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South Cambridgeshire District Council

23 March 2017

To: Chairman – Councillor Andrew Fraser

Vice-Chairman – Councillor Grenville Chamberlain

Members of the Audit and Corporate Governance Committee – Councillors

John Batchelor, Simon Crocker, Christopher Cross, Roger Hall,

Douglas de Lacey, Tony Orgee and John Williams

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of AUDIT AND CORPORATE GOVERNANCE COMMITTEE, which will be held in SWANSLEY ROOM A AND B - GROUND FLOOR at South Cambridgeshire Hall on FRIDAY, 31 MARCH 2017 at 9.30 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
Alex Colyer
Interim 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.

	AGENDA	DAGES
1.	Apologies for Absence To receive Apologies for Absence from Committee members.	PAGES
2.	Declarations of Interest	
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EXTERNAL AUDIT REPORTS

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	INFORMATION ITEMS	

10. Matters of Topical Interest

11. Dates of Next Meetings

The Committee are invited to agree the following meeting dates:

- 9:30am Friday 30 June 2017
- 9:30am Friday 29 September 2017
- 9:30am Friday 30 March 2018

OUR LONG-TERM VISION

South Cambridgeshire will continue to be the best place to live, work and study 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.

OUR VALUES

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

- Working Together
- Integrity
- Dynamism
- Innovation

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

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Disturbance by Public

If a member of the public interrupts proceedings at a meeting, 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. The meeting will be suspended until order has been restored.

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Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on Friday, 21 October 2016 at 9.30 a.m.

PRESENT: Councillor Andrew Fraser – Chairman

Councillors: Anna Bradnam Grenville Chamberlain

Simon Crocker Christopher Cross Roger Hall Douglas de Lacey

Tony Orgee

Officers: Patrick Adams Senior Democratic Services Officer

Alex Colyer Executive Director

Sally Smart Principal Accountant Financial & Systems

External: Steve Crabtree Shared Head of Internal Audit

Neil Harris Ernst & Young Tony Poynton Ernst & Young

Councillor Peter Topping was in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors John Batchelor and John Williams. Councillor Anna Bradnam was substituting for Councillor John Batchelor.

2. DECLARATIONS OF INTEREST

None.

3. APPOINTMENT OF VICE-CHAIRMAN

Councillor Andrew Fraser proposed and Councillor Tony Orgee seconded Councillor Grenville Chamberlain for the position of Vice Chairman. There being no other nominations Councillor Grenville Chamberlain was elected unopposed.

4. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 24 June 2016 were agreed as a correct record, subject to the following amendments:

- In the second sentence of the paragraph under the heading "Core Financial Systems" on page one, the word "wold" was corrected to "would".
- In the first sentence on the paragraph under the heading "Corporate Fraud Arrangements" on page one, the word "for" was corrected to "of".

5. INTERNAL AUDIT - PROGRESS REPORT

Steve Crabtree introduced his progress report on the delivery of the 2016/17 Internal Plan, as at August 2016. He was pleased to report that the Senior Internal Auditor had recently passed her exams and was now fully qualified.

Gifts and hospitality

Steve Crabtree explained that the audit of Corporate Governance had revealed that there

was no evidence of any declarations of gifts and hospitality nor had the system been reviewed. To remedy this the Monitoring Officer and Deputy Monitoring Officer had agreed to carry out a full review. In response to questioning Steve Crabtree stated that he was not aware of any other authorities that insisted that all councillors and officers complete annual returns of their gifts and hospitality.

Homelessness

It was noted that a new IT system had recently been installed and this would affect internal audit's review.

Corporate Fraud Working Group

The Corporate Fraud Working Group would be reporting to EMT this autumn.

Procurement and Commissioning outside the European Union

The Executive Director explained that new laws would have to be enacted by Parliament in order to change the current European laws which regulated the Council's procurement strategy.

The Committee **NOTED** the Internal Audit Progress Report.

6. EXTERNAL AUDIT RESULTS 2015-16

Neil Harris presented this report which summarised the findings from the 2015/16 External Audit. He apologised for not having the audit completed in time for the meeting scheduled for 30 September. He explained that following the untimely death of Rob Murray new auditors had been employed and this had caused delay. He promised that steps had been taken to ensure that future deadlines would be met. He thanked the Principal Accountant Financial & Systems and her team for the work carried out.

It was agreed that as the audit deadlines for 2017/18 would be the end of July, the aim would be to have the 2016/17 accounts agreed by the end of August 2017, which was a month earlier than this year's deadline.

Neil Harris provided a summary of the conclusions of the Audit and was pleased to report that

- External Audit would be issuing an unqualified opinion on the Authority's financial statements.
- Strong arrangements were in place to secure value for money in the use of resources.
- The Council was in a secure financial position.

Corrected and uncorrected errors

It was noted that the corrected audit differences in Appendix B had been adjusted for.

The Principal Accountant Financial & Systems explained that the uncorrected error was based on a sample test of accruals, which would always be an estimate.

Property, Plant and Equipment

The Principal Accountant Financial & Systems explained that the methodology had not changed. The corrected amendments also required the restatement of relevant statement and notes in 2014/15, these were adjusted and recorded in Note 35, Prior Period Adjustments, to the accounts.

Audit fees

Neil Harris explained that whilst extra staff had been drafted in to complete the audit, he recognised that this was not the fault of the Council and so no extra charge in the audit fees would be incurred. External Audit planned to levy an additional charge for auditing the Council's Group Accounts as these had grown in both size and complexity.

Ermine Street Housing

The Executive Director explained that Ermine Street Housing were audited separately from the Council and were liable for that audit fee.

It was suggested that the colour scheme should be amended to avoid white letters on a yellow background, which was difficult to read.

The Committee thanked the Principal Accountant Financial & Systems and her team for the work carried out.

The Committee **NOTED** the report and invited the Executive Director to sign off the accounts.

7. REVIEW OF STATEMENT OF ACCOUNTS

The Executive Director presented this report, which invited the Committee to approve the 2015/16 Statement of Accounts. A copy of the Group Accounts were circulated at the meeting.

The Committee thanked the Principal Accountant Financial and Systems for her work in producing the accounts in particularly trying circumstances.

The Committee **APPROVED** the 2015/16 Statement of Accounts.

8. LETTER OF REPRESENTATION

The Committee **RECOMMENDED** that the Executive Director and the Chairman of the Committee sign the letter of representation to External Audit.

9. ANNUAL GOVERNANCE STATEMENT

The Executive Director introduced this item, which invited the Committee to endorse the draft Annual Governance Statement 2015/16 for approval and sign-off by the Leader and Chief Executive as part of the statement of accounts for the year ending 31 March 2016.

It was suggested that:

- any web links in paper copies of the statement should be written out in full.
- A summary of the Annual Governance Statement should be produced.
- The Council's involvement in the A14 improvement scheme should be clarified.

The Executive Director explained that the Council's decision making process was open and transparent, as agendas, minutes and decisions of EMT were available on the intranet and no decisions were taken at informal EMT meetings.

The Committee

ENDORSED the draft Annual Governance Statement for approval and sign-off by the Leader and Chief Executive.

NOTED that the final version of the Statement will be updated following the receipt

of the External Auditors Opinion, to be notified to the Committee under

separate cover.

10. APPOINTMENT PERSON ARRANGEMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

The Executive Director introduced this item, which recommended that the Council adopt the Public Sector Audit Appointments Ltd as the appointing person for the Council, to ensure that the authority meets its statutory requirements whilst guaranteeing quality and value for money.

The Committee

RECOMMENDED the adoption of Public Sector Audit Appointments Ltd (PSAA) as the

appointing person for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements.

AGREED to delegate acceptance of the invitation to the Executive Director of

Corporate Services, as the Council's Section 151 Officer.

11. OMBUDSMAN LETTER

The Executive Director introduced this item, which provided the annual summary of the complaints made to the Local Government Ombudsman for 2015/16. The summary showed that of the 10 detailed investigations made by the Ombudsman only three were upheld and only one of these required remedial action by the Council.

The Committee **NOTED** the report.

12. TREASURY MANAGEMENT ANNUAL REPORT - REPORT TO FOLLOW

The Principal Accountant Financial & Systems introduced this report, which detailed the performance of the treasury management function for 2015/16. It was understood that the Council had achieved a return of 2.18% on combined investments, compared to 0.87% in 2014/15. The Council's in-house treasury management had achieved a good performance for 2015/16 at a minimal cost and at minimal risk.

It was noted that the figures in the table on page 152 were in thousands.

South Cambs Ltd (Ermine Street Housing) had a loan of £11.3 million from the Council and as of 31 March 2016 had assets totalling £11.699 million. The Executive Director assured the Committee that the associated risks regarding a possible downturn in the housing market were included in the business case and the situation would be kept under review.

The Committee **NOTED** the report.

13. MATTERS OF TOPICAL INTEREST

None.

14. COMMITTEE'S WORK PROGRAMME

The Committee **NOTED** that Internal Audit's quarterly report and External Audit's Annual Audit Letter would be sent by e-mail to the Committee members, as no meeting was scheduled for December.

15. DATE OF NEXT MEETING

The Committee A	GREED that its next meeting will be held on Friday 31 March at 9:30am
- -	The Meeting ended at 11.00 a.m.



SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** 31 MARCH 2017

INTERNAL AUDIT PROGRESS REPORT 2016 / 2017

Page RECOMMENDATION:

Members of the Audit and Corporate Governance Committee are asked to consider, review, and provide challenge to the attached progress report on the delivery of the audit service up to 28 February 2017.

Report Author: Steve Crabtree

Shared Head of Internal Audit (for Peterborough UA / Cambridge City / South Cambridgeshire Councils) Position:

Peterborough Office: 01733 384557 Contact:

Cambridge Office: 01223 458181

South Cambridgeshire Office: 01954 713445

1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Corporate Governance Committee and the Executive Director (Corporate Services), Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2016 / 2017 Internal Plan, as at February 2017. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, this is partly based on the type of recommendations we make in each report. Our assurance ratings were amended at the start of this year (Members were notified via email on 18 April 2016).
- 1.4 Should an audit report identify LIMITED or NO assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. However management is responsible for developing and maintaining an internal control framework.

2. **RESOURCES AND OUTPUTS**

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- 2.1 Since our last report to Audit and Corporate Governance Committee (October 2016) the following issues are brought to Members attention:
 - There have been no changes to audit personnel during the year to date.
 - New arrangements are being worked on for the Shared Internal Audit Service (SIAS) following Huntingdonshire DC declining to join the service in November 2016 and the planned departure of Peterborough from the existing arrangements. Plans are in train to recruit to the post of Head of Internal Audit, although Peterborough will continue with the existing arrangements until September 2017 at the latest.

- 2.2 Work completed from the current plan are documented in **Appendix B**.
- 2.3 Those reports shaded have previously been brought to the attention of the Committee.

Steve Crabtree Head of Internal Audit February 2017

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016

Page 10	Housing Benefits	Prior Review: FULL March 2015	New Assurance: REASONABLE	Critical:	High:	Medium:	Low:	Total:	There is an expectation that officers within the section notify their team leaders / managers of any individuals they may know who is on benefits. These accounts are then blocked from their access. Regular declarations are made by staff. However, while these are in place, they had not all been actioned on the system. Management agreed to review all declarations to ensure that they had been suppressed on the system.
	Accounts Payable	Prior Review: SIGNIFICANT March 2015	New Assurance: REASONABLE	Critical: 0	High: 2	Medium: 0	Low: 0	Total: 0	There has been improvement in the use of the electronic system, E-BIS, to make payments, however further improvements can be made to reduce the reliance on manual intervention

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016 (continued)

	Corporate Governance (Gifts and Hospitality)	Prior Review: Not applicable	New Assurance: NO	Critical:	High: 8	Medium:	Low:	Total: 9	The Council has clear guidance in place in relation to Gifts, Hospitality and Sponsorship for both Officers and Members.
									There was no evidence that any declarations that have been made had been reviewed or who was responsible for such reviews. Furthermore, were the declarations were recorded electronically, no one had access to review these logs.
บผูญค 11									Ownership has been agreed with the Head of Legal Practice who will instigate a full review following the appointment of the Deputy Monitoring Officer.

age 11

INTERNAL AUDIT PLAN 2016 / 2017

HOMES FOR OUR FUT	HOMES FOR OUR FUTURE										
Ermine Street Housing	WORK IN PRO	WORK IN PROGRESS.									
		his audit is to verif sound financial pro				_		n place to protect the interests of the ed debts.			
Homelessness	Prior Review: Not applicable	New Assurance:	Critical:	High: 3	Medium:	Low:	Total: 5	The objective of the audit was to ensure that the Council complies with legislative changes, use of Bed and Breakfast accommodation and the management of data/systems.			
3								The audit did not undertake an indepth assessment of other forms of temporary accommodation, or to assess whether the strategic leadership, direction and other aspects of the day to day management of the service were of an appropriate standard.			
								A number of gaps, particularly in relation to policies and procedures; personal data storage; and the data systems were identified.			

age 12

AN INNOVATIVE AND D	AN INNOVATIVE AND DYNAMIC ORGANISATION								
Banking Contract	WORK IN PROGRESS								
	This has been undertaken as a lessons learnt exercise to verify that "cross council" tendering has delivered the expected service improvements and that no issues were missed.								
Procurement and Commissioning	WORK IN PROGRESS Focus on compliance with regulation brought in to enable for greater transparency of the contract / procurement process, allowing for better flexibility for use of small and medium sized enterprises.								
Shared Services	WORK IN PROGRESS Audit is included on Cambridge IA Plan and being undertaken jointly.								

	CORE SYSTEMS ASSURA	NCE WORK									
	Accounts Receivable (Follow Up)	Prior Review:	New Assurance: REASONABLE	Completed:	In Progress:	Outstanding 2	Cancelled: 0	Additional: 0			
-	Benefits (Follow Up)	Prior Review: REASONABLE	New Assurance: REASONABLE	Completed:	In Progress:	Outstanding 0	Cancelled:	Additional: 0			
-	VAT (Follow Up)	Prior Review:	New Assurance: FULL	Completed:	In Progress:	Outstanding 0	Cancelled:	Additional:			
Page	Housing Rents (Follow Up)	Prior Review: SIGNIFICANT	New Assurance: REASONABLE	Completed:	In Progress:	Outstanding 0	Cancelled:	Additional:			
14	Business Rates	WORK IN PROGRESS Follow up work – previous FULL assurance									
•	Council Tax	WORK IN PROGRESS Follow up work – previous FULL assurance									
-	Budgetary Control	DEFERRED Due to the ongoing works on implementing the Main Financial System across three councils – it has been considered appropriate to defer this audit into 2017 / 2018. Time has been reallocated to the Safeguarding Audit and the Ermine Street Housing Audit.									

	ANNUAL GOVERNANCE	E AND ASSURANCE WORK					
	Annual Audit	COMPLETED					
Opinion The Annual Audit Opinion was submitted to Audit and Corporate Governance Committee in June 20 Internal Audit activity for the previous 12 months together with any areas of concern.							
	Annual Governance	COMPLETED					
	Statement	The Annual Governance Statement will be submitted to Audit and Corporate Governance Committee in September 2016 following review at Executive Management Team in the same month. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps. Internal Audit has provided suggestions and commentary on taking this forward.					
_	Internal Audit	WORK IN PROGRESS					
Page	Effectiveness	Feeds into the shared service forward plan. This will be included in quarter 4 and a separate statement within the annual Audit Opinion report for Committee in June 2017.					
15	Fraud and Corruption	COMPLETED					
		As part of the realignment of fraud investigations, Internal Audit has been an active member of the working group set up to provide appropriate solutions. A separate report on this is due to be submitted to EMT in Quarter 4.					
	National Fraud	WORK IN PROGRESS					
	Initiative	The bi-annual fraud initiative. Data matches were received back in February 2017 covering a series of datasets provided to an external body. Internal Audit has undertaken a routine sift and those requiring investigation have been allocated to a number of officers across the Council to investigate. At present Internal Audit retain the coordination role but this is covered in more detail within the above report for EMT.					

Safeguarding	WORK IN PROGRESS												
		The audit is focussed on the policies, procedures, awareness and evaluation of safeguarding across the Council. Matters arising from this audit have been provided to the Directors for comment prior to producing the report.											
Flexible Working Arrangements	Prior Review: Not applicable	New Assurance: REASONABLE	Critical:	High:	Medium:	Low: 2	6	The review focurrent policies and place as the Counfuture for a grown smarter ways of when the existing policiand guidance when the Council to	nd procedures neil looks to the reater level of the reater level of the reater, procedure nile satisfactor of the reater in order the reater of the reater o				
Driver Competency WORK IN PROGRESS. The audit was due to conclude in Quarter 3, however it was put on hold during testing following management. The audit will be resurrected as soon as approval is received.							ng following requ	est from seni					
Performance Management (follow up)	Prior Review:	New Assurance: REASONABLE	Comp	leted:	In Progr								

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

AUDIT AND CORPORATE GOVERNANCE COMMITTEE 31 MARCH 2017

INTERNAL AUDIT PLANS FOR 2017 / 2018

RECOMMENDATION:

That Audit and Corporate Governance Committee endorse:

- The Audit Charter;
- The Internal Audit Code of Ethics; and
- The Internal Audit Plan and Strategy 2017 / 2018

1. INTRODUCTION

1.1 This is the Internal Audit Plan for 2017 / 2018 for consideration by Audit and Corporate Governance Committee, together with the associated documents which have been established in accordance with best practice as laid down in the Public Sector Internal Audit Standards (PSIAS).

2. THE AUDIT CHARTER (APPENDIX A)

- 2.1 The PSIAS have been primarily introduced to:
 - Define the nature of internal auditing;
 - Set basic principles for carrying out internal audit;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 2.2 As part of evidencing that these requirements are being adhered to, there is a duty on Internal Audit to have a Charter which demonstrates how these elements are being handled and managed.

3. CODE OF ETHICS (APPENDIX B)

3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct mirrors the obligations as per the PSIAS as well as any organisational Codes of Ethics or Conduct relating to their employer.

4. INTERNAL AUDIT PLAN (APPENDIX C)

4.1 The overarching objective of the Audit Plan is to provide a comprehensive programme of review work, sufficient to enable an informed annual opinion and to develop the organisation's Annual Governance Statement. We have produced an Audit Plan which satisfies the obligations of the PSIAS, and provides an acceptable minimum level of audit coverage capable of generating the requisite audit assurances

to the organisation, whilst also being affordable. There are activities identified within the plan where assurance will be obtained from our shared service partners who are the lead authority for certain services.

- 4.2 The Internal Audit Plan for 2017 / 2018 has been developed using a risk-based approach. The plan has been formulated from reviews of the following:
 - i) Corporate and service level risks and an assessment of mitigating controls;
 - ii) Areas of significant change or concern within the council; and
 - iii) Key projects / partnerships being undertaken
- 4.3 The areas requiring assurance have been allocated over the objectives defined in the Corporate Plan in order to provide a clear link that audit activity is aligned to the Council vision.
- 4.4 If there are any significant additional requests required by Members or officers which leads to the potential for resources required exceeding the amount set-aside, then the shared HoIA will establish the course of action to be taken in consultation with the Executive Director (Corporate Services). In the event of this occurring, a separate report will be produced to inform all Members of the Committee.
- 4.5 The results of the work set out in the Internal Audit plan will be the production of the annual opinion by the HoIA for this Committee.

5. CONSULTATION

5.1 The documents submitted for endorsement have been through extensive consultation with all Departmental Management Teams prior to referral to Executive Management Team in February 2017.

Report Author:	Steve Crabtree	Position:	Head of Internal Audit (for Peterborough UA / Cambridge City / South Cambridgeshire Councils				
Contact:	Peterborough Offic	e: 01733 384557		Cambridge Office: 01223 458181	South Cambridgeshire Office: 01954 713445		

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL INTERNAL AUDIT CHARTER

February 2017

Next Review: By March 2018

Version Control: 1.03

1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within South Cambridgeshire District Council (SCDC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit and Corporate Governance Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. **PURPOSE**

2.1 In accordance with the PSIAS, Internal Auditing is defined as:

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

2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. **AUTHORISATION**

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2003, as amended in 2006 and 2011, which state that "a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within SCDC's Constitution.
- 3.2 Further, there are other requirements place upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations, whilst the Council's Constitution makes Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at SCDC is fulfilled by the Executive Director (Corporate Services).
- 3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
 - Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.
- 3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4. ORGANISATION AND RELATIONSHIPS

4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of

Internal Audit. At SCDC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

4.2 Chief Audit Executive

- 4.2.1 At SCDC, the Chief Audit Executive is the Head of Internal Audit (HoIA), part of a shared management arrangement between SCDC, Peterborough City Council (PCC) and Cambridge City Council (CCC). A Memorandum of Understanding exists between all three authorities and this agreement is subject to review. Each authority, as at February 2017, has its own internal staff. The HoIA has a direct line of reporting to a Director who is part of the Council's Leadership Team as well as access to the Chief Executive should it be required.
- 4.2.2 The post for Head of Audit will change during 2017, as SCDC and CCC look to appoint their own Head. When that appointment is made, PCC will withdraw from the existing shared service. Initial indications are that this will be by September 2017. There will be an expectation that the new Head will look to review the current Charter.

4.3 Board

- 4.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit and Corporate Governance Committee of the Council, which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:
 - Internal Audit Plans;
 - Progress and performance against plans;
 - Annual Audit Opinion; and
 - Compliance with standards.
- 4.3.2 Internal Audit will work closely with the committee to facilitate and support its activities.

4.4 <u>Senior Management</u>

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Executive Management Team.

4.5 External Audit

Internal Audit look to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with Ernst and Young.

4.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

4.7 Other External Review and Inspection Bodies

Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5. OBJECTIVES AND SCOPE

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the SCDC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
 - The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.

- The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
- The provisions developed to support achievement of the organisation's strategic objectives and goals.
- The systems formulated to secure an effective internal control environment.
- The completeness, reliability, integrity and timeliness of management and financial information.
- The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
- The systems designed to safeguard Council assets and employees.
- The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Executive Director in the discharge of his duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 5.6 <u>Managing the risk of fraud and corruption is the responsibility of management</u>. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit and Corporate Governance Committee of such situations.

6. **INDEPENDENCE**

6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and

communicating results. The framework allows the HoIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit and Corporate Governance Committee, the Chief Executive, Section 151 Officer and the Executive Management Team.

6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoIA will confirm to the Audit and Corporate Governance Committee, at least annually, the organisational independence of the Internal Audit activity.

7. PROFESSIONAL STANDARDS

- 7.1 SCDC's Internal Auditors operate in accordance with the PSIAS, 2013. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by SCDC. These include, but are not limited to Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by SCDC's Internal Auditors are set out in the Audit Manual.

8. AUDIT RESOURCES

8.1 The HolA will be professionally qualified (CCAB, CMIIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

8.2 The HoIA will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9. **AUDIT PLANNING**

- 9.1 The HolA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Executive Management Team for their approval prior to being taken forward to the Audit and Corporate Governance Committee for final endorsement, in advance of the new financial year to which they relate.
- 9.2 Any difference between the plan and the resources available will be identified and reported to the Audit and Corporate Governance Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES							
Core system assurance work	Departmental specific reviews						
Governance and Assurance Framework	Follow up activity						
Corporate / Cross Cutting audits	Internal advice on risks, controls and procedures						

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this. Internal Audit will reserve the

right to make a charge for any additional work that is over and above that originally planned and will be done in consultation with the Executive Director (Corporate Services).

9.4 Annual audit plans will be discussed with the Executive Management Team prior to their formal approval.

10. **REPORTING**

- 10.1 The process followed for completing each audit is set out in **Table 2**.
- 10.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:
 - Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
 - Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.
- 10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Audit and Corporate Governance Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS		
Stage	Commentary	
Audit Brief	Set up and agreed with manager(s)	
Fieldwork	Assignment undertaking including interviews, testing etc.	
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).	
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.	
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols (see Table 4).	

- 10.4 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.
- 10.5 Actions are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary.

TABLE 3: AUDIT ASSURANCE

We categorise our opinions according to our assessment of the controls in place and the level of compliance with them

Assurance	Description
SUBSTANTIAL	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks
REASONABLE	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks
LIMITED	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority
NO	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives

We categorise our **recommendations** according to their level of risk and priority for implementation

Priority	Description
CRITICAL	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY
HIGH	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. TO BE IMPLEMENTED AS A MATTER OF PRIORITY
MEDIUM	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. TO BE IMPLEMENTED AT THE FIRST OPPORTUNITY
LOW	Control weakness which, if corrected, will enhance control procedures that are already relatively robust. TO BE IMPLEMENTED AS SOON AS REASONABLY PRACTICAL

- 10.6 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.
- 10.7 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:
 - The scope including the time period covered;
 - Any scope limitations;
 - Consideration of all related projects including the reliance on other assurance providers;
 - The risk or control framework or other criteria used as a basis for the overall opinion;
 - The overall opinion, providing reasons where an unfavourable overall opinion is given; and
 - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.8 All reports produced are set out in **Table 4**.

TABLE 4: PLANNING AND REPORTING FREQUENCY						
Report Produced	For	Reason				
Audit Report	Chief Executive Executive Director (Corporate Services) Relevant Director / Head of Service	The end of each audit assignment as the main recipient and those charged with implementing the issues identified				
Progress Reports (based around the committee cycle)	Audit and Corporate Governance Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.				
Annual Opinion and Performance Report Audit and Corporate Governance Committee		End of year report in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.				
Annual Audit Plan	Audit and Corporate Governance Committee S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS.				

11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoIA will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit and Corporate Governance Committee.

11.2 Internal Assessments

- 11.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.
- 11.2.2 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to Audit and Corporate Governance Committee. Presenting this information to Audit and Corporate Governance Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoIA.

11.3 External Assessments

- 11.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.
- 11.3.2 The HoIA will agree with Audit and Corporate Governance Committee and the Section 151 Officer the form of the external assessments; and, the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, it would be prudent for each authority to be reviewed at the same time in order to reduce the level of duplication.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT: CODE OF ETHICS

INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of South Cambridgeshire District Council's (SCDC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- Integrity. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity**. Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality**. Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency. Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY: SCDC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and
- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness

OBJECTIVITY: SCDC Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not review any activity for which they have previously had operational responsibility;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY: SCDC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY: SCDC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS:

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest, as a minimum every 6 months;
- Confidentiality breaches will not be tolerated; and
- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

Reviewed: February 2017

Date for next review: By March 2018

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT PLAN AND STRATEGY 2017 / 2018

1. INTRODUCTION

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations stipulate that a Council should maintain "a sound system of internal control which facilities the effective exercise of that body's functions and which includes arrangements for the management of risk". The regulations also provide that councils "undertake an adequate and effective internal audit of its accounting records and of its system of internal control" in accordance with the Public Sector Internal Audit Standards. The Audit team is bound by the requirements of these standards.
- 1.3 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.4 The provision of assurance is the key role of Internal Audit. This role requires the Head of Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Audit and Corporate Governance Committee and also feeds into the Annual Governance Statement. Consulting services are advisory in nature and are generally performed at the specific request of management, with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2. STRATEGY

- 2.1 Shared management arrangements have been in place since January 2013 between South Cambridgeshire District Council (SCDC), Cambridge City Council (CCC) and Peterborough City Council (PCC). The reduced provision at senior level across all authorities has seen a commensurate reduction in cost 23% reduction since 2013.
- As part of internal reviews in year, initial proposals were put forward to extend to include Huntingdonshire District Council (HDC) under the 3C Shared Services. This was reported to Cabinet (15 September 2016). PCC indicated at this point that they wished to conclude the current arrangements. During this committee cycle, HDC also deferred the decision to join the partnership. Cabinet received a supplementary report (19 January 2017) for the development of a two way service between SCDC and CCC only, which was agreed. Existing staff at SCDC would TUPE across to CCC and deliver each audit plan together.
- 2.3 The Audit Plan reflects the priorities for SCDC but there are a number of areas interlinked with CCC which can be covered in partnership.

3. INTERNAL AUDIT PLAN

- 3.1 The sources of information used in identifying the priorities put forward for audit coverage include:
 - the Corporate Plan and Council objectives;
 - the Financial Strategy;
 - the Council's strategic and operational risk registers; and
 - Consultation with Directors and Heads of Service.
- 3.2 The Plan for 2017 / 2018 aims to give the Council the best audit coverage within the resources currently available. Though it is compiled and presented as a plan of work, it must be recognised that it can only be a statement of intent. Whilst every effort will be made to deliver the plan, Internal Audit recognises that it needs to be flexible. Any substantial changes will be referred to the Chair of Audit and Corporate Governance Committee should the need arise.

- 3.3 Resource requirements are reviewed each year as part of the audit planning process. Any material changes as a result of the review of risks are discussed with the Executive Director (Corporate Services) as the Section 151 Officer. The audit team, as at February 2017 is made up of 1.20 FTE, which includes the 0.2 FTE for the Head of Internal Audit.
- 3.4 The overall allocation of time is 246 days, which compares favourably with last year (242 days).
- 3.5 The Internal Audit plan needs to be fluid and flexible enough to enable the Internal Audit service to be reactive as required to situations arising during the course of the period covered by the plan. A (small) contingency reserve has been built in to assist in dealing with the any such matters to hopefully minimise any impact on the work plan itself.
- 3.6 Time allocations within the plan are based on previous year assessments, with any overall allocation for each key area. As each audit activity is fully scoped and agreed with the appropriate senior manager, there will be a call off arrangement and each job will then be monitored to that time allocation.
- 3.7 As in previous years, Internal Audit will continue to support the compliance culture within the Council, with the emphasis on improving service ownership pf controls and management of risk and governance including fraud. There will continue to be liaison with the external auditors. Aside from core financial systems, future coverage will be prioritised towards partnership working with particular emphasis around the various shared services arrangements.
- 3.8 The Plan is grouped by audit coverage to the key objectives of the Council (**Table 1**). For each discrete audit area, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.
- 3.9 In addition, a number of audits are identified which aim to provide assurance that a number of corporate systems and processes are robust and protect the Council. A departure from the normal arrangements is a Council wide review of Organised Crime Procurement.

Following a pilot study by the Home Office, a detailed checklist and audit regime has been identified which local authorities are asked to consider. We see this as a best practice toolkit which will be used to benchmark the Council against. We will also look to develop our partnership arrangements with the local Constabulary to assist in this as well as other Cambridgeshire Councils.

- 3.10 Time has been incorporated into the audit plan for a number of fundamental system reviews. However, we may be to place reliance on the works being undertaken at CCC on the critical project to install the new Financial Management System. If we are able to use this works, we will have a number of audit days which we can reassign works to. As part of the review of the draft audit plan at EMT in February 2017, a number of reserve audits where identified.
- 3.11 Going forward, National Fraud Initiative works has been identified as an area outside of Internal Audit (Cabinet 19 January 2017; Internal Audit Shared Service Business Case). Those days have been reallocated to other audit activities.

Table 1: INTERNAL AUDIT COVERAGE				
	2017 / 2018		2016 / 2017	
	Days	%	Days	%
Living Well	12	5.0	-	0.0
Homes for Our Future	27	11.0	40	16.5
Connected Communities	15	6.0	-	0.0
An Innovative and Dynamic Organisation	36	14.6	37	15.3
Core System Assurance Work	36	14.6	48	19.8
Annual Governance and Assurance Work	70	28.5	77	31.9
Other Resource Provisions	50	20.3	40	16.5
TOTAL RESOURCES ALLOCATED	246	100.0	242	100.0

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
Objective A: LIVING WELL – Sup	pport our communities	to remain in goo	od health whilst continuing to protect the natural and built environment	
Licensing Policies	Health and Environmental Services	Compliance	Focus on taxi licensing arrangements	12

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS		
Objective B: HOMES FOR OUR FUTURE – Secure the delivery of a wide range of housing to meet the need of existing and future communities						
Homelessness	Affordable Homes	Risk Based	Budget increases and high risk area. Build on coverage undertaken in current year and look to review effectiveness of management arrangements	15		
Choice Based Lettings		Project	Post implementation review	12		

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS	
Objective C: CONNECTING COMMUNITIES – Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity					
Land Supply / s.106	Planning and New Communities	Risk Based	Review of: - availability of land for development within the Council; and - Co-ordination arrangements in relation to set up, collect, track, review, deliver and use of s.106 funds.	15	

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS			
Objective D: AN INNOVATIVE AND DYNAMIC ORGANISATION – Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost							
Shared Service: Waste Management	Health and Environmental		Evaluation of delivery of the shared service. Two separate audits will be undertaken.				
	Services	Risk Based	Focus on the performance delivery and validation of the achievement of savings.	12			
		Compliance	Quality assessment of the service to verify conformance with quality standards	12			
		Project	Review of the Trade Waste project as it looks to improve on its commercialisation	12			

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
CORE SYSTEMS ASSURANCE WORK Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make their statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on key systems. Systems are reviewed on a rolling cycle to ensure that all are covered.				
Accounts Payable	Corporate Services	Systems	NB: All these audit areas are interlinked with the development and implementation of a new Financial Management System for	8
Cash and Bank	Corporate Services	Systems	3 Councils. Due to the increased, and continued audit resources being provided by Cambridge City Council to the Project Board, there is potential that reliance could be placed on these works. As a result, these audits will be substituted.	8
Main Accounting	Corporate Services	Systems		8
Treasury Management	Corporate	Systems	Review of investment strategy and performance	12

Services

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
ANNUAL GOVERNANCE A	ND ASSURANCE FRAMEW	ORK:		
Each year the Council is ol to the production of the A	_		ness of its governance arrangements. This section includes audit work tha	t relates
Organised Crime Procurement Review	All	Compliance	At the beginning of December 2016, the Home Office issued a report covering "Organised Crime Procurement Pilots". This exercise looked at various aspects of Local Government activities which could be vulnerable to be targeted by organised crime. It recommends that Councils should look to undertake an audit in relation to Serious Organised Crime. Various pilots have taken place across the country (as well as in Scotland) and details have been circulated which suggest that a number of areas could be susceptible / at risk. Examples include where there is a high level of cash inputs into the service; contracts are awarded or there is significant interaction with the public and / or companies. A number of audit areas will be targeted and an overarching report produced. The areas include: Declarations (Members / Officers). - Monitoring / authorising secondary employment; - Gifts and hospitality registers - Declarations of interests Recruitment and Selection - Disclosure and Barring Services checks Bribery and Corruption - Anti-Money Laundering Procurement and Contract Arrangements - A selection of contracts will be selected from the Contracts Register	25

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
ANNUAL GOVERNANCE AND A	SSURANCE FRAMEWO	PRK: (continued)		
Annual Audit Opinion	N/A	N/A	Annual report for Audit and Corporate Governance Committee produced by the Internal Audit lead, providing an opinion on the state of governance and the internal control framework in place within South Cambridgeshire District Council.	2
Internal Audit Effectiveness	N/A	N/A	Review of the Internal Audit service against the Public Sector Internal Audit Standards.	2
Annual Governance Statement	N/A	N/A	Internal Audit review of the draft Annual Governance Statement and the associated Action Plan to address any significant shortcomings.	2
Human Resources	All	Contract	Review delivery of, monitoring and performance of the contract in place for Multi Agency Cover arrangements	15
Performance Management	-	-	Shared Service outcomes (specific works relating to Waste Management are identified separately)	-
Project Management	All	Project	Review of the Business Efficiency Improvement Programme. A sample of projects will be selected and the audit will focus on quantifying the delivery of savings and meeting its outcomes	12
Risk Management	All	Compliance	Review of the roll out of 4Risk risk management system across the Council and its effectiveness	12

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS	
OTHER RESOURCE PROVISIONS Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from 2015 / 2016 Audit Plan.					
CARRY FORWARD ACTIVITIES	All	Various	A number of audits roll forward either as a result of starting late in 2016/2017 or being rolled forward due to other activities taking precedence e.g. special investigations. Unless specified, these audits from 2016/2017 Audit Plan will take priority.	15	
CONTINGENCY: REQUESTED WORK	All	Advice	The Audit Plan is based only on a snapshot of the Council at any moment in time. Risks and priorities change all the time. An element of time has been set aside to allow for sudden changes to the Plan. This could be due to: - New risks identified which require swift attention; - Control or risk advice to Officers / Members; and - Ad-hoc requests.	10	
FOLLOW UP PROVISION	All	Follow Up	A number of audits completed in previous years where there have been concerns identified are followed up to ensure that agreed recommendations have been implemented.	10	
REVIEWS / MANAGEMENT	-	-	Undertake reviews of works / quality checks to ensure meet required standards and production of committee papers	15	

Allocations in relation to the National Fraud Initiative, as per the Internal Audit Business Case are to be undertaken elsewhere.

Agenda Item 6

South Cambridgeshire District Council

Year ending 31 March 2017

Audit Plan

March 2017

Ernst & Young LLP





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Audit and Corporate Governance Committee Members South Cambridgeshire District Council South Cambridgeshire Hall Cambourne Business Park Cambourne **CB23 6EA**

10 March 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 31 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

Executive Director For and behalf of Ernst & Young LLP Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Corporate Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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1. Overview

This Audit Plan covers the work that we plan to perform 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 2017 and of the income and expenditure for the year then ended; and
- Our 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 the Council's Whole of Government Accounts return.

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

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; and,
- ▶ Management's views on all of the above.

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

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you. If we identify any changes to these risks we will report matters to officers and the committee promptly.

Significant risks (including fraud risks)

Our audit approach

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Having assessed the key income and expenditure streams of the Council, we judge that there is material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.

We will review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our approach will focus on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions

Other financial statement risks

Pensions Liability IAS19

The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Pension liability is the largest value liability on the balance sheet. Due to the nature, volume and size of the transactions we consider this to be a risk.

Our approach will focus on:

- ► The actuarial expertise used by the Council; and
- The reasonableness of the estimations and judgements used.
- The completeness and accuracy of the data provided by the Council to the Actuary.

Valuation and impairment of Property, Plant and Equipment

Property, Plant and Equipment (PPE) represent the largest asset values on the Council's balance sheet.

PPE are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an internal expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of internal experts and assumptions underlying fair value estimates.

Our approach will focus on:

- Revaluations in year, the basis of valuation of significant assets and any significant changes in use of assets to ensure they remain appropriate if circumstances change.
- ▶ The valuation expertise used by the Council.
- The reasonableness of the estimations and judgements used.

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made

Our approach will focus on:

- Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code
- Review of the analysis of how these figures are derived, how the ledger system has been remapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has 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.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2016-17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- · Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not identified any risks to date which we view as relevant to our value for money conclusion.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- Financial statements
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- ► Assessing the key internal controls in place and, where we consider it appropriate to do so, testing the operation of these controls
- ► Review and re-performance of the work of Internal Audit 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

Analytics

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

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

Internal audit

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

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The key areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Actuary / EY Pensions team
Property, plant and Equipment and Investment Property	Management's Expert valuer
Business Rates appeals	Management's Expert valuer

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used:
- Consider the appropriateness of the timing of when the specialist carried out the work;
 and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ► 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
- ► Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Other procedures

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1,688,000 based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £84,000 to you.

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of South Cambridgeshire District Council is £51,975. Following the completion of the 2015/16 audit and the agreement of additional fees arising from the additional procedures we were required to carry out, including on the group accounts, we are proposing an increase to the scale fee of £5,000.

4.6 Your audit team

The engagement team is led by Suresh Patel who has significant experience of local government audit. Suresh is supported by Tony Poynton who is responsible for the day-to-day direction of audit work and is the key point of contact for the Principal Accountant.

4.7 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. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Corporate Governance's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Corporate Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit and Corporate Governance timetable	Deliverables
High level planning	April 2016	-	Audit Fee Letter
Risk assessment and setting of scopes	February 2017	31 March 2017	Audit Plan
Testing routine processes and controls	March	-	Progress report – we will only report by exception if there are any matters to draw to the attention of the Committee at this stage from our interim audit work.
Year-end audit	July / August		
Completion of audit	September	TBC	Report to those charged with governance via the Audit Results Report
			Audit report (including our opinion on the financial statements; and, overall value for money conclusion).
			Audit completion certificate
			Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October	ТВС	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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;
- ► The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.
- 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;
- Details of non-audit services provided and the fees charged in relation thereto;
- Written confirmation that we are independent;
- Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and
- An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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 are disclosed, analysed in appropriate categories.

We are currently engaged by the Board of Ermine Street Housing to undertake the audit of its 2016/17 accounts for a fee of £14,500 (2015/16: £14,500) and provide tax advice for a fee of £8,000 (2015/16: £18,000).

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 any principal threats. However we have adopted the safeguards 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 the Council.

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 the Council has approved and that are in compliance with PSAA Terms of Appointment. At the time of writing, the current ratio of non-audit fees to audit fees is approximately 15.3% (2015/16: 33.5%). No additional safeguards are required.

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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, 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 other 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 where management is required to make judgements or decisions 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 adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, the audit engagement Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

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 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 June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion Scale Fee Scale Fee Variations	51,975 5,000	51,975 -	53,774 23,416	The 2015/16 scale fee variation related to group accounts, PPE disclosure adjustments and audit delays.
				The 2016/17 planned fee includes an additional £5,000 to audit the group accounts.
				These fees are yet to be agreed by PSAA.
Total Audit Fee – Code work	56,975	51,975	77,190	
Certification of claims and returns ¹	13,793	13,793	9,190	
Other Audit related services				
Pooling of housing capital receipts return	TBC	n/a	3,300	Separate engagement by the Council
Audit of South Cambs Ltd	14,500	n/a	14,500	Separate engagement to the company
Non-audit Services				
Tax compliance and advisory service for South Cambs Ltd	8,000	n/a	18,000	The 2015/16 outturn fee included non-recurring tax advice of £10,000.

All fees exclude VAT.

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Corporate Governance Committee. These are detailed here:

Required communication		Reference	
Planning and audit approach		•	Audit Plan
	mmunication of the planned scope and timing of the audit including any itations.		
Sig	nificant findings from the audit	•	Audit Results Report
•	Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures		
•	Significant difficulties, if any, encountered during the audit		
>	Significant matters, if any, arising from the audit that were discussed with management		
•	Written representations that we are seeking		
•	Expected modifications to the audit report		
•	Other matters if any, significant to the oversight of the financial reporting process $% \left(1\right) =\left(1\right) \left(1\right) \left($		
Mis	sstatements	•	Audit Results Report
•	Uncorrected misstatements and their effect on our audit opinion		
•	The effect of uncorrected misstatements related to prior periods		
•	A request that any uncorrected misstatement be corrected		
•	In writing, corrected misstatements that are significant		
Fra	nud	•	Audit Results Report
>	Enquiries of the Audit and Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity		·
>	Any fraud that we have identified or information we have obtained that indicates that a fraud may exist		
•	A discussion of any other matters related to fraud		
Re	lated parties	•	Audit Results Report
	nificant matters arising during the audit in connection with the entity's related ties including, when applicable:		
•	Non-disclosure by management		
•	Inappropriate authorisation and approval of transactions		
•	Disagreement over disclosures		
•	Non-compliance with laws and regulations		
>	Difficulty in identifying the party that ultimately controls the entity		
External confirmations		•	Audit Results Report
>	Management's refusal for us to request confirmations		
•	Inability to obtain relevant and reliable audit evidence from other procedures		
Со	nsideration of laws and regulations	•	Audit Results Report
>	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		
>	Enquiry of the Audit and 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 Audit and Corporate Governance Committee may be aware of		

Required communication		eference
Independence	•	Audit Plan
Communication of all significant facts and matters that bear on EY's objectivity and ndependence	•	Audit Results Report
Communication of key elements of the audit engagement director's consideration of ndependence and objectivity such as:		
The principal threats		
 Safeguards adopted and their effectiveness 		
 An overall assessment of threats and safeguards 		
 Information about the general policies and process within the firm to maintain objectivity and independence 		
Going concern	•	Audit Results Report
Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:)	
 Whether the events or conditions constitute a material uncertainty 		
Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements		
 The adequacy of related disclosures in the financial statements 		
Significant deficiencies in internal controls identified during the audit	>	Audit Results Report
Fee Information	•	Audit Plan
 Breakdown of fee information at the agreement of the initial audit plan 	•	Audit Results Report
▶ Breakdown of fee information at the completion of the audit		Annual Audit Letter if considered necessary
Group audits	•	Audit Plan
 An overview of the type of work to be performed on the financial information of the components 	•	Audit Results Report
 An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components 		
 Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work 		
 Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted 		
 Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 		
Certification work	>	Certification Report
Summary of certification work undertaken	•	Annual Audit Letter if considered necessary

Appendix C Detailed scopes

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

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk-based, and therefore the data below on coverage of gross revenue expenditure and total assets is provided for your information only.

Group audit scope	Entity	% of Total Assets
Full	South Cambridgeshire District Council	97.5
	(single entity)	
Specific	-	-
On site limited	-	-
Off-site limited (desktop)	-	-
Other procedures	South Cambs Ltd	2.5

- ▶ Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ **Specific scope**: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.
- ▶ Limited Scope: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.
- ▶ Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 15% of the Group's gross revenue expenditure.

These other procedures will include:

- ▶ Auditing the balances in the subsidiary that are material to the group.
- ▶ Test consolidation journals and intercompany eliminations.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. There are no component auditors as South Cambs Ltd is currently audited by EY.

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Agenda Item 7

Certification of claims and returns annual report 2015-16

South Cambridgeshire District Council

February 2017

Ernst & Young LLP





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Audit and Corporate Governance Committee Members South Cambridgeshire District Council South Cambridgeshire Hall Cambourne Business Park Cambourne CB23 6EA 14 February 2017

Direct line: + 44 7854 279 476 Email: NHarris2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 South Cambridgeshire District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Cambridgeshire District Council's 2015-16 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

In addition to this, the Council engaged us to act as reporting accountants in relation to a return outside PSAA's regime – pooling of housing capital receipts.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £27,855,369. We met the submission deadline and issued a qualification letter on 28 November 2016. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We provided a separate report to the Council in relation to the pooling of housing capital receipts return return with a total value of £483,654. No significant issues were identified as part of this work.



Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit and Corporate Governance Committee.

We would like to take this opportunity to personally thank Dawn Graham the Council's Benefits Manager for her help this year. By demonstrating a high degree of flexibility and willingness to help throughout the process Dawn played a key role in not only ensuring this claim, but also that of a neighbouring authority were delivered on time.

Yours faithfully

Neil Harris Executive Director Ernst & Young LLP Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£27,855,424
Amended/Not amended	Amended – subsidy reduced by £55
Qualification letter	Yes
Fee – 2015-16	£9,190
Fee – 2014-15	£18,390

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing of 20 cases identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas similar to previous years.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP will then decide whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- We identified 1 case where neither we nor Council's officers were able to establish a complete and accurate audit trail and were therefore unable to conclude it was free from error.
- HRA rent rebates Testing of the initial sample identified 2 cases where benefit had been underpaid due to old rent liability being applied to the current year. We determined in this instance that this error would always lead to an underpayment of benefit and did not therefore undertake further testing.
- Rent Allowance LA Error and admin delay overpayments testing identified 1 case
 where an overpayment due to claimant error was misclassified as LA error. Testing
 of an additional 40 cases identified one further case with the same error. We reported
 an extrapolated error of £24,424 in our qualification letter.

The net impact on the claim arising from amendments agreed with officers was £55.

2. Other assurance work

During 2015-16 the Council engaged us to act as reporting accountants in relation to the Pooling of Housing Capital Receipts return. This work has been undertaken outside the PSAA regime.

We have provided a separate report to the Council in relation to this return. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.

3. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns.

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Certification	.,		
Housing benefits subsidy claim	9,190	9,190	18,390
Other Assurance Work			
Pooling of Housing Capital Receipts Return	3,300	3,300	3,000

The indicative certification fee for 2015/16 is based on the actual fee for 2013/14 with a 25% reduction in scale fee. For 2015/16 the level of error identified was similar to that identified in 2013/14.

4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £13,793. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address: http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the s151 Officer before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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Agenda Item 8



South
Cambridgeshire
District Council

REPORT TO: Audit and Corporate Governance

Committee

LEAD OFFICER: Executive Director (Corporate Services)

31 March 2017

REVIEW OF RISK MANAGEMENT STRATEGY AND PROCESS

Purpose

- 1. The purpose of this report is for the Audit and Corporate Governance Committee to conduct a review of the Council's Risk Management Strategy and note the proposed Risk Management Process as recommended by EMT.
- 2. This is not a key decision but it has been brought because:
 - (a) it enables the Audit and Corporate Governance Committee to exercise its governance responsibility for risk management;
 - (b) annual review of the Risk Management Strategy and process is good practice to ensure that these remain relevant, adequate and effective

Recommendations

3. EMT recommended to the Audit and Corporate Governance Committee that the committee approves the proposed revised Risk Management Strategy, as set out in this report.

Reasons for Recommendations

- 4. The proposed revised Risk Management Strategy (Appendix A) has been updated to reflect the changes in the Council's approach to managing the risks throughout last year.
- The Strategic Risk Register, the risks included, assessments of their impact and/or likelihood, and associated control measures / sources of assurance, have been considered at the meetings of Cabinet on 14 July, 15 September and 17 November 2016, and 9 February 2017.

Background

6. The Council's Risk Management Strategy was first adopted in January 2004 and has been updated several times since. It was last updated in June 2016, to reflect recommendations resulting from internal audit's risk management review, together with management responses, actions taken and proposed updates to the Risk Management Strategy.

Considerations

7. Proposed Risk Management Strategy has been re-worked into 2 documents, separating Strategy and Process (Appendix B). This will give greater weight to the strategy and facilitate alignment between the Council's strategy and that of our shared service partner, Cambridge City Council. This is important as it will allow risks to be managed in similar ways in both the councils and within shared services. It is

- expected that Cambridge City Council will adopt the same Risk Management Strategy at the time of their annual review.
- 8. The Risk Management Process will be reviewed and approved by the Corporate Management Committee prior to implementation.
- 9. Audit and Corporate Governance Committee monitors the responsible portfolio holder's review and approval of the Council's Strategic Risk Register on an annual basis. Cabinet reviews of the Strategic Risk Register during 2016-17, led by the Corporate and Customer Services Portfolio Holder, took place as outlined above, resulting in relevant amendments to the Strategic Risk Register.
- 10. During the year greater control and responsibility for the risks was given to the risk owners. For this purpose Service Risk Registers were transferred to risk management software, which is an online database. Access to the database was given to Risk and Action owners across the Council, who were also provided with information and training. The format of the database provides users with guidance on the categorisation and scoring of risks. The database is shared with Cambridge City Council.
- 11. Other changes related to the process of review of the Service Risk Registers: with the creation of the Corporate Management Team, review of Service Risk Registers has passed into their domain.

Options

- 12. Audit and Corporate Governance Committee could recommend approval of the changes proposed, and the resulting proposed revised Risk Management Strategy. (*This is the recommended option.*)
- 13. Alternatively, Audit and Corporate Governance Committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

Implications

14. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Risk Management

15. The updated Risk Management Strategy will continue to ensure the authority has an effective risk management process, reflecting the authority's political arrangements and management structure and the Council's Aims and Objectives, and providing appropriate ownership and assurance.

Effect on Strategic Aims

An Innovative and Dynamic Organisation – adopting a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

16. The annual review of the Council's Risk Management Strategy contributes to the Council's corporate governance responsibilities and ensures that risks involved in the

delivery of the Council's Corporate Plan and in meeting its strategic Objectives are identified and managed adequately and effectively.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

Report Author: Suzy Brandes - Principal Accountant (General Fund & Projects)

Telephone: (01954) 713101





Risk Management Strategy

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Risk Management Strategy



South Cambridgeshire District Council

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	Approach to Risk Management	

Appendix A Roles and Responsibilities

1. Definition of Risk

1.1 South Cambridgeshire District Council considers risk to be the possibility that an unwanted or uncertain action or event will cause injury, loss, damage, prevent the Council from identifying and taking advantage of opportunities or adversely impact the ability of the Council to deliver its services, or achieve its objectives and priorities.

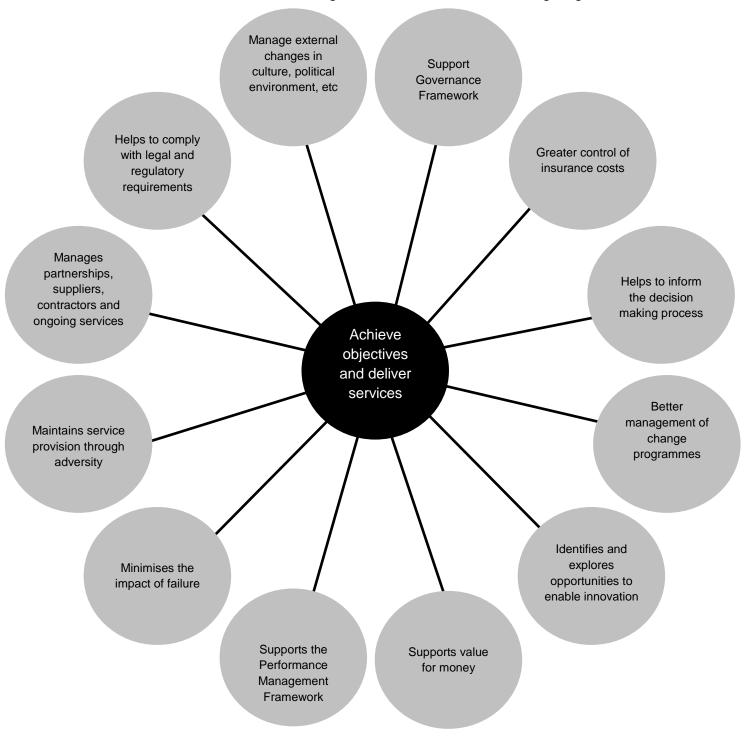
2. Governance

- 2.1 The governance framework is the system by which South Cambridgeshire District Council ensures that it achieves the right outcomes for the residents of South Cambridgeshire in an open and honest way.
- 2.2 The Council's primary role is to fulfil its statutory obligations. The Council also has a Long Term Vision that South Cambridgeshire will continue to be the best place to live, work and study in the country. Supporting the Vision is a Corporate Plan with strategic objectives and associated actions.
- 2.3 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 objectives
- 2.4 EMT will review the report on Risk Management Strategy and Process annually, or more frequently if required, and make any recommendations regarding them to the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee will receive a report on the Risk Management Strategy and Process and approve the Strategy annually, or more frequently if required.

3. Risk Management – purpose and objectives

- 3.1 The objective of the Risk Management Process is to identify, evaluate and control risks. Risk Management is a key element of the Council's Governance framework.
- 3.2 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.
- 3.3 The Council's decision-making should be risk-aware but not risk-averse, as part of which risk appetite will be determined on a case by case basis, after evaluating the balance of risk and benefit presented.
- 3.4 The system of internal control is a key part of the governance framework and is designed to manage risk to a reasonable level. Internal Audit regularly reviews the system of internal control, providing independent assurance on the adequacy and effectiveness of the controls in place to manage risks. Actions are also agreed with management to improve controls.
- 3.5 Roles and responsibilities within the Council for embedding and monitoring Risk Management are outlined in Appendix A to this document.

3.6 The Benefits of Good Risk Management are shown in the following diagram:



4. Objectives of the Risk Management Strategy

- 4.1 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) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
 - (c) Raise awareness of the need for managers responsible for the Council's delivery of services to undertake Risk Management.

5. Approach to Risk Management.

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

Identify Risks and Controls

There is a need to identify the potential risks and exposure that may arise. In each case the causes of the risk and the consequences of the risk occurring should be established.

In addition any existing controls in place to mitigate the risks should be identified.

Monitoring, Reporting & Review

Risks, controls and actions will be monitored on an ongoing basis by Directors, Heads of Service and Risk Owners.

Communication & Learning

Analyse & Score Risks

The risks should be analysed and scored to assess the likelihood of any risk arising and the potential impact should it occur. See Appendix B to the Risk Management Process for details of the scoring criteria.



Actions may be taken to avoid, eliminate, reduce, or transfer the risk. Actions will be assigned to an owner and have a date for implementation. Actions can be identified by Managers or by Internal Audit as a result of a review.

- 5.2 These steps are outlined in the Risk Management Process document and Roles and Responsibilities in Risk Management are outlined in Appendix A.
- 5.3 In accordance with best practice, Risk Management at the Council incorporates the identification and management of strategic risks, service area risks, project, programme and shared service risks. The process is thus embedded throughout the Council.



Roles and Responsibilities

It is vital that everybody understands the role that they play in effective risk management, with every employee and Member of SCDC being responsible for ensuring effective risk management. The roles and responsibilities in the Risk Management Process are detailed below:-

Group or Individual	Roles and Responsibilities
Audit and Corporate Governance Committee	Members of the Committee have the role of overseeing the effective management of risk by officers. In effect this means that they will approve the Strategy put forward by officers and review its application
Portfolio Holders	Portfolio holders will ensure that risks are considered as part of the Service Planning and review risks regularly with the relevant Director.
Cabinet	Cabinet will review and approve the Strategic Risk Register quarterly.
Executive Director (Corporate Services)	The Executive Director (Corporate Services) is the senior manager responsible for Risk Management and will ensure that the Council's Risk Management Strategy and Process are reviewed at least annually and that the Council's Strategic Risk register is reviewed quarterly.
Executive Management Team	Executive Management Team will review the Risk Management Strategy and Process. They will carry out quarterly reviews of the key risks facing the Council and progress with the implementation of overdue and outstanding actions.
Corporate Management Team / Heads of Service	Corporate Management Team / Heads of Service will support the Risk Management strategy and process. Heads of Service are responsible for managing the risks within their service and associated projects and ensuring that risk activity and targets for implementing actions are achieved and that the risk register is updated on a timely basis.
Project Managers	Identify risks likely to impact upon the successful delivery of project objectives as part of project initiation and business case development, analysing each for its likelihood and impact and identifying appropriate mitigations. Draft and maintain project risk register, identifying interdependencies with strategic and service risks as required.
Risk Management Team	The Risk Management team (PA (GF&P) and Internal Audit) is responsible for the implementation of the integrated strategy and process on behalf of the Council and its Executive Management Team. This team is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice. The Risk Management Team provides advice, guidance, support and challenge on all aspects of Risk Management including training on the use of the Risk Management Software (4Risk).

Internal Audit	Internal Audit provides independent assurance on the effectiveness of controls within the Council to mitigate risks. Internal Audit supports the risk management process. It utilises the risk register for monitoring the progress of management agreed actions resulting from audit reports. As part of the production and presentation of the annual Head of Internal Audit Opinion to the Audit and Corporate Governance committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of no or limited assurance and the associated actions required.
Partners (including Shared Services)	SCDC works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships / shared services to be undertaken. However, it is essential that accountabilities are adequately determined and that SCDC does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, there will undoubtedly be some residual risks falling on the authority. It is not possible to transfer responsibility for the risk management process.



Risk Management Process

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Appendix A – Risk Management Process



South
Cambridgeshire
District Council

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	Review of the Risk Management Process	

Appendix A Risk Categories Appendix B Risk Scoring

1. Purpose and objectives

1.1 The Risk Management Process enables the Risk Management Strategy to be implemented through a practical framework for managing risks.

2. Objectives

- 2.1 The Risk Management process implements objectives of the Risk Management Strategy to
 - integrate risk management into the culture of the Council by setting out a process to identify and report upon existing and emerging risks to the Council,
 - manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level, and
 - disseminate awareness of the need for managers responsible for the Council's delivery of services to undertake risk management.
- 2.2 The Council's Risk Management process is based on the approach to Risk Management outlined in the Risk Management Strategy document.

3. Identifying and recording risks and controls

3.1 *Identifying risks*

- 3.1.1 A risk is an event that may occur, which will cause injury, loss, damage or adversely impact the ability of the Council to deliver its services, or achieve its objectives and priorities.
- 3.1.2 This strategy requires the Council to identify Strategic (Corporate) risks risks that could have an effect on the successful achievement of our long term core purpose, objectives, priorities and outcomes. These are:
 - Risks that could potentially have a council-wide impact and/or
 - Risks that cannot be managed solely at a service (operational) level because higher level support/intervention is needed.

and Service (Operational), together with project, programme and shared service risks – those are the risks that may impact on delivery of the Council's services.

3.1.3 Categories of risks identified as relevant to the Council are listed in Appendix A.

3.2 Recording risks and controls

3.2.1 Identified risks and relevant controls will be recorded in the relevant strategic or service area risk register, project, programme or shared service risk register, as set out below.

Strategic Risk Register

- 3.2.2 The Strategic risk register is recorded on the Shared Risk Management Software. The software will provide the framework for how each risk, rating, control and action are recorded.
- 3.2.3 The risks facing the Council are identified by the Directors and Members and recorded from a corporate perspective. Recording and maintaining of the accurate and up to date risk records is the responsibility of the Officers.

3.2.4 The strategic risk register may also include project, programme and shared service risks, if these are of a corporate or significant nature.

Service area risk registers

3.2.4 The Service area risk register is recorded on the Shared Risk Management Software in the same way as the Strategic Risk Register. Directors, Heads of Services and Managers will record in their service area risk registers potential operational risks affecting the services for which they are responsible. The software will provide the framework for how each risk, rating, controls and actions are recorded.

Project and Programme Office risk registers

- 3.2.5 All projects, such as those of a corporate or significant service nature, major ICT related projects, shared services, etc, are required to have their own risk registers. Project or Programme Office Risk managers will set up a Project or Programme Office Risk Register using Shared Risk Management Software and will review project risk registers in accordance with their project management arrangements.
- 3.2.6 Project risk registers will be set up on the Shared Risk Management Software by the system administrator on request of the project managers.

Shared Service risk registers

- 3.2.6 Shared service projects led by the Council will use the same format as the service risk registers.
- The Principal Accountant (General Fund and Projects) ("PA(GF&P)"), on behalf of the 3.2.7 Executive Director (Corporate Services), will monitor completion and updating of the risk registers and will provide reports for quarterly review to CMT, EMT and Cabinet as appropriate.

4. Analysing and scoring risks

4.1 Assessing and prioritising risks will be guided by the Risk Management software in line with the Council's Risk Scoring criteria set out in Appendix B.

5. Monitoring risks and identifying actions

- 5.1 Risk management is a continuous process and the incidence of potential risks should be regularly reviewed to monitor changes over time.
- 5.2 Risks above the Council's risk tolerance line (i.e. with a total (Gross) risk score of 12 or higher – refer to Appendix B for guidance) require additional control measures / sources of assurance to be put in place to manage them, e.g.:
 - 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).
- 5.3 Risk owners (i.e. the officers named in the relevant risk register) and service managers will develop and implement additional control measures / sources of assurance for managing risks assessed above the Council's risk tolerance line. Where additional control measures / sources of assurance affect other Objectives, services, projects or programmes, require additional resources or will incur additional costs, service managers will discuss these with the managers/ officers concerned. Any additional costs need to be approved via the Council's budget cycle.

- 5.4 Project managers and programme officers will manage project and programme risks in accordance with their project/programme office governance arrangements.

 Shared service project managers / lead officers will manage shared service project/ arrangement risks in accordance with the shared service governance arrangements.
- 5.5 Directors, project managers, programme lead officers and shared service project managers / lead officers will review all risks quarterly and also reassess risks below the Council's risk tolerance line (i.e. with a total (Gross) risk score of 10 or lower) to ensure there is no change to the underlying risk or control measures / sources of assurance.

6. Reviewing and reporting risks

6.1 **Reviewing risks**

- 6.1.1 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 closure of risks considered to be no longer relevant, fully mitigated or those that have materialised.
- 6.1.2 Risks are reviewed at service planning, departmental management teams, Corporate Management Team (CMT), Executive Management Team (EMT), Cabinet, project management, programme office and shared service meetings, as appropriate:
 - EMT will review the strategic risk register quarterly, recommending its approval to Cabinet. Cabinet will similarly review and approve the strategic risk register quarterly.
 - Directors, including the Executive Director (Corporate Services) will review and approve their service areas' risk registers as part of the annual preparation of business plans.

When reviewing the strategic risk register, EMT may delegate a strategic risk to an appropriate service area, project, programme or shared service risk register, so that the relevant service manager, project manager, programme officer or shared service project manager / lead officer can take a corporate lead on managing it.

- Service area risk registers will be on departmental management team meeting agendas for review at least quarterly.
- CMT will review a selection of risks arising from the Service Risk registers with a focus on the higher rated risks and risks applicable across more than one service.
- Project managers, programme officers and shared service project managers / 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 plans or shared service arrangements, but at least bi-annually.

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 PA(GF&P) may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.

6.1.3 A risk which materialised will be reported to the next meeting of CMT if service risk or EMT if a strategic risk by the risk owner separately, with recommendations for the application of any lessons to be learnt.

6.2 Reporting risks

- 6.2.1 The PA(GF&P) will report the draft strategic risk register to EMT guarterly, for review and recommendation to Cabinet. These reports will show only risks with a total (Gross) score of 5 or more (risks scoring 4 or less (Gross) will still be on the strategic risk register, just not included in the reports).
- Audit and Corporate Governance Committee will review the adequacy of this as part of its annual review of the Risk Management Strategy and Process. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.
- 6.2.3 Directors / the Executive Director (Corporate Services) will record service area risks above the Council's risk tolerance line in the Overview section of their service plans published annually.
- 6.2.4 CMT will review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. These reports will show only risks with a total score of 5 or more (risks scoring 4 or less will still be on the service area risk registers, just not included in the reports). CMT will review the HRA Business Plan risk register alongside the Affordable Homes risk register. As part of these reviews, CMT will consider whether to include risks scoring 12 or more in the strategic risk register. (It will be assumed not, unless minuted otherwise.)
- 6.2.5 Project managers, programme officers and shared service project managers / lead officers will report their risk registers, including control measures / sources of assurance, to the PA(GF&P) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 6.2.6 The PA(GF&P) will provide updates of risk registers 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.

Other reports

- 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 risk tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the PA(GF&P). The report writer should ensure that the risk is incorporated in the strategic risk register, relevant service area risk register, project, programme or shared service risk register, as appropriate. Directors/report writers will fully brief Members on risks identified in the report.
- 6.2.9 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, to identify any risks for inclusion in the report.

7. **Communication and learning**

7.1 The PA(GF&P) will give relevant staff and Members timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.

- 7.2 The PA(GF&P) will also keep staff and Members informed through a Risk Management page on In-Site, the Council's intranet, which will include the following:
 - the Risk Management Strategy, Process and appendices, including assessment criteria for the potential impact and likelihood of risks occurring;
 - the latest version of the Strategic Risk Register,
 - the latest versions of Service area Risk Registers;
 - link and a summary guide to the Risk Management software.

8. Review of the Risk Management Process

8.1 The PA(GF&P) will review and revise this process at least annually, for approval by the Executive Director (Corporate Services).



Appendix A – Risk Categories

Risk Category	Risk Description
Growth	Opportunity to influence the growth agenda to ensure the Council meets its Objectives.
Financial	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.
Health & Safety	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.
Major Projects	Failure to adequately manage and control major CCC projects.
Climate Change	Failure to meet Council's climate change commitments.
Recruitment & Retention	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.
Legislation	Failure to ensure compliance with legislation.
Business Continuity	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)
Reputation	Damage to Council's reputation through adverse media coverage.
Partnerships	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.
Equalities/Social Exclusion	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).
Political	Ineffective political leadership, policy development and community leadership; member support.
Officer/Member Relationships	Ineffective officer/member working relationships.
Planning & Leadership	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.
Governance *	Inappropriate internal governance.
Procurement & Contract Management	Failure to ensure effective procurement and contract management arrangements.
IT & Technology	Failure to properly manage IT, data and the Council's website.
Change Management	Ineffective management of change, inadequate capacity and knowledge.
Physical Property & Assets	Failure to properly manage property and other assets, to prevent damage, loss or theft.

^{* (}N.B. Governance refers to the framework of policies and procedures in place that ensure accountability and transparency of the way in which the Council undertakes its activities).

Appendix B – Risk Scoring South Cambridgeshire District Council – Risk Matrix

5	5-10 Medium	5-10 Medium	12-15 Significant	16-25 High	16-25 High
4	1-4 Low	5-10 Medium	12-15 Significant	16-25 High	16-25 High
Impact 8	1-4 Low	5-10 Medium	5-10 Medium	12-15 Significant	12-15 Significant
2	1-4 Low	1-4 Low	5-10 Medium	5-10 Medium	5-10 Medium
1	1-4 Low	1-4 Low	1-4 Low	1-4 Low	5-10 Medium
	1	2	3 Likelihood	4	5

Score	Impact	Description
5	Critical	The consequences of this event occurring could cause the failure of a number of services or result in the Council having it's powers removed through government intervention. The level of financial impact is likely to be over £500,000 in any year.
A Significant disruption &/or damaging cause the failure of the service or bring the Council into se		Significant – the consequence of such an event occurring could cause the failure of the service or bring the Council into serious disrepute. The level of financial impact is likely to be up to £500,000 in any year.
3	Noticeable effect	This type of risk event would have a significant impact on a service's ability to provide its full range of activities. The result of this is that the integrity of the service/Council would be called into question by, for example an inspection service. The level of financial impact is likely to be up to £300,000.
2	Some limited disruption	These types of events can normally be dealt with through the normal day to day management of the service and internal control mechanisms. The level of financial impact is likely to be up to £50,000 in any year.
1	Virtually no impact	These events may be recognized internally but generally have no external impact and can be resolved quickly. The level of financial impact is likely to be under £5,000 in any year.

Score	Likelihood	Description
5	Dead Cert	In this case the event(s) may have already happened in the relatively recent past. Without controls it will happen again and may even occur despite controls. Projected increase in insurance premiums
4	Probable	The event is more likely to happen than not but there remains some possibility it will not. The chance of occurrence may be around 75%+.
3	Strong possibility There is an even chance that this event may occur. (A probability would be around one in two, (50%)).	
2	Some possibility	These events are not likely to occur but there remains some possibility it will. (A probability of a one in ten chance of this event occurring (10%)).
1	Little chance	These events will only occur in exceptional circumstances. (A probability of less than one in fifty (2%).

Agenda Item 9

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Audit & Corporate Governance Committee 31st March 2017

AUTHOR/S: Executive Director (Corporate Services) / Head of Legal Practice

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) REVIEW OF POLICY & UPDATE ON USE OF RIPA

Purpose

1. To update on the use of RIPA powers and conduct a review of the Council's policy.

Recommendations

- 2. That Corporate Governance Committee:
 - (a) **AGREE** that no changes the Council's RIPA policy (other than officer changes) are necessary at this time;
 - (b) **NOTE** the information contained in the report about the council's use of surveillance powers since September 2015.

Background

- 3. The Regulation of Investigatory Powers Act 2000 regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
- 4. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed on in May 2012 requiring all local authority surveillance authorised under RIPA to be approved by a Magistrate from November 2012. The council's policy and procedures were amended at that time to reflect these changes.
- 5. The Council comprehensively reviewed and updated its policy in September 2012 and made further minor amendments as part of an annual review in September 2013. The current policy is attached as an appendix.
- 6. The Annual Report 2014-2015 of the Chief Surveillance Commissioner was published on the 25th June 2015:- https://osc.independent.gov.uk/wp-content/uploads/2015/06/OSC-Annual-Report-2014-15-web-accessible-version.pdf
- 7. The Office of the Surveillance Commissioner is responsible for regulating surveillance conducted by public authorities. This is done through a programme of inspections, followed by a report of the inspection findings. The Council was last inspected on 4th November 2014 by Mr Andrew Mackian who inspected policies and procedures and met the staff involved in implementing the policy.
- 8. His report stated that "The RIPA Corporate Policy and Procedures is an excellent manual of instruction for both applicant and Authorising Officer" and commended the inclusion of instructions relating to the use of social media sites for investigation

purposes, which were added to the policy in September 2014 following a mention in the OSC Annual report which had just been published. He said "This undertaking is considered to be an example of good practice for which the Council should be complimented".

- 9. The inspector also looked at the reports and minutes of the Corporate Governance Committee as part of his inspection and noted that "regular reporting on RIPA policy and use of powers is made to the Council's Corporate Governance Committee in accord with the Codes of Practice." The Inspector concluded that "the engagement of all staff during the inspection day, in particular the Chief Executive, gave confidence that RIPA compliance will remain a clear priority for this authority".
- 10. The Chief Surveillance Commissioner, Sir Christopher Rose, wrote to the Chief Executive on 20th November 2014 endorsing the inspection report and stating that the Council has "an excellent corporate policy for using RIPA and effective oversight".

Considerations

11. The council's policy was updated and amended in 2014 to take into account surveillance using social media and comprehensive officer training took place in January 2015 which included this area and it is considered that no further amendments to the council's policy are necessary at this stage. However it is envisaged that refresher training will be provided to relevant officers shortly.

The council's use of RIPA since September 2015

12. The information in the table below summarises the authorisations granted from September 2015 to March 2017.

	Directed surveillance	CHIS	Total	Purpose
September 2015 – March 2017	0	0	0	n/a

Implications

13.	Financial	No implications
	Legal	Authorisation of surveillance activity gives that surveillance
		"lawful authority" for the purposes of the European Convention
		on Human Rights
	Staffing	No implications
Risk Management See comments under "Legal"		See comments under "Legal"
Equality and See comments under "Legal"		See comments under "Legal"
	Diversity	-
	Equality Impact	Comments to follow
	Assessment	
	Climate Change	No implications

Effect on Strategic Aims

16. None identified.

Conclusions / Summary

17. This report proposed no further amendments at this time to the Council's RIPA policy (other than officer changes) and updates the Committee on the Council's use of RIPA powers since September 2015.

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

Annual Report of the Chief Surveillance Commissioner for 2014 to 2015

Contact Officer: Tom Lewis – Head of Legal Practice



South Cambridgeshire District Council

Regulation of Investigatory Powers Act 2000 Corporate Policy & Procedures

Statement of Intent: South Cambridgeshire District Council attaches a high value to the privacy of citizens. It will adhere to the letter and to the spirit of the Act and will comply with this policy.

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1 Introduction

- 1.1 The Regulation of Investigatory Powers Act 2000 ("RIPA") is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with where the law permits and where there is a clear public interest justification.
- 1.2 The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that surveillance is needed. This policy sets out the correct management of the process by the Council.
- 1.3 This policy also ensures that activities that should be subject to RIPA authorisation is recognised as such and that appropriate authorisation is sought. It also seeks to ensure that any activity which should be carefully monitored, but which is not subject to RIPA authorisation, is still given correct authority and scrutiny.
- 1.4 The Protection of Freedoms Act 2012 imposed new restrictions on the circumstances in which the Council is permitted to use directed surveillance and this policy has been updated to take into account these new restrictions. Separate guidance has been issued by the Home Office which specifies the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.
- 1.5 The Executive Director (Corporate Services) is the Senior Responsible Officer for the RIPA process for the Council. All staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Council's processes and procedures.
- 1.6 In preparing this policy the Council has followed the Revised Codes of Practice (April 2010) produced by the Home Office and considered guidance provided by the Office of Surveillance Commissioners.
- 1.7 In the case of any uncertainty advice should be sought from an Authorising Officer or the Head of Legal Practice, who is the Council's RIPA Monitoring Officer.
- 1.8 Copies of the Codes of Practice can be found on the Council's RIPA Intranet page and at the following links:

https://www.gov.uk/government/collections/ripa-codes

1.9 Further guidance can also be obtained from the Office of Surveillance Commissioners website:

https://osc.independent.gov.uk/

2 Background

- 2.1 The Human Rights Act 1998 brought into UK law many of the provisions of the 1950 European Convention on Human Rights and Fundamental Freedoms. Article 8 requires the Council to have respect for people's private and family lives, their homes, and their correspondence. These subjects can be referred to as "Article 8 rights".
- 2.2 The Human Rights Act makes it unlawful for any local authority to act in a way which is incompatible with the European Convention on Human Rights. However these are not absolute rights and are qualified by the ability of the Council to interfere with a person's Article 8 rights if:-
 - such interference is in accordance with the law
 - is **necessary**; and
 - is proportionate
- 2.3 "In accordance with the law" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deal with the use of Covert Surveillance and the use of persons such as informants and undercover officers who gather information in a covert capacity, known as a Covert Human Intelligence Source or "CHIS". Any covert activity must also meet the test of necessity and proportionality and these are dealt with later in this policy.
- 2.4 A considerable amount of observations are carried out in an overt capacity by Council employees carrying out their normal functions. These activities are general and routine and do not involve the systematic surveillance of an individual. RIPA is not designed to prevent these activities or regulate them.
- 2.5 RIPA also applies to the **Accessing of Communications Data** under Part 1, Chapter 2 of the legislation. The Council has produced separate guidance dealing with the accessing of communications data under the Single Point of Contact ("SPOC") provisions.
- 2.6 The Council has numerous statutory duties and powers to investigate the activities of private individuals and organisations within its jurisdiction for the benefit and protection of the greater public. Some of these investigations may require surveillance or the use of a CHIS. These may include:
 - environmental health
 - housing
 - planning
 - audit
 - revenues and benefits fraud
- 2.7 RIPA provides a framework to control and supervise covert activities such as surveillance and the use of a CHIS in these criminal investigations. It aims to balance the need to protect the privacy of individuals against the need to protect others by the Council in compliance with its enforcement functions. Covert Surveillance and CHIS are covered by separate Codes of Practice which can be found on the Council's Intranet RIPA page.

3 When RIPA applies

3.1 RIPA applies to Public Authorities such as Local Authorities and permits them to conduct covert surveillance activities and use Covert Human Intelligence Sources (CHIS) such as informants and undercover officers only when the following two conditions are both met and when properly authorised by an authorising officer and a Magistrate:

For the "...preventing or detecting conduct which constitutes one or more criminal offences or is or corresponds to, any conduct which, if it all took place in England and Wales, would constitute one or more criminal offences."

and

"an offence which is punishable, whether on summary conviction or on indictment by a maximum term of at least 6 months of imprisonment or certain other specified offences"

- 3.2 It should be noted that the provision relating to the prevention of disorder is no longer included.
- 3.3 Using the RIPA application process helps protect the Council from legal challenges and provides the lawful authority for officers to conduct covert surveillance and use CHIS in connection with the prevention and detection of crime or of preventing disorder. South Cambridgeshire District Council and its staff have a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes.
- 3.4 The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 3.5 Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.
- 3.6 In some instances it is not possible to obtain RIPA authorisation for surveillance activities due to the limited grounds set in the legislation where authorisation can be granted. It may be, however, that covert surveillance is still necessary and proportionate. This is dealt with later in this Policy but, as per s.80 of RIPA and para 355 of the explanatory notes "... nothing in [the] Act makes any actions unlawful unless that is explicitly stated. The availability of an authorisation or a warrant does not mean that it is unlawful not to seek or obtain one. In this respect, the Act must be read with section 6 of the Human Rights Act, which makes it unlawful to act in a way which is incompatible with a Convention right."

4 Surveillance Definitions

4.1 Surveillance

4.1.1 Surveillance is defined in paragraph 1.9 of the Revised Codes of Practice as:

"Surveillance, for the purpose of the 2000 Act, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained."

4.2 Covert Surveillance

4.2.1 Covert Surveillance is defined in paragraph 1.10 of the Revised Codes of Practice as:

"Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place."

- 4.2.2 If activities are open and not hidden from the persons subject to surveillance such as Officers conducting Council business openly, e.g. a market inspector walking through markets, the RIPA framework does not apply because that is overt surveillance. Equally, if the subject is told that surveillance will be taking place, the surveillance is overt. This would happen, for example, where a noise maker is informed that noise will be recorded if it continues. RIPA does not regulate overt surveillance.
- 4.2.3 RIPA regulates only two types of Covert Surveillance which are:
 - Directed Surveillance
 - Intrusive Surveillance
- 4.2.4 However, where the purpose of a surveillance operation is to obtain private information about a person, his family or what he does, the authorisation procedures set out in this policy should be followed and the surveillance treated as being "directed".

4.3 Directed surveillance

4.3.1 Surveillance is directed surveillance (paragraph 2.2. of the Revised Codes of Practice) if the following are all true:

it is covert, but not intrusive surveillance;

it is conducted for the purposes of a specific investigation or operation;

it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);

it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

- 4.3.2 The planned covert surveillance of a specific person, where not intrusive, would constitute directed surveillance if such surveillance is likely to result in the obtaining of private information about that, or any other person.
- 4.3.3 It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as directed surveillance or, in some instances, as surveillance outside of RIPA as governed by this policy. Anything involving the use of concealed cameras or anything involving keeping covert observation on premises or people should be considered as potentially amounting to directed surveillance. In the case of uncertainty advice should be sought from the Head of Legal Practice.

4.4 Private information

- 4.5 Private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.
- 4.6 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.
- 4.7 Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes surveillance, a directed surveillance authorisation may be considered appropriate.

5 Risks of not having correct RIPA Authorisation

- 5.1 If Investigators undertake covert activity to which this legislation applies without the relevant authority being obtained and the case progressed to criminal proceedings the defence may challenge the validity of the way in which the evidence was obtained under Section 78 of the Police and Criminal Evidence Act 1984. Should the evidence then be disallowed by a court, the prosecution case may be lost with a financial cost to the Council.
- 5.2 The person who was the subject of surveillance may complain to the Ombudsman who may order the Council to pay compensation. The activity may also be challenged through the civil courts under the Human Rights Act 1998 for breach of privacy.
- 5.3 A properly obtained and implemented authorisation under RIPA will provide the Council with lawful authority to interfere with the rights of the individual. It is not simply enough that an authorisation for surveillance is obtained. It must be properly obtained, implemented, managed, reviewed and cancelled.

6 Surveillance Outside of RIPA

- There may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as in cases of serious disciplinary investigations. The Council still must meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorised surveillance, except that the activity will not require approval from a Magistrate.
- 6.2 An application will be made using the normal RIPA application form but these forms will not make any reference to the Act.

6.3 The authorising officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorised surveillance

7 Immediate Response to Events

7.1 There may be occasions when officers come across events unfolding which were not preplanned which then require them to carry out some form of observation. This will not amount to Directed Surveillance. However, as the Council is no longer able to grant urgent oral authority to conduct surveillance the officer must be prepared to explain their decisions in court should it be necessary. Therefore they should document their decisions, what took place, what evidence or information was obtained.

8 Recording of Telephone Conversations

- 8.1 The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment falls under RIPA and provides, where one party to the communication consents to the interception, it may be authorised in accordance with section 48(4) of the 2000 Act. In such cases, the interception is treated as directed surveillance.
- 8.2 There may be occasions where this is required such as a witness who has text or voicemail evidence on their mobile telephone and SCDC require to examine the phone.

9 <u>Intrusive surveillance</u>

- 9.1 South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.
- 9.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:
 - is carried out in relation to anything taking place on any residential premises or in any private vehicle; and
 - involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.
- 9.3 Where surveillance is carried out in relation to anything taking place on any residential premises or in any private vehicle by means of a device, without that device being present on the premises, or in the vehicle, it is not intrusive unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle. Thus, an observation post outside premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered as intrusive surveillance.
- 9.4 A risk assessment of the capability of equipment being used on residential premises and private vehicles should be carried out to ensure that it does not fall into Directed Surveillance.
- 9.5 Commercial premises and vehicles are excluded from the definition of intrusive surveillance. However they are dealt with under the heading of Property Interference contained within the Police Act 1997.

10 Covert Human Intelligence Source (CHIS)

10.1 Definition

10.1.1 A CHIS could be an informant or an undercover officer carrying out covert enquiries on behalf of the council. However the provisions of the 2000 Act are not intended to apply in circumstances where members of the public volunteer information to the Council as part of their normal civic duties, or to contact numbers set up to receive information such as the Fraud Hotline. Members of the public acting in this way would not generally be regarded as sources.

10.1.2 Under section 26(8) of the 2000 Act a person is a source if:

- (a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);
- (b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.
- 10.1.3 By virtue of section 26(9)(b) of the 2000 Act a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 10.1.4 By virtue of section 26(9)(c) of the 2000 Act a relationship is used covertly, and information obtained as above is disclosed covertly, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.
- 10.1.5 The use by South Cambridgeshire District Council of a CHIS is expected to be extremely rare and if contemplated advice should be sought from the Head of Legal Practice urgently. Only the Chief Executive should authorise the use of a juvenile CHIS.

10.2 Conduct and Use of a Source

- 10.2.1 South Cambridgeshire District Council will ensure that arrangements are in place for the proper oversight and management of sources including appointing a Handler and Controller for each source prior to a CHIS authorisation. The Handler of the source will usually be of a rank or position below that of the Authorising Officer.
- 10.2.2 The **use of a source** involves inducing, asking or assisting a person to engage in the conduct of a source or to obtain information by means of the conduct of such a source.
- 10.2.3 The **conduct** of a source is any conduct falling within section 29(4) of the 2000 Act, or which is incidental to anything falling within section 29(4) of the 2000 Act.
- 10.2.4 The use of a source is what the Authority does in connection with the source and the conduct is what a source does to fulfill whatever tasks are given to them or which is incidental to it. Both the use and conduct require separate consideration before authorisation.

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- 10.2.5 When completing applications for the use of a CHIS this will include who the CHIS is, what they can do and for which purpose
- 10.2.6 When determining whether a CHIS authorisation is required consideration should be given to the covert relationship between the parties and the purposes mentioned in a, b, and c above.

10.3 Management of Sources

- 10.3.1 Within the provisions there has to be;
 - (a) a person who has the day to day responsibility for dealing with the source and for the source's security and welfare (**Handler**)
 - (b) at all times there will be another person who will have general oversight of the use made of the source (**Controller**)
 - (c) at all times there will be a person who will have responsibility for maintaining a record of the use made of the source
- 10.3.2 The **Handler** will have day to day responsibility for:
 - dealing with the source on behalf of the authority concerned;
 - directing the day to day activities of the source;
 - recording the information supplied by the source; and
 - monitoring the source's security and welfare;
- 10.3.3 The **Controller** will be responsible for the general oversight of the use of the source.

10.4 Tasking

- 10.4.1 Tasking is the assignment given to the source by the Handler or Controller by, asking him to obtain information, to provide access to information or to otherwise act, incidentally, for the benefit of the relevant public authority. Authorisation for the use or conduct of a source is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.
- 10.4.2 In some instances, the tasking given to a person will not require the source to establish a personal or other relationship for a covert purpose. For example a source may be tasked with finding out purely factual information about the layout of commercial premises. Alternatively, a Council Officer may be involved in the test purchase of items which have been labelled misleadingly or are unfit for consumption. In such cases, it is for the Council to determine where, and in what circumstances, such activity may require authorisation.
- 10.4.3 Should a CHIS authority be required, all of the staff involved in the process should make themselves fully aware of all of the aspects relating to tasking contained within the CHIS codes of Practice.

10.5 Security and Welfare

10.5.1 The Council has a responsibility for the safety and welfare of the source and for the consequences to others of any tasks given to the source. Before authorising the use or conduct of a source, the Authorising Officer should ensure that a risk assessment is carried out to determine the risk to the source of any tasking and the likely consequences should the region of the source of any tasking and the likely consequences should the region of the source of the source of the source and for the consequence authorising the use of the source.

welfare of the source, after the cancellation of the authorisation, should also be considered at the outset.

11 RIPA Application and Authorisation Process

11.1 Application, Review, Renewal and Cancellation Forms

- 11.1.1 No covert activity covered by RIPA should be undertaken at any time unless it has been authorised by an Authorised Officer and a Magistrate and the appropriate forms completed at the appropriate time.
- 11.1.2 All the relevant forms for authorisation through to cancellation must be in writing using the standard forms which are available on the Council's Intranet site but officers must ensure that the circumstances of each case are accurately recorded on the application form (see Application Process).
- 11.1.3 If it is intended to undertake both directed surveillance and the use of a CHIS on the same surveillance subject the respective applications forms and procedures should be followed and both activities should be considered separately on their own merits.
- 11.1.4 An application for an authorisation must include an assessment of the risk of any collateral intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the directed surveillance or the use of a CHIS.

11.2 Applications

- 11.2.1 All the relevant sections on an application form must be completed with sufficient information for the Authorising Officer and then the Magistrate to consider Necessity, Proportionality and the Collateral Intrusion issues. Risk assessments should take place prior to the completion of the application form. Each application should be completed on its own merits of the case. Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.
- 11.2.2 All applications will be submitted to the Authorising Officer via the Line Manager of the appropriate enforcement team in order that they are aware of the activities being undertaken by the staff. The Line Manager will perform an initial quality check of the application. However they should not be involved in the sanctioning of the authorisation. Completed application forms are to be initialled by Line Managers to show that the quality check has been completed.
- 11.2.3 Applications whether authorised or refused will be issued with a unique number by the Authorising Officer, taken from the next available number in the Central Record of Authorisations. To obtain this number contact the Legal Services team.
- 11.2.4 The procedure for submitting applications to Magistrates for consideration is set out in the procedure issued by the Home Office for this purpose.

11.3 Duration of Applications

Directed Surveillance 3 Months Renewal 3 Months

Covert Human Intelligence Source
Juvenile Sources

12 Months Page 11¹1^{Month} Renewal 12 months

All Authorisations must be cancelled by completing a cancellation form. They must not be left to simply expire.

11.4 Reviews

- 11.4.1 Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the central record of authorisations. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to confidential information or involves collateral intrusion.
- 11.4.2 In each case the Authorising Officer should determine how often a review should take place. This should be as frequently as is considered necessary and practicable and they will record when they are to take place on the application form. This decision will be based on the circumstances of each application. However reviews will be conducted on a monthly or less basis to ensure that the activity is managed. It will be important for the Authorising Officer to be aware of when reviews are required following an authorisation to ensure that the applicants submit the review form on time.
- 11.4.3 Applicants should submit a review form by the review date set by the Authorising Officer. They should also use a review form for changes in circumstances to the original application so that the need to continue the activity can be reassessed. However if the circumstances or the objectives have changed considerably a new application form may be more appropriate. The applicant does not have to wait until the review date if it is being submitted for a change in circumstances.
- 11.4.4 Managers or Team Leaders of applicants should also make themselves aware of when the reviews are required to ensure that the relevant forms are completed on time.

11.5 Renewal

- 11.5.1 If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, he may renew it in writing for a further period of three months. Like applications, all renewals must also be considered by a Magistrate
- 11.5.2 A renewal takes effect on the day on which the authorisation would have ceased.
- 11.5.3 An application for renewal should not be made until shortly before the authorisation period is drawing to an end but the applicant must consider the need to allow sufficient time for consideration by the authorising officer and any potential delay in getting the matter before a Magistrate for consideration.
- 11.5.4 Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity.
- 11.5.5 A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained.
- 11.5.6 The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review a per eration must be documented.

11.6 Cancellation

- 11.6.1 The cancellation form is to be submitted by the applicant or another investigator in their absence. The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied that the directed surveillance no longer meets the criteria upon which it was authorised. Where the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer
- 11.6.2 As soon as the decision is taken that directed surveillance should be discontinued, the applicant or other investigating officer involved in the investigation should inform the Authorising Officer. The Authorising Officer will formally instruct the investigating officer to cease the surveillance, noting the time and date of their decision. This will be required for the cancellation form. The date and time when such an instruction was given should also be recorded in the central record of authorisations (see paragraphs 2.14 2.15 in the Codes of Practice).
- 11.6.3 It will also be necessary to detail the amount of time spent on the surveillance as this is required to be retained by Central Register.
- 11.6.4 The officer submitting the cancellation should complete in detail the relevant sections of the form and include the period of surveillance and what, if any, images were obtained and any images containing third parties. The Authorising Officer should then take this into account and issues instructions regarding the management and disposal of the images etc.
- 11.6.5 The cancellation process should also be used to evaluate whether the objectives have been achieved and whether the applicant carried out what they stated was necessary in the application form. This check will form part of the oversight function. Where issues are identified they will be brought to the attention of the line manager and the Senior Responsible Officer (SRO). This will assist with future audits and oversight.

11.7 Authorising Officers

- 11.7.1 Officers who are designated "Authorising Officers" may authorise written applications for the use of directed surveillance or the use of a CHIS but, from the 1st November 2012, all applications now also require the authorisation of a Magistrate.
- 11.7.2 Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.
- 11.7.3 The Chief Executive Officer or in her absence the Executive Director (Corporate Services) will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.
- 11.7.4 The Head of Legal Practice should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

11.8 Urgent Oral Authorisations

11.8.1 The provision for urgent oral authorisations is no longer available to local authorities, with effect from the 1st November 2012 as all applications now have to be put before a Magistrate for consideration.

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11.9 Local Sensitivities

- 11.9.1 Authorising Officers and Applicants should be aware of particular sensitivities in the local community where the directed surveillance is taking place, or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. This should form part of the risk assessment.
- 11.9.2 It should be noted that although this is a requirement there is no provision made within the application form for this information. Therefore applicants should cover this area where they feel it is most appropriate such as when detailing the investigation or proportionality or within the separate risk assessment form. However it must be brought to the attention of the Authorising Officer when deciding whether to authorise the activity.

11.10 Authorising Officers Responsibility

- 11.10.1 Authorising officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable such as where it is necessary to act urgently. Where an Authorising Officer authorises such an investigation or operation the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 11.10.2 Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **collateral intrusion** issues, and that the level of the surveillance is appropriate to achieve the objectives. If any equipment such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on collateral intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.
- 11.10.3 Authorising Officers are responsible for determining when reviews of the activity are to take place.
- 11.10.4 Before authorising surveillance the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (collateral intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 11.10.5 In the absence of a Line Manager or Head of Department the application should be submitted to another Authorising Officer for authorisation.

11.11 Necessity and Proportionality

11.11.1 Obtaining a RIPA authorisation will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. It must be necessary for the **prevention and detection of crime or of preventing disorder.** It must also be shown the reasons why the requested activity is necessary in the circumstances of that particular case. Can the same end result be achieved without the surveillance?

- 11.11.2 If similar objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they can not be used.
- 11.11.3 Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the person's right should be no greater than that which is required to meet the aim and objectives.
- 11.11.4 The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.
- 11.11.5 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers:
 - balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
 - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
 - considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.
- 11.11.6 It is important that the staff involved in the surveillance and the Line Manager manage the enquiry and operation and evaluate constantly the need for the activity to continue.

11.12 Collateral Intrusion

- 11.12.1 Collateral intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.
- 11.12.2 The Revised Codes state that Collateral Intrusion is intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family. Where it is proposed to conduct surveillance activity specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as collateral intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.
- 11.12.3 Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead to the person who is committing the offences.

- 11.12.4 Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 11.12.5 Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any collateral intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The collateral intrusion, the reason why it is unavoidable and the precautions taken to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.
- 11.12.6 Before authorising surveillance the Authorising Officer should take into account the risk of collateral intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.
- 11.12.7 The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but the authorising officer must balance this with the importance of the activity to be carried out in operational terms.

11.13 Unexpected Interference with Third Parties

11.13.1 When carrying out covert directed surveillance or using a CHIS the Authorising Officer should be informed if the investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. It will be appropriate in some circumstances to submit a review form and in other cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

11.14 Confidential Information

- 11.14.1 Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material and applications where there is a likelihood of acquiring such information can only be authorised by the Chief Executive or the Executive Director (Corporate Services).
- 11.14.2 No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Head of Legal Practice.
- 11.14.3 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes however it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.
- 11.14.4 The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything which may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Head of Legal Practice before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Head of Legal Practice) is satisfied that it is necessary for a specific purpose;
- The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;
- Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

11.15 Documentation and Central Record

- 11.15.1 Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process. However this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record.
- 11.15.2 A centrally retrievable record of all authorisations will be held by the Head of Legal Practice and regularly updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners, upon request. These records should be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:
 - if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation.
 - if granted, the type of authorisation and the date the authorisation was given;
 - name and rank/grade of the authorising officer;
 - the unique reference number (URN) of the investigation or operation;
 - the title of the investigation or operation, including a brief description and names of subjects, if known;
 - whether the urgency provisions were used, and if so why.
 - frequency and the result of each review of the authorisation;
 - if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name rank grade of the authorising officer;

- whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- the date the authorisation was cancelled.
- authorisations by an Authorising Officer in urgent cases where they are directly involved in the investigation or operation (see Authorising Officer Responsibility page 17.) If this has taken place it must be brought to the attention of a Commissioner or Inspector during their next RIPA inspection.
- the date and time when any instruction was given by the Authorising Officer.

11.15.3 As well as the Central Record the Head of Legal Practice will also retain:

- the original of each application, review, renewal and cancellation together with any supplementary documentation of the approval given by the Authorising Officer
- a record of the period over which the surveillance has taken place

11.15.4 For CHIS applications the Codes state;

In addition, records or copies of the following, as appropriate, should be kept by the relevant authority:

- the original authorisation form together with any supplementary documentation and notification of the approval given by the Authorising Officer;
- the original renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;
- the reason why the person renewing an authorisation considered it necessary to do so;
- any authorisation which was granted or renewed orally (in an urgent case) and the reason why the case was considered urgent;
- any risk assessment made in relation to the source;
- the circumstances in which tasks were given to the source;
- the value of the source to the investigating authority;
- a record of the results of any reviews of the authorisation;
- the reasons, if any, for not renewing an authorisation;
- the reasons for cancelling an authorisation.
- the date and time when any instruction was given by the Authorising Officer to cease using a source.
- 11.15.5 The Head of Legal Practice will be responsible for maintaining the Central Record of Authorisations and will ensure that all records are held securely with no unauthorised access.

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- 11.15.6 The only persons who will have access to these documents will be the Head of Legal Practice, the Senior Responsible Officer and Authorising Officers.
- 11.15.7 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality of the source and the information provided by that source. There should, at all times, be a designated person within the relevant public authority who will have responsibility for maintaining a record of the use made of the source.

12 Use of CCTV

- 12.1.1 The use of the CCTV systems operated by the Council do not normally fall under the RIPA regulations. However it does fall under the Data Protection Act 1998 and the Councils CCTV policy. However should there be a requirement for the CCTV cameras to be used for a specific purpose to conduct surveillance it is likely that the activity will fall under Directed Surveillance and therefore require an authorisation.
- 12.1.2 On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or outside law enforcement agencies such as the Police, either the CCTV staff are to have a copy of the application form in a redacted format, or a copy of the authorisation page. If it is an urgent oral authority a copy of the applicants notes are to be retained or at least some other document in writing which confirms the authorisation and exactly what has been authorised. It is important that the staff check the authority and only carry out what is authorised. A copy of the application or notes is also to be forwarded to the Information Management Team for filing. This will assist the Council to evaluate the authorisations and assist with oversight.
- 12.1.3 Operators of the Councils CCTV system need to be aware of the RIPA issues associated with using CCTV and that continued, prolonged systematic surveillance of an individual may require an authorisation.

13 Joint Agency Surveillance

- 13.1.1 In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by Council employees on behalf of the Police, authorisation would be sought by the police. If it is a joint operation involving both agencies the lead agency should seek authorisation.
- 13.1.2 Council staff involved with joint agency surveillance are to ensure that all parties taking part are authorised on the authorisation page of the application to carry out the activity. When staff are operating on another organisation's authorisation they are to ensure they see what activity they are authorised to carry out and make a written record. They should also inform the Head of Legal Practice of the unique reference number, the agencies involved and the name of the officer in charge of the surveillance. This will assist with oversight of the use of Council staff carrying out these types of operations.

14 Activities Which May Constitute Surveillance or Require Authorisation **Outside of RIPA**

14.1 Definition

- 14.1.1 Some investigative activities may not be easily recognised as constituting surveillance which requires authorisation. Any action that is likely to reveal private information1 may constitute surveillance if it includes:
 - monitoring, observing, listening to persons, their movements, conversations, other activities or communications
 - recording anything monitored, observed or listened to in the course of surveillance
 - surveillance, by or with, assistance of a surveillance device²
- 14.1.2 This policy requires RIPA authorisation to be sought in cases where an authorisation can be sought (as per Part 3 of the Policy). Where RIPA authorisation cannot be sought, for instance where an investigation is not into a criminal offence or the offence threshold in Part 3 is not met the activity should still be authorised as per Part 6 of this policy.

14.2 Social Networks and the Internet

- 14.2.1 The internet is a useful investigative tool, giving access to a large amount of information which could not otherwise be obtained. The techniques and websites used change frequently and so it is difficult for definitive guidance to be written by the OSC as, by the time it is published, it may be obsolete. There is also a lack of definitive case law in this area.
- 14.2.2 The Chief Surveillance Commissioner comments in his 2013-14 report:

"The same considerations of privacy, and especially collateral intrusion against innocent parties, must be applied regardless of the technological advances"

- 14.2.3 The report clarifies (quoting from the 2011-12 annual report) that the internet is a surveillance device as per s.48(1) of RIPA and that viewing material on the internet may constitute covert surveillance as just because something is put into the public domain by someone does not mean that they expect it to be read by a public authority as "[k]nowing that something is capable of happening is not the same as an awareness that it is or may be taking place."
- 14.2.4 For SCDC purposes it will not be necessary to seek RIPA or non-RIPA authorisation where the activity does not constitute monitoring of material on the internet. This means that viewing material which is publically available should not require surveillance authorisation. However if repeated checks are required, for example to establish a pattern of behaviour, then this is likely to require authorisation as it will constitute monitoring.

¹ Private information is defined in the RIPA Codes of Practice for Covert Surveillance as: "2.4 The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships."

² Section 48(2) Regulation of Investigatory Powers Acta 66 120

- 14.2.5 Some material may be protected from view and require the subject's authorisation in order to view it, for example by sending them a "friend request". This is likely to constitute activity which will require CHIS authorisation.
- 14.2.6 It is advisable for officers to take steps to protect themselves from possible reprisals. Some social networking sites make users aware of who has viewed their profile, allowing them to visit those profiles. It is not acceptable to create user profiles in false names but a separate profile should be created for work purposes which is entirely unconnected to officer's personal life and accounts.
- 14.2.7 It is essential that detailed notes be made by any officer viewing material on the internet explaining what they were seeking, why it was necessary and proportionate to do so and why prior authorisation was not sought.
- 14.2.8 Where material is printed or saved consideration must be given to the management of collateral intrusion there may be personal data of people not subject to the investigation and this must be managed appropriately.

14.3 Visits and Observing Properties and Vehicles

- 14.3.1 Surveillance which is overt does not require authorisation. A visit to a property by an SCDC officer will not normally constitute surveillance if the intention is to speak to the occupier.
- 14.3.2 In some cases repeated visits may be made to a property in connection with an investigation and without the intention of speaking to the occupier, for example driving past the property to obtain details of vehicles or to look for signs of occupation. Such activity could become surveillance, as per 13.1 above and RIPA or non-RIPA authorisation should be sought if this is the case. This will be the case where the activity is intended to identify a pattern of behaviour, such as the presence of a vehicle at a particular location. A visit to obtain details of a vehicle is unlikely to constitute surveillance.
- 14.3.3 If an officer plans to conduct a visit (other than a routine visit to the occupier as per 13.3.1 above) detailed notes must be made explaining the purpose of the visit, why it is necessary and proportionate and why RIPA or non-RIPA authorisation has not been sought.

15 Annual Report to Office of Surveillance Commissioners

15.1 The Council is required to provide statistics to The Office of Surveillance Commissioners every year in March for the purposes of the OSC Annual Report. The Head of Legal Practice shall be responsible for completing the return and providing the statistics.

16 Storage and Retention of Material

All material obtained and associated with an application will be subject of the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the Data Protection Act. All officers involved within this process should make themselves aware of the provision Paige 1/2 legislation and how it impacts on the whole

RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.

- 16.2 Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 16.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.
- 16.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

17 Training

- 17.1 There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Head of Legal Practice will be required to retain a list of all those officers who have received training and when the training was delivered and it is for Departments to consider what their training needs are in this area.
- 17.2 Authorising Officers must have received formal RIPA training before being allowed to consider applications for surveillance and CHIS.

18 Oversight

18.1 Responsibilities

18.1.1 It is important that all staff involved in the RIPA application process take seriously their responsibilities. Overall oversight within the Council will fall within the responsibilities of the Senior Responsible Officer (SRO) for the Council. However careful management and adherence to this policy and procedures will assist with maintaining oversight and reduce unnecessary errors.

18.2 Reporting to Members

18.2.1 Quarterly returns of all surveillance activity undertaken by Council staff will be made to the Council's Corporate Governance Committee by the Senior Responsible Officer line with the current duties in the Codes of Practice. The Corporate Governance Committee will review the policy annually and amend the policy where necessary.

18.3 Scrutiny and Tribunal

- 18.3.1 Scrutiny will be provided by the Office of the Surveillance Commissioner (OSC) The Surveillance Commissioner will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.
- It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his provide any information he requires for the purpose of enabling him to carry out his provided in the carr

- 18.3.3 A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. directed surveillance, can make complaints. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that period.
 - 18.3.4 Complaints can be addressed to the following address:

Investigatory Powers Tribunal PO Box 33220 London SW1H9ZQ

Appendix 1: LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS

Alex Colyer Interim Chief Executive & Executive Director (Corporate

Services)

Mike Hill Director (Health and Environmental Services)

Senior Responsible Officer: Alex Colyer, Interim Chief Executive & Executive Director,

Corporate Services

RIPA Monitoring Officer: Tom Lewis, Head of Legal Practice

Appendix 2: RESOLUTION OF FULL COUNCIL

On the Council considered the revised Policy for Regulation of Investigatory Powers Act 2000 and resolved as follows:-

To adopt the revised RIPA policy with effect from 22nd September 2011

To amend the Scheme of Delegation for Officers in the Council Constitution to incorporate the changes needed to implement the revised RIPA policy.

