly reviews of the Strategic Risk Register by EMT and the Corporate & Customer Services Portfolio Holder have resulted in:
  - (a) one new risk being added:
    - (i) Increase in numbers in temporary accommodation (January 2013);
  - (b) one risk score being increased:
    - (i) Medium Term Financial Strategy (October 2012);
  - (c) three risk scores being reduced:
    - (i) Supported Housing (June 2012 and again in January 2013)
    - (ii) HRA Business Plan (October 2012);
    - (iii) Depot size (January 2013);
  - (d) and three risks being removed:
    - (i) Implementation of national job evaluation scheme (June 2012);

- (ii) HRA self-financing (June 2012);
  - (iii) Achieving a 10% reduction in CO<sub>2</sub> emissions (October 2012).
- 7. The Corporate & Customer Services Portfolio Holder has reviewed the Strategic Risk Register at quarterly intervals, considering the risks included assessments of their impact and/or likelihood, and control measures / sources of assurance; examples include:
  - (a) June 2012: The portfolio holder accepted the recommendations of EMT that the HRA Self-Financing and the Job Evaluation Scheme risks be removed from the Strategic Risk Register;
  - (b) October 2012: The portfolio holder agreed EMT's recommendations that the MTFS risk impact score be increased from 4 (high) to 5 (extreme) and the likelihood score be increased from 3 (possible) to 4 (likely), and that the HRA Business Plan risk likelihood score be reduced from 3 (possible) to 2 (unlikely);
  - (c) January 2013: The portfolio holder agreed the recommendation of EMT to include a risk of 'Increase in numbers in temporary accommodation' following the request of the Affordable Housing Director, reduce the Supported Housing risk likelihood score from 5 (almost certain) to 3 (possible) following the postponement of the procurement for 6 months, and reduce the Depot Size risk likelihood score from 2 (unlikely) to 1 (rare) as several actions were taking place. The portfolio holder decided not to downgrade the MTFS risk impact score from 5 (extreme) to 4 (high), as there was still considerable financial uncertainty with regard to funding from the Government from 2015/16 onwards.
- 8. A review of the risks identified and assessed over the past 12 months has revealed that three strategic risks (HRA self-financing, Implementation of national job evaluation scheme, and Achieving a 10% reduction in CO<sub>2</sub> emissions) have been successfully managed and removed from the register. In addition, the impact/likelihood assessments of three other strategic risks (Supported housing, HRA business plan, and Depot size) have been reduced. These indicate that the Council's risk management process is effective.
- 9. **Appendix A** attached sets out all the recommendations resulting from internal audit's risk management review, together with management responses, actions taken and, where relevant, proposed updates to the Risk Management Strategy.
- 10. The proposed revised Risk Management Strategy has also been updated for changes in the formats of service area risk registers reported to EMT and the Strategic Risk Register reported to EMT and the portfolio holder, whereby only risks with a total score of 5 or more are shown (risks scoring 4 or less are still on the risk registers, but are not included in the reports) (paragraphs 8.5.1 and 8.5.3 and annexes C and D of the proposed revised strategy refer).
- 11. The proposed revised Risk Management Strategy is attached at **Appendix B**; suggested updates are shown as highlighted text.

### Options

- 12. Corporate Governance Committee could approve the changes proposed to address the Internal Audit recommendations and the resulting proposed revised Risk Management Strategy (**this is the recommended option**). Alternatively, the committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.



### Implications

13.	Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report.
	Risk Management	The updated Risk Management Strategy will ensure the authority has an effective risk management process, reflecting the authority's political arrangements and management structure and the Council's Aims, and providing appropriate ownership and assurance. Risk management is undertaken regularly in order to minimise the possibility of the Council being adversely affected should either an unforeseen risk arise or an assessed risk not be properly planned for.
	Equality and Diversity	The Risk Management Strategy and process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register.
	Equality Impact Assessment completed	No A Partial Equality Impact Assessment (EqIA) of the Risk Management Strategy was prepared in March 2011; the impacts were assessed as neutral, with no issues arising.
	Climate Change	The Risk Management Strategy and process has no inherent climate change implications; however, 'Safeguarding the Council's services against climate change' is included as a risk area on the Strategic Risk Register.

### Consultations

14. The review of the Council's Risk Management Strategy has taken into account recommendations from Internal Audit's risk management review.
15. EMT has been consulted on the proposed revised strategy in March 2013 and recommends that Corporate Governance Committee approves it.

#### Consultation with Children and Young People

16. There has been no consultation with children and young people regarding this report.

#### Effect on Strategic Aims

17. The annual review of the Risk Management Strategy relates to the Council's commitment to deliver first class services and value for money:
- (a) it contributes to the Council's corporate governance responsibilities;
  - (b) it also ensures that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed adequately and effectively.

### Conclusions / Summary

18. The Corporate & Customer Services Portfolio Holder has exercised his executive responsibility for risk management effectively, including quarterly review and approval of the Strategic Risk Register and associated control measures / sources of assurance.

19. Corporate Governance Committee has exercised its governance responsibility for risk management effectively, including annual review of the Risk Management Strategy and process.
20. This report proposes changes to the Risk Management Strategy to address recommendations resulting from Internal Audit's risk management review and provides a proposed revised Risk Management Strategy that takes these into account.
21. The Council's Risk Management Strategy and process appear to be effective.

**Background Papers:** the following background papers were used in the preparation of this report:

Internal Audit Risk Management Review

**Contact Officer:** John Garnham – Head of Finance, Policy & Performance  
Telephone: (01954) 713101

## Appendix A

### Recommendations regarding the Risk Management Strategy resulting from Internal Audit's review of Risk Management

<b>Ref</b>	<b>Recommendation</b> [Categorisation]	<b>Management response</b>	<b>Update to Risk Management Strategy</b>
1	At the next formal review of the strategic risk register the opportunity should be taken to enhance the Timescale to Progress section to be more explicit as to when planned controls / actions / mitigations should be in place by. [Low]	Planned control measures / sources of assurance will be reviewed to ascertain – and where appropriate record – expected dates.	Paragraph 5.2.5 has been updated to refer to including expected dates where appropriate.
2	The HRA Business Plan risk register should be formally reviewed and where required adjusted risk scores and timelines to progress data recorded. This risk register should be included as part of the cyclical review by EMT of the Affordable Homes service area risk management activities. [Low]	The HRA Business Plan risk register will be reviewed and then reported alongside the Affordable Housing risk register when that is next reviewed by EMT.	Paragraph 8.5.3 has been updated to refer to reviewing the HRA Business Plan risk register alongside the Affordable Homes risk register.
3	Clarification as to exactly what is an 'adjusted risk score' should be provided to all risk owners. [Low]	Clarification on the use of the 'Adjusted risk score' column will be given to all directors.	Not applicable - guidance already provided in the penultimate bullet point under paragraph 5.2.7.
4	There should be a more formalised process in relation to the development of Service Plan that requires Service Areas to either record all associated risks to the non-delivery of their Service Plan or those that are 'key' i.e. above an agreed risk score within the designated section of the Plan. [Low]	Clarification on the 'Risk Overview' section of the service plan will be provided to directors in time for their finalisation.	Not applicable - guidance already provided in paragraph 8.5.2.
5	All Service Areas should include risk as a standing agenda item for Team meetings. The status of the risk register should also feature on the agenda. [Low]	Departmental management teams will have their service area risk register on their agenda for review at least quarterly.	Paragraph 8.1.2, third bullet point, has been updated to refer to service areas including their risk register on departmental team meeting agenda at least quarterly.

<b>Ref</b>	<b>Recommendation</b> [Categorisation]	<b>Management response</b>	<b>Update to Risk Management Strategy</b>
6	Training to be provided to staff/Members in accordance with the Risk Management Strategy requirements, ensuring that all appropriate records of such are maintained and submitted annually to the Corporate Governance Committee. [Low]	Refresher training will be arranged for: <ul style="list-style-type: none"> <li>• officers involved in risk registers;</li> <li>• Members.</li> </ul>	Not applicable – provision for this exists in paragraph 9.2.1, third bullet point.
7	Ensure that report writers are reminded of the requirements on what information is to be included in the risk implications section of reports. The guidance should be enhanced to include the requirement that if a risk is reported then a suitable note should be recorded as to whether this is an existing risk, in which case where the risk is being managed, or if it is a new risk which would then require consideration as to where this risk should be included and managed in the future. [Low]	The use of the risk management implications section will be reviewed and guidance updated and training provided as necessary.	Not applicable – provision for this exists in paragraphs 8.5.8 and 8.5.10.
8	Ensure that in future reviews risk owners revisit all risks to ensure that any controls documented are actual controls and not statements. [Low]	Agreed – this will be included in the refresher training.	Not applicable – control measures and sources of assurance are already defined in paragraphs 5.2.3 and 5.2.4.

**Appendix B**



# Risk Management Strategy

**Contents**

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Annex A	The scope of risk; areas to consider
Annex B	Some of the risks to consider when making strategic decisions
Annex C	Strategic Risk Register CorVu report template
Annex D	Service Area Risk Register template
Annex E	Likelihood Assessment guidelines
Annex F	Impact Assessment guidelines
Annex G	Prioritisation matrix template
Annex H	Chart summarising the Council's arrangements for risk management

## **1. Purpose**

- 1.1 South Cambridgeshire District Council's primary role is to fulfil its statutory obligations. The Council also has a Long Term Vision that:
- (a) South Cambridgeshire will continue to be the best place to live and work in the country, the district will demonstrate impressive and sustainable economic growth and its residents will have a superb quality of life in an exceptionally beautiful, rural and green environment;
  - (b) The Council will be recognised as consistently innovative and a high performer with a track record of delivering value for money by focusing on the priorities, needs and aspirations of our residents, parishes and businesses.
- 1.2 Supporting the Vision are three strategic Aims, which have associated Approaches and Actions:
- (a) We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money;
  - (b) We will work with partners to create and sustain opportunities for employment, enterprise, and world-leading innovation;
  - (c) We will make sure that South Cambridgeshire continues to offer outstanding and sustainable quality of life for our residents.
- 1.3 The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its aims and objectives.

## **2. Objectives**

- 2.1 The Council's concern is to manage risk effectively, eliminating or controlling risk to an acceptable level. This is done by identification, assessment and management of potential risks, rather than reaction and remedy to past events.
- 2.2 The objectives of the strategy are to:
- (a) Integrate risk management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.
  - (b) Anticipate and respond to changing social, environmental, legislative, etc requirements.
  - (c) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
  - (d) Raise awareness of the need for managers responsible for the Council's delivery of services to undertake risk management.
  - (e) Seek to improve the delivery of Council services and ensure that risks to the Council's reputation and public image are considered.
- 2.3 It will not always be feasible completely to eliminate risk. Indeed, calculated risk-taking may be required in certain circumstances to achieve innovative or creative solutions that will help to improve services to customers. However, reckless or unplanned risk-taking would never be acceptable.

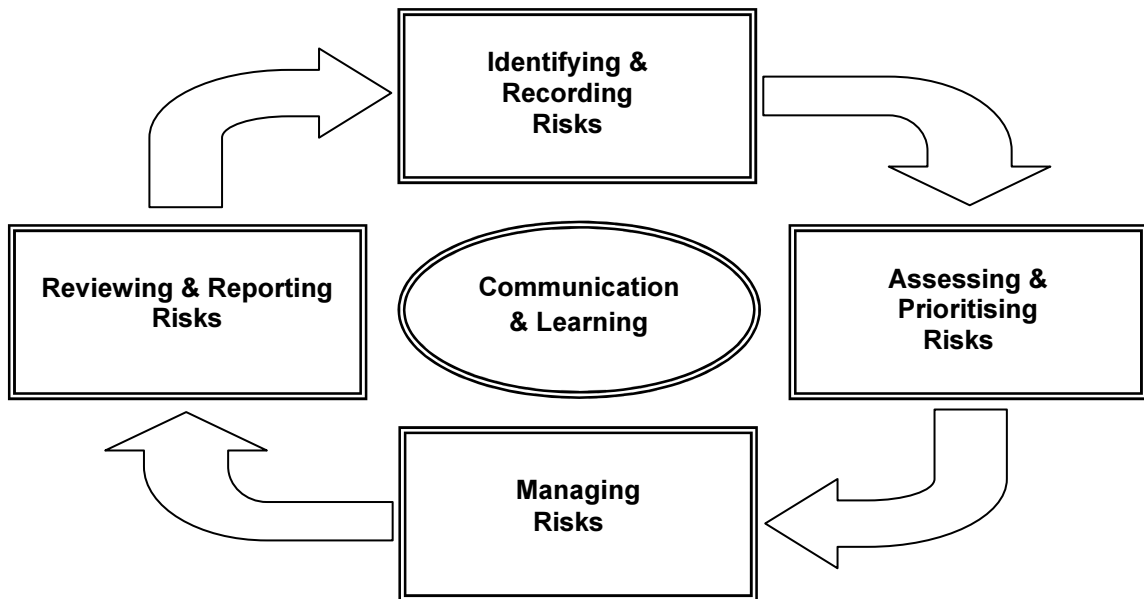
## **3. Guiding principles**

- 3.1 To fulfil its risk management objectives, the Council will:

- (a) Develop a culture that involves the participation of all appropriate staff in risk management.
- (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction:
  - the executive role - agreement and ownership of the Council's strategic risk register, i.e. the strategic risks facing the Council - will be led by the Corporate & Customer Services Portfolio Holder;
  - the governance role - advice and assurance regarding the adequacy and effectiveness of the Council's risk management strategy and process - will be undertaken by the Corporate Governance Committee.
- (c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.
- (d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.
- (e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.
- (f) Have effective communication to make sure everyone is sufficiently informed about risk management.
- (g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

**4. Approach to risk management**

4.1 The Council employs a simple four step process to manage its risks:



4.2 These steps are outlined in the sections below.

4.3 In accordance with best practice, risk management at the Council incorporates the identification and management of strategic risks, service area risks, project risks and partnership risks. The process is thus embedded throughout the Council.



## 5. Identifying and recording risks

### 5.1 Identifying risks

5.1.1 A risk is an event that may occur, which will have an impact on the Council's services, or the achievement of its objectives and priorities. This strategy requires the Council to identify strategic, service area (i.e. operational), project and partnership risks.

5.1.2 Types of risks are listed in **Annex A**. While not exhaustive, the list provides a starting point for identifying potential risks, including reputational risks, at both strategic and service area levels, as well as for projects and partnerships.

5.1.3 Further illustrations of some of the risks that should be considered when taking strategic decisions are suggested in **Annex B** (again, the categories are neither prescriptive nor exhaustive).

### 5.2 Recording risks

5.2.1 Identified risks will be recorded in the relevant strategic or service area risk register, project or partnership risk register. Risks will be described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Aim(s)/ Action(s), and the possible outcome(s) that it could result in.

5.2.2 The strategic risk register CorVu report template is attached at **Annex C**. The strategic risk register will identify the top risks facing the Council from a corporate perspective and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- the person nominated as the responsible "Risk Owner";
- "Target" and "Actual" Risk Scores resulting from assessed Impact and Likelihood scores (see 6.1.1 below);
- Control measures to address / sources of assurance over the risk;
- for risks assessed 'above the line', the "Timescale to progress", i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

(Note: "Target" risk scores are only for CorVu to measure whether risk scores have increased, decreased, or stayed the same and apply a Red / Amber / Green colour coding accordingly – see 5.2.6 below.)

5.2.3 Control measures may be defined as:

- actions to reduce either the likelihood of the risk occurring, or the potential impact of it materialising;
- control measures may be either already in place, or those additional ones considered necessary to manage the risk.

5.2.4 Sources of assurance may be defined as:

- evidence that control measures in place to mitigate a risk are operating effectively;
- sources of assurance can include documents, reports, performance indicators or other methods of verification;
- independent and substantiated evidence provides the strongest assurance.

5.2.5 Control measures to address / sources of assurance over the risk, which are not yet in place, will be shown under "Timescale to Progress", with expected dates where appropriate.

5.2.6 The CorVu report enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

	<u>for risks previously above the line</u>	<u>for risks previously below the line</u>
Red:	<ul style="list-style-type: none"> <li>the score has increased</li> </ul>	<ul style="list-style-type: none"> <li>the score has increased to above the line</li> </ul>
Amber:	<ul style="list-style-type: none"> <li>the score has not changed, or has decreased but stays above the line</li> </ul>	<ul style="list-style-type: none"> <li>the score has increased but stays below the line</li> </ul>
Green:	<ul style="list-style-type: none"> <li>the score has decreased to below the line</li> </ul>	<ul style="list-style-type: none"> <li>the score has not changed, or has decreased</li> </ul>

5.2.7 The service area risk register template is attached at **Annex D**. Service area risk registers will identify potential operational risks affecting the services for which they are responsible and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- Control measures to address / sources of assurance over the risk, already in place;
- the assessed Impact and Likelihood scores and resulting Total scores (see 6.1.1 below);
- the Direction of Travel of the risk (i.e. whether the risk is “new” or the Impact and Likelihood assessments have stayed the same, reduced or increased);
- the person nominated as the responsible “Risk Owner”;
- the Review Frequency, i.e. the frequency at which the control measures/ sources of assurance are being reviewed;
- Additional control measures / sources of assurance considered necessary to manage the risk;
- Additional resources/cost required to manage the risk;
- any Adjusted risk score resulting from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account;
- for risks assessed ‘above the line’, the “Timescale to progress”, i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

5.2.8 The Council will require projects (see section 8.2 below) to use the same format as the service area risk register template. The Project Management Toolkit will be updated to reflect this and guidance will be made available within the Toolkit.

5.2.9 The Council will encourage partnerships (see section 8.3 below) to use the same format as the service area risk register template; however, the Council acknowledges that a partnership may choose to use another format appropriate to its needs. If a partnership chooses not to use the same format, the Council’s lead officer for that partnership should liaise with the Head of Finance, Policy and Performance (HFPP) for guidance on how to structure the risk register/log. Guidance will also be made available in the Partnership Toolkit.

## 6. Assessing and prioritising risks

### 6.1 *Assessing risks*

6.1.1 Each of the identified risks, at both strategic and service area levels and for projects and partnerships, will be assessed in terms of the likelihood of the risk occurring and

the potential impact of it materialising, according to the guidelines in **Annex E** and **Annex F**, respectively.

## 6.2 **Prioritising risks**

6.2.1 A matrix of these assessments will be used to prioritise risks (see **Annex G**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes represent Total risk scores, obtained by multiplying the Impact score by the Likelihood score. The Total risk scores indicate the order of priority of assessed risks. The risk registers will be re-scheduled in line with the order resulting from the prioritisation matrix. (Where the same Total risk score can be obtained in more than one area of the matrix, the Impact score will take priority over the Likelihood score.)

6.2.2 The dotted line running through the matrix (- - - - -) shows the Council's risk tolerance line, between the level of risk the Council is prepared to accept without putting in place additional control measures / sources of assurance and the level at which risks are considered to require further action.

6.2.3 The Council's risk appetite is defined thus: "The Council will ensure that all risks identified are appropriately managed; however, it will require further attention to be given to:

- risks having an Extreme or High impact, with a likelihood of Possible or higher; and
- risks having a Medium impact, with a likelihood of Likely or higher."

6.2.4 Those assessed risks that fall 'above the line' are considered to require further action to reduce either the likelihood of the risk occurring or its impact if and when it does occur; additional control measures / sources of assurance will be identified and recorded for these risks (see 7.1 below).

## 7. **Managing risks**

7.1 Risks above the risk tolerance line (i.e. with a Total risk score of 12 or higher) require additional control measures / sources of assurance to be put in place to manage them, i.e.:

- active management (including considering terminating the activity or project);
- contingency plans – robust plans in place to detect any variation from expectations; and/or
- mitigation to reduce likelihood (if cost effective).

7.2 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) will work with the HFPP to develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Where additional control measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, risk owners will discuss these with the managers/officers concerned.

7.3 At the service area level, service managers will develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Managers will re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account - any changes to the scores will be shown in the 'Adjusted risk score' column. Where additional control

measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, service managers will discuss these with the managers/officers concerned.

- 7.4 Project and partnership risks will be managed in accordance with their governance arrangements.
- 7.5 Risks below the risk tolerance line (i.e. with a Total risk score of 10 or lower) will be reassessed quarterly to ensure there is no change to the underlying risk or control measures / sources of assurance.
- 7.6 When a risk is considered to be “managed”, i.e. it either no longer exists, or it is now an integral part of day to day management of the service area concerned, it will be removed from the relevant risk register by agreement at the appropriate review meeting (see 8.1.1 below).

## **8. Reviewing and reporting risks**

### **8.1 *Reviewing risks***

- 8.1.1 Reviews of risk registers will include consideration of any new risks. Approval of risk registers will include both the acceptance of new risks and also the removal of risks considered to be “managed”.
- 8.1.2 Risks are reviewed at service planning, corporate management teams, Executive Management Team (EMT), Corporate & Customer Services Portfolio Holder, project management and partnership meetings, as appropriate:
  - EMT will review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to the Corporate & Customer Services Portfolio Holder.
  - The Corporate & Customer Services Portfolio Holder will similarly review and approve the strategic risk register quarterly.
  - Directors will review and approve their service areas’ risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans. **Service area risk registers will be on departmental management team meeting agendas for review at least quarterly.** The Executive Director (Corporate Services) will similarly review and approve the collated risk registers for service areas reporting direct to him.
  - Project managers and partnership lead officers will facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project or partnership plans.
- 8.1.3 Should significant risks arise between reviews, they will be considered when they are identified, as necessary.

### **8.2 *Project risks***

- 8.2.1 Projects, such as those of a corporate or significant service nature, major ICT related projects, etc, are required to have their own risk registers, using the same format as the service area risk register template (see paragraph 5.2.7 above). Project managers will review project risk registers in accordance with their project management arrangements.

### 8.3 **Partnership risks**

- 8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council's direct control.
- 8.3.2 The Council must therefore identify all the partnerships in which it participates and have an understanding of its involvement and the implications of that involvement in each partnership. Equally, each of the partnerships must have clearly set out objectives and an understanding of the Council's role in the partnership.
- 8.3.3 The Council must review its partnerships to identify those that are most strategic and important for it and the wider community. For these significant partnerships, a two stage approach will be adopted by those managing them:
  - (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis should identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
  - (b) Champion effective risk and performance management procedures within the partnership (including the risk of fraud and corruption), so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.
- 8.3.4 Partnership lead officers will review partnership risk registers in accordance with the partnerships' governance arrangements.

### 8.4 **Links**

- 8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area, project or partnership risk register, so that the relevant service manager, project manager or partnership lead officer can take a corporate lead on managing it.
- 8.4.2 When reviewing their service area risk registers, service managers and directors / the Executive Director (Corporate Services), may escalate a service area risk for EMT to consider including in the strategic risk register, if the risk is significant (i.e. has a score of 12 or more, and especially if it is a new risk) or has a corporate nature. The HFPP may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.
- 8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The project/ partnership risk registers will record the detailed risks and control measures / sources of assurance relating to the particular project/partnership.
- 8.4.4 The HFPP will facilitate these links. The HFPP will also keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

## 8.5 **Reporting risks**

- 8.5.1 The HFPP will report the draft strategic risk register to EMT quarterly, for review and recommendation to the Corporate & Customer Services Portfolio Holder. Only risks with a total score of 5 or more will be shown in these reports (risks scoring 4 or less will still be on the strategic risk register, but will not be included in the reports). (Corporate Governance Committee will review the adequacy of this as part of its annual review of the risk management strategy and process, as described in 8.5.11 below. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.)
- 8.5.2 Directors / the Executive Director (Corporate Services) will record service area risks above the line in the Overview section of their service plans published annually. They will update their service area risk registers and control measures / sources of assurance to the HFPP quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.3 In addition, EMT will review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. Only risks with a total score of 5 or more will be shown in these reports (risks scoring 4 or less will still be on the service area risk registers, but will not be included in the reports). EMT will review the HRA Business Plan risk register alongside the Affordable Homes risk register. As part of these reviews, EMT will consider whether risks scoring 12 or more should also be included in the strategic risk register. (It will be assumed not, unless minuted otherwise.)
- 8.5.4 A portfolio holder may request a briefing/update from relevant director(s) / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- 8.5.5 Project managers and partnership lead officers will report project and partnership risk registers in accordance with their project management/governance arrangements and reporting frequencies. Project managers and partnership lead officers will update their risk registers, including control measures / sources of assurance, to the HFPP quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.6 Updates of risk registers will be provided to the Council's insurance officer, to facilitate discussion of insurance cover and negotiation of any premium discounts or reductions with the Council's insurers.
- 8.5.7 If a risk materialises, it will be reported as follows:
- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the HFPP, outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
  - service area: a similar report to the service manager by the risk owner;
  - EMT or the service manager, as appropriate, will decide how the recommendations regarding lessons to be learnt will be implemented;
  - for project or partnership risks materialising: a similar report by the project manager or partnership lead officer; decisions about how recommendations regarding lessons to be learnt will be implemented will be taken in accordance with the project management or partnership governance arrangements.

- 8.5.8 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the HFPP, so that the risk can be incorporated in the strategic risk register and/or relevant service area risk register, project risk log, or partnership risk log/register, as appropriate. Members should be fully briefed on risks identified in the report.
- 8.5.9 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers and logs, to identify any risks that need to be considered in the report.
- 8.5.10 Positive aspects of the matter under consideration will generally be mainly described in the body of the report to Members, alongside the various "Implications" sections (Financial, Legal, Staffing, Equality & Diversity, Climate Change). Report writers can also use the Risk Management Implications section to highlight any positive risks (opportunities) not mentioned elsewhere in the report.
- 8.5.11 The HFPP will report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee. (The Corporate & Customer Services Portfolio Holder will similarly be invited to review the risk management strategy and process and recommend changes.) Corporate Governance Committee will review and approve changes to the risk management strategy and process annually, or if there is a material change during the year.

## **9. Communication and learning**

### **9.1 *Communication***

- 9.1.1 Relevant staff and Members will be given timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.
- 9.1.2 Staff and Members will also be kept informed through a risk management page on In-Site, the Council's intranet, on which the following will be posted:
- the risk management strategy,
  - the latest version of the strategic risk register,
  - the latest versions of service area risk registers;
  - guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
  - risk management templates.

### **9.2 *Learning***

- 9.2.1 The Council will keep its risk management strategy and processes up to date by learning from a variety of sources:
- applying best practice from other local authorities and organisations, as appropriate;

- ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;
- providing relevant training for appropriate staff and Members (including at least a refresher session annually), facilitated by external specialists if necessary:
  - EMT will decide the training to be provided to staff, following a recommendation by the HFPP;
  - The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder (the portfolio holder responsible for both risk management and for Member development), will decide the training to be provided to Members, following a recommendation from EMT;
  - A record will be kept of risk management training attended by staff and Members;
  - Corporate Governance Committee will review risk management training and the attendance records annually, to ensure that capabilities remain adequate.

(Note: Funding for external training is currently available under the Council's insurance contract.)

## **10. Organisational arrangements**

- 10.1 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these to their line managers and/or through the relevant form. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.
- 10.2 The prompt alerting of something going wrong can help prevent a situation from becoming worse. Staff are therefore encouraged to alert their line manager to potential risks at the earliest opportunity, without the fear of blame being attributed as a result. This will enable action to be taken as soon as possible to reduce either the likelihood of the risk occurring or the possible effects of it doing so and also promote a culture of openness, transparency and support.
- 10.3 A chart summarising the Council's arrangements for risk management is shown in **Annex H**.



**Annex A**

**The scope of risk; areas to consider**

Political / Reputation

Partnership

Governance

Economic

Social

Technological

Legislative / Regulatory

Environmental

Competitive

Customer / Citizen

Managerial / Professional

Fraud / Corruption

Financial

Legal / Contractual

Physical

Health & Safety

Performance

## Annex B

### Some of the risks to consider when making strategic decisions

The following categories are neither prescriptive nor exhaustive, but illustrate some of the risks Members should consider when taking strategic decisions.

**Strategic political risks** - associated with failure to deliver either local or central government policy, or to meet the Council's commitments. Includes things such as:

- Wrong strategic priorities
- Not meeting the government's agenda
- Decisions based on faulty or incomplete information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

**Strategic economic risks** - affecting the ability of the Council to meet its financial commitments. Includes things such as:

- Internal budgetary pressures
- Inadequate insurance cover
- External macro level economic changes (e.g. interest rates, inflation)
- The consequences of proposed investment decisions
- General/regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities
- Failure to meet efficiency targets

**Strategic social risks** - relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives. Includes things such as:

- Failing to meet the needs of a disadvantaged community
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

**Strategic technological risks** - associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demand. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives. Includes things such as:

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality associated with technology / systems
- Failure in communications

**Strategic legislative risks** - associated with current or potential changes in national or European law. Includes things such as:

- Inadequate response to new legislation

- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act, Disability Discrimination Act etc. breaches

**Strategic environmental risks** - relating to the environmental consequences of progressing the Council's corporate objectives or service priorities (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc). Includes things such as:

- Noise, contamination and pollution
- Impact of planning and transport policies
- Climate change
- Flood defences

**Strategic competitive risks** - affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value. Includes things such as:

- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds

**Strategic customer/citizen risks** - associated with failure to meet the current and changing needs and expectations of customers and citizens. Includes things such as:

- Lack of appropriate consultation
- Bad public and media relations
- Breach of confidentiality

**Annex C Strategic Risk Register CorVu report template**

**Strategic Risk Register**  
**[Date] (Month Year)**  
 [changes highlighted]

[Note: Strategic Risk Registers reported to EMT or PFH only show risks with a total score of 5 or more (risks scoring 4 or less are still on the Strategic Risk Register, but are not included in the reports).]  
 Risks removed since the last time EMT reviewed the risk register are shown greyed out at the end.



Risk Reference, Title and Description, plus associated Aims The risk event, leading to consequence for service/ Aim(s)/ Action(s), resulting in possible outcome(s). Plus associated 3 A's. [and see Note 1]	Risk Owner	Risk Score		Risk Owner's Comments [2, 4, 5]
		Target	Actual [3]	
<b>Reference - Title</b> The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).  Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y.  CONTROL MEASURES / SOURCES OF ASSURANCE: Detail.  TIMESCALE TO PROGRESS: Detail.
<b>Reference - Title</b> The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).  Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y.  CONTROL MEASURES / SOURCES OF ASSURANCE: Detail.  TIMESCALE TO PROGRESS: Detail.
<b>Reference - Title</b> The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).  Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y.  CONTROL MEASURES / SOURCES OF ASSURANCE: Detail.  TIMESCALE TO PROGRESS: Detail.
<b>Reference - Title</b> The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).  Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y.  CONTROL MEASURES / SOURCES OF ASSURANCE: Detail.  TIMESCALE TO PROGRESS: Detail.

3 A's (Aims, Approaches, Actions)

Impact

Likelihood

Notes

Risks should be cross referenced to the relevant Corporate Plan Actions adopted by Council on 28 February 2013 with effect from 1 April 2013 (e.g. A5 or C2, etc).  
 Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2013/14 Aim.

5 Extreme  
 4 High  
 3 Medium  
 2 Low  
 1 Insignificant

5 Almost certain  
 4 Likely  
 3 Possible  
 2 Unlikely  
 1 Rare

- The "Reference" will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
- Criteria and guidelines for assessing "Impact" and "Likelihood" are available on In-Site under Corporate Information > Risk Management.
- The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
- The dotted line (-----) shows the Council's risk tolerance line.
- The "Timescale to progress" is the date (Month Year) by which it is planned that the risk will be mitigated to below the line.

**Red** / **Amber** / **Green** shading in the Actual Column indicates the following movement in risk scores:

	Red	Amber	Green
for risks previously above the line:	the score has increased	the score has not changed, or has decreased but stays above the line	the score has decreased to below the line
for risks previously below the line:	the score has increased to above the line	the score has increased but stays below the line	the score has not changed, or has decreased

**Annex D Service Area Risk Register template**

**[Name of Service Area] Risk Register**

[Date] (Month Year)

[Numbers in header rows refer to Notes at the end of the document]

**EMT should consider whether any risks scoring 12 or more should be included in the Strategic Risk Register.**

Service area risk registers reported to EMT only show risks with a total score of 5 or more.

Changes to previous wording are shown as **highlighted text**.

Risks removed since the last time EMT reviewed the risk register are shown greyed out at the end.



Ref. [1]	Title and Description of risk The risk event, <i>leading to</i> consequence for service/ Aim(s)/ Action(s), <i>resulting in</i> possible outcome(s).	3 A's [2]	Control measures/ sources of assurance in place	Risk score [3, 4]		Direction of travel	Risk owner / Review frequency	Additional control measures/sources of assurance	Additional cost resources required	Adjusted risk score (where relevant) [5]		Timescale to progress [7]
				Impact	Likelihood					Impact	Likelihood	
	<b>Title</b> The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓ → ↑ ( ) new	Risk owner / Review frequency			Impact	Likelihood	Total
	<b>Title</b> The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓ → ↑ ( ) new	Risk owner / Review frequency			Impact	Likelihood	Total
	<b>Title</b> The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓ → ↑ ( ) new	Risk owner / Review frequency			Impact	Likelihood	Total
	<b>Title</b> The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓ → ↑ ( ) new	Risk owner / Review frequency			Impact	Likelihood	Total

**Notes**

1. The "Ref." will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Risks should be cross referenced to the relevant Aims, Approaches and/or Actions adopted by Council on 28 February 2013 with effect from 1 April 2013 (e.g. A5 or C2, etc). Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2013/14 Aim.
3. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site under Corporate Information > Risk Management.
4. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
5. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
6. The dotted line (-----) shows the Council's risk tolerance line.
7. The "Timescale to progress" is the date (usually Month Year) by which it is planned that the risk will be mitigated to below the line.

**Impact**

- 5 Extreme
- 4 High
- 3 Medium
- 2 Low
- 1 Insignificant

**Likelihood**

- 5 Almost certain
- 4 Likely
- 3 Possible
- 2 Unlikely
- 1 Rare

**Direction of Travel**

- ↓ Priority reduced from last review  
(give the previous Total score in the brackets)
- Priority equal to last review
- ↑ Priority increased from last review  
(give the previous Total score in the brackets)
- new Risk included in the risk register for the first time

## Annex E Likelihood assessment guidelines

<b>Likelihood</b>	<b>Guidelines</b>	<b>Score</b>
Almost certain	<ul style="list-style-type: none"> <li>• Is expected to occur in most circumstances (more than 90%), or</li> <li>• Could happen in the next year, or</li> <li>• More than 90% likely to occur in the next 12 months</li> </ul>	5
Likely	<ul style="list-style-type: none"> <li>• Will probably occur at some time, or in most circumstances (66% - 90%), or</li> <li>• Could happen in the next 2 years, or</li> <li>• 66% to 90% likely to occur in the next 12 months</li> </ul>	4
Possible	<ul style="list-style-type: none"> <li>• Fairly likely to occur at some time, or in some circumstances (36% - 65%), or</li> <li>• Could happen in the next 3 years, or</li> <li>• 36% to 65% likely to occur in the next 12 months</li> </ul>	3
Unlikely	<ul style="list-style-type: none"> <li>• Is unlikely to occur, but could, at some time (11% - 35%), or</li> <li>• Could happen in the next 10 years, or</li> <li>• 11% to 35% likely to occur in the next 12 months</li> </ul>	2
Rare	<ul style="list-style-type: none"> <li>• May only occur in exceptional circumstances (up to 10%), or</li> <li>• Unlikely to happen in the next 10 years, or</li> <li>• Up to 10% likely to occur in the next 12 months</li> </ul>	1

**Annex F Impact assessment guidelines**

<b>Impact</b>	<b>Giving rise to one or more of the following:</b>							<b>Score</b>
	<b>Service disruption</b>	<b>People</b>	<b>Financial loss (including claim or fine)</b>	<b>Environment</b>	<b>Statutory service/ legal obligations</b>	<b>Management</b>	<b>Reputation</b>	
Extreme	Serious disruption to services (loss of services for more than 7 days)	Loss of life	Financial loss over £500k	Major regional / national environmental damage	Central government intervention; or Multiple civil or criminal suits	Could lead to resignation of Leader or Chief Executive	Extensive adverse coverage in national press and/or television	5
High	Major disruption to services (loss of services for up to 7 days)	Extensive multiple injuries	Financial loss between £251k - £500k	Major local environmental damage	Strong regulatory sanctions; or Litigation	Could lead to resignation of Member or Executive Director	Adverse coverage in national press and/or television	4
Medium	Noticeable disruption to services (loss of services for up to 48 hours)	Serious injury (medical treatment required)	Financial loss between £51k - £250k	Moderate environmental damage	Regulatory sanctions, interventions, public interest reports; or Litigation	Disciplinary / capability procedures invoked	Extensive adverse front page local press coverage	3
Low	Some disruption to internal services; no impact on customers	Minor injury (first aid)	Financial loss of between £6k - £50k	Minor environmental damage	Minor regulatory consequences; or Litigation	Formal HR procedure invoked	Some local press coverage; or, adverse internal comment	2
Insignificant	Insignificant disruption to internal services; no impact on customers	No injuries	Financial loss of up to £5k	Insignificant environmental damage	No regulatory consequences; or Litigation	Informal HR procedure invoked	No reputational damage	1

Annex G      **Prioritisation Matrix template**

			IMPACT				
			Insignificant	Low	Medium	High	Extreme
			1	2	3	4	5
LIKELIHOOD	Almost certain	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Rare	1	1	2	3	4	5

----- Risk Tolerance Line

**Managing the risk**

[Note: The score is obtained by multiplying the Impact by the Likelihood (e.g. Impact: High; Likelihood: Possible, would result in a score of 12 - i.e. 4 x 3).]

Above the risk tolerance line (i.e. a score of 12 – 25):

Requires active management (consider termination of the activity or project)

Contingency plans – robust plan in place to detect any deviation from expectations

May require some mitigation to reduce likelihood (if cost effective)

Below the risk tolerance line (i.e. a score of 1 – 10):

Reassess quarterly to ensure no change to underlying risk or control measures / sources of assurance



## Annex H Chart summarising the Council's arrangements for risk management

**Corporate Governance Committee**

The general functions that come under the responsibility of the Committee include:

- To review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control.
- To give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council.

With regard to risk management, the Committee:

- Reviews and approves the risk management strategy and process annually, updating them if necessary.
- This annual review will include considering the adequacy of the quarterly reviews of the strategic risk register by the Corporate & Customer Services Portfolio Holder.
- Receives relevant training, as and when appropriate.
- The Committee may report to full Council, if considered necessary to ensure that strategic risks are appropriately managed.

**Executive**

- The Corporate & Customer Services Portfolio Holder is the lead Member for risk management.
- The Corporate & Customer Services Portfolio Holder reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- The Corporate & Customer Services Portfolio Holder reviews and approves the strategic risk register quarterly.
- A portfolio holder may request a briefing/update from relevant director(s) / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- Receives relevant training, as and when appropriate.

**Notes:**

- The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder decide the training to be provided to Members, following a recommendation from EMT.

**Executive Management Team (EMT)**

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly; recommends the strategic risk register to the Corporate & Customer Services Portfolio Holder.
- May cascade a strategic risk to an appropriate service area risk register.
- Reviews service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year.
- Considers reports on strategic risks that occur and decides how lessons learnt will be implemented.
- Promotes and champions risk management.
- Decides training to be provided to staff, following a recommendation from the Head of Finance, Policy and Performance (HFPP); recommends training to Corporate Governance Committee.
- The Executive Director (Corporate Services) is the senior manager responsible for risk management.

**“Risk owners”**

(Note: The “risk owner” is the person nominated as the lead officer responsible for risks identified in risk registers.)

At the strategic level:

- Work with the HFPP to develop and implement control measures / sources of assurance for managing strategic risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report strategic risks materialising, in conjunction with the HFPP, to the next meeting of EMT, recommending the application of any lessons to be learnt.

At the service area level:

- Work with the service manager to develop and implement control measures / sources of assurance for managing service area risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report service area risks materialising to the service manager.

**Service managers**

- Review service area risk registers alongside service plans annually, reporting risks above the line in published service plans, and at quarterly intervals.
- Respond to portfolio holder requests for briefings/updates on service area risk register(s).
- Where strategic risks are cascaded to a service area risk register, take a corporate lead on managing the risk.
- May escalate a service area risk for EMT to consider including in the strategic risk register.
- Implement control measures / sources of assurance to manage service area risks.
- Update the HFPP quarterly regarding service area risk registers and control measures / sources of assurance.
- Consider reports on service area risks that occur and decide how lessons learnt will be implemented.
- Have primary responsibility for managing risks in their service areas, since they are best-placed to determine the appropriate actions to minimise risks to their customers, staff, services or budgets.

**Project managers**

- Review project risk registers at frequencies set out in project plans, reporting these in line with project management arrangements.
- Update the HFPP quarterly regarding project risk registers, including control measures / sources of assurance.
- Report project risks materialising, in accordance with project management arrangements.

**Partnership lead officers**

- Review partnership risk registers at frequencies set out in partnership plans, reporting these in line with governance arrangements.
- Update the HFPP quarterly regarding partnership risk registers, including control measures / sources of assurance.
- Report partnership risks materialising, in accordance with governance arrangements.

**Head of Finance, Policy and Performance (HFPP)**

- Coordinates EMT's annual review of the risk management strategy and the resulting reports to the Corporate Governance Committee.
- Coordinates EMT's quarterly review of the strategic risk register and associated action plans, and the resulting reports to the Corporate & Customer Services Portfolio Holder.
- Assists nominated risk owners to develop and implement control measures / sources of assurance to manage strategic risks, including additional control measures / sources of assurance for risks assessed above the Council's risk tolerance line.
- Keeps a record tracking the priority of identified strategic risks.
- Assists risk owners to report on strategic risks that occur, together with recommendations regarding any lessons to be learnt.
- Coordinates directors' reviews of collated service area risk registers, quarterly.
- Reviews service area risk registers to identify risks of a significant, corporate or common nature.
- Facilitates cascade of strategic risks to relevant service area risk registers and escalation of significant, corporate or common service area risks for EMT to consider including in the strategic risk register.
- Links project and partnership risk registers to the strategic risk register and/or service area risk registers, as appropriate.
- Facilitates inclusion of risks identified in reports to Members, in the appropriate risk register
- Recommends training for staff and Members to EMT.
- Facilitates relevant training, guidance and advice on risk management.
- Communicates risk management matters to staff.

**Notes:**

- Responsibility in respect of risk and risk management will be included in relevant officers' job descriptions.
- The management competency framework will be reviewed to incorporate risk management responsibilities and objectives.

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