

South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 03450 450 500
f: 01954 713149

www.scambs.gov.uk



19 March 2015

To: Chairman – Councillor Francis Burkitt
Vice-Chairman – Councillor David McCraith
Members of the Corporate Governance Committee – Councillors Richard Barrett,
Andrew Fraser, Douglas de Lacey, Bridget Smith, Peter Topping, John Williams,
Simon Edwards and David Whiteman-Downes

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **SWANSLEY ROOM, GROUND FLOOR** at South Cambridgeshire Hall on **FRIDAY, 27 MARCH 2015 at 9.00 a.m.**

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

Yours faithfully
JEAN HUNTER
Chief Executive

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

AGENDA		PAGES
1. Apologies for Absence To receive Apologies for Absence from Committee members.		
2. Declarations of Interest		
3. Minutes of Previous Meeting To confirm the minutes of the meeting held on 26 September 2014 as a correct record.		1 - 4
INTERNAL AUDIT REPORTS		
4. Internal Audit Progress Report 2014/15		5 - 12
5. Internal Audit Plan 2015/16		13 - 42

EXTERNAL AUDIT REPORTS

- | | | |
|-----------|--|----------------|
| 6. | External Audit Plan 2014/15 | 43 - 68 |
| 7. | Certification of Claims and Returns Annual Report 2013-14 | 69 - 76 |

DECISION ITEMS

- | | | |
|-----------|---|------------------|
| 8. | Risk Management Strategy | 77 - 106 |
| 9. | Regulation of Investigatory Powers Act 2000 (RIPA) Update on use of RIPA & OSC Inspection Report | 107 - 120 |

INFORMATION ITEMS

- | | | |
|------------|------------------------------------|--|
| 10. | Matters of Topical Interest | |
| 11. | Date of Next Meeting | |
- To note that the next meeting will be held on:
- Friday 26 June at 9am

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

Notes to help those people visiting the South Cambridgeshire District Council offices

While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

Security

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail democratic.services@scambs.gov.uk

Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Leave the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park opposite the staff entrance

- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

If you feel unwell or need first aid, please alert a member of staff.

Access for People with Disabilities

We are committed to improving, for all members of the community, access to our 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. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can get both neck loops and earphones from Reception.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

We are open and transparent about how we make decisions. We allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent / vibrate mode.

Banners, Placards and similar items

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

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.

Smoking

Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one is allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. You are not allowed to bring food or drink into the meeting room.

This page is left blank intentionally.

Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 26 September 2014 at 9.00 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman	
Councillors:	Richard Barrett Douglas de Lacey Peter Topping	Andrew Fraser Bridget Smith John Williams
Officers:	Patrick Adams Alex Colyer Fiona McMillan Sally Smart	Senior Democratic Services Officer Executive Director, Corporate Services Legal & Democratic Services Manager and Monitoring Officer Principal Accountant Financial & Systems
External:	Steve Crabtree Mark Hodgson	Shared Head of Internal Audit Ernst & Young

Councillor Simon Edwards was in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

None.

2. DECLARATIONS OF INTEREST

The Chairman declared a non-pecuniary interest as an employee of Rothschild, who continued you to do business with Close Brothers Ltd, a company that the Council were placed deposits with.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 3 September 2014 were agreed as a correct record, subject to the following two amendments:

- In the first bullet point under the heading “The Assembly” the word “agreed” was amended to “accepted”.
- In the seventh bullet point under the same heading the sixth word “the” was amended to “a”.

An invitation had been extended to the Local Enterprise Partnership (LEP) to attend a meeting of the Committee, but unfortunately their Chief Executive had just resigned. It was hoped that a representative of the LEP could attend a meeting in the near future to explain how their organisation worked.

4. INTERNAL AUDIT: PROGRESS REPORT

The Shared Head of Internal Audit presented this report, which updated the Committee on the progress being made on the delivery of the 2014/15 Internal Audit Plan, up to and including August 2014. It was noted that he had no major issues to report.

Auditing corporate governance

It was noted that the report on the effectiveness of the Committee, which was scheduled for the fourth quarter, would be shared with the membership of the Committee.

South Cambs Ltd

The Executive Director explained that the pilot phase for the establishing of South Cambs Ltd would be completed by November 2015. The Chairman stated that although South Cambs Ltd was a separate company, the funding was from the Council, as were its officers and so the Council should be responsible for auditing its own company. The Executive Director agreed and said that the internal audit of South Cambs Ltd would continue to be part of the Council's own general internal audit process. Any audit reports would be addressed to the Director of the Company and the Company Secretary, who were also the Housing Director and the Executive Director of the Council.

Community Chest grants

In response to questioning the Shared Head of Internal Audit explained that the Council were now ensuring that applicants submitted the requested documented evidence to support their grant applications. It was noted that the maximum level of grant to be submitted under this scheme was £1,500 and that all decisions were taken in a public meeting.

Shared service arrangements

It was noted that each council was responsible for auditing its role in setting up a shared service arrangement, but in respect of services shared with Cambridge City Council it helped that our internal auditor was also employed by that authority.

The Committee **NOTED** the report.

5. EXTERNAL AUDIT: AUDIT RESULTS REPORT 2013/14

Mark Hodgson presented this report from External Audit for the year 2013/14. He was pleased to report that they planned to issue an "unqualified opinion" on the financial statements.

Reserves

Mark Hodgson highlighted that, as part of his review of the "arrangements to secure economy, efficiency and effectiveness", he was now required to assess the adequacy of the Council's reserves, as forecast over a 3 year period, in relation to any financial savings targets over the same period. In previous years, this assessment was only required over a one year period. Mark Hodgson reported that he did not identify any significant risks and had no issues to report in relation to this criteria. The Chairman stated that the Committee should monitor this issue.

Minor amendments

On the request of the Chairman, Mark Hodgson agreed to amend the word "error" to "misstatement" for describing the £1.6 million business rates appeal provision as a "creditor" instead of a "provision". It was agreed that the word "indicate" in the final paragraph on page 5 of the report should be amended to "indicative".

Audit fees

The Committee welcomed the fact that there had been no variation in the proposed audit fees for 2013/14.

The Chairman thanked the Principal Accountant Financial and Systems and her colleagues for their hard work in producing the financial statements. The Committee noted

that not all councils achieved an “unqualified opinion” on their financial statements.

The Committee **NOTED** the report.

6. REQUEST FOR A LETTER OF REPRESENTATION

The Committee **NOTED** that this had been received.

7. STATEMENT OF ACCOUNTS 2013-2014

The Committee **APPROVED** the Statement of Accounts 2013/14.

8. ANNUAL GOVERNANCE STATEMENT

The Legal and Democratic Services Manager presented this report, which invited the Committee to approve the Annual Governance Statement 2013/14, prior to it being signed by the Leader and Chief Executive and then being included in the Statement of Accounts. It was noted that whilst the Committee had expressed a preference for combining the Annual Governance Statement with the Statement of Accounts, the Chartered Institute of Public Finance and Accountancy (CIPFA) preferred separate documents.

Minor amendment

On the recommendation of Councillor Douglas de Lacey it was agreed that the words “in opposition” should be removed from the second paragraph on page 41 of the agenda, as it could be interpreted as implying that the Independent Group always opposed and would never support the majority party on any matters.

The Chairman thanked the Legal and Democratic Services Manager for her work in producing the Annual Governance Statement and the Committee **ACCEPTED** the Statement.

9. TREASURY MANAGEMENT ANNUAL REPORT 2013/14

The Principal Accountant Financial and Systems presented the Treasury Management Annual Report for April 2013 to March 2014.

The Committee welcomed the fact that the Council had achieved a return of 1.18% for its combined investments for 2013/14, compared to a 0.85% return for other authorities and a 0.94% for authorities in the same comparator group. The Committee noted that the Council had strict criteria regarding which banks it could invest with, which excluded overseas banks, and the favourable returns achieved by the Council was due to astute cash flow management and forecasting, enabling surplus cash to be deposited for longer periods and hence earning higher interest rates and not due to taking higher risks than other authorities.

The Principal Accountant Financial and Systems explained that the Finance and Staffing Portfolio Holder received quarterly treasury management reports.

The Committee **NOTED** the report.

10. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) - ANNUAL REPORT AND POLICY REVIEW

The Legal and Democratic Services Manager presented this report which detailed the use of the Regulatory of Investigatory Powers Act (RIPA) and recommended amendments to

the Council's policy. It was reported that whilst the Council had not used its RIPA powers in the past year, there had been a non-RIPA authorisation of surveillance in relation to a sickness absence case as part of an HR investigation. The Committee had no concerns relating to the Council's use of RIPA or over the proposed amendments to the policy.

The Committee **NOTED**

- (A) That the Council had not used the RIPA surveillance powers in the period July to September 2014, or for the year 2013/14.
- (B) The intention of the Office of the Surveillance Commissioner to carry out an inspection of the Council's use of RIPA in November 2014.

The Committee

AGREED the amendments to the Council's RIPA policy highlighted in bold red in the appendix to the report.

11. **LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW LETTER 2014**

The Committee **NOTED** the Annual Review Letter 2014 from the Local Government Ombudsman.

12. **MATTERS OF TOPICAL INTEREST**

Plain English accounts

The Committee thanked the Principal Accountant Financial and Systems for the production of the plain English version of the accounts, which had been sent to all councillors.

13. **DATE OF NEXT MEETING**

The Committee **AGREED**

- (A) To cancel the meeting on 27 November 2014.
- (B) To arrange meetings for:
 - Friday 27 March 2015 at 9am
 - Friday 26 June 2015 at 9am
 - Friday 25 September 2015 at 9am

The Meeting ended at 10.20 a.m.

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
CORPORATE GOVERNANCE COMMITTEE**

27 MARCH 2015

INTERNAL AUDIT PLAN 2014 / 2015: PROGRESS REPORT

RECOMMENDATIONS:

That Corporate Governance Committee notes:

- **Progress against the delivery of the 2014 / 2015 Audit Plan**

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

1. INTRODUCTION

1.1 The purpose of this report is to bring the Corporate Governance Committee up to date with progress made against the delivery of the 2014 / 2015 Internal Audit Plan. This report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit;
- Advise the Committee of significant issues where controls need to improve to effectively manage risks;
- Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 21 March 2014; and
- Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process.

1.2 The information included in this progress report will feed into, and inform our overall opinion in the Annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council. The report is for the Committee to consider under its Terms of Reference:

- To monitor the activities of the Internal Audit service provider and measure performance against the plan; and
- To consider a quarterly report detailing audit coverage and the extent to which any major problems were highlighted.

1.3 A number of the activities set out within the agreed Audit Plan are to support the works of External Audit to avoid the risk of duplication of audit work; and improve the effectiveness, efficiency and economy of both audit teams. The scope for a number of new audit areas have been agreed with senior management and a series of audits have commenced, findings and conclusions of which will be reported at the next meeting. The following analysis details progress up to, and including 28 February 2015.

1.4 In addition to providing assurance on the current controls, while we have been able to confirm that the majority of systems comply with expected controls, we have also identified a number of areas where efficiencies could be made to the system. We have incorporated these into our reports for management consideration.

2. AUDIT ACTIVITIES 2014 / 2015

2.1 The status for audit work undertaken against the current plan is as follows:

CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY					
Payroll	Service is provided by Cambridge City Council. Ensure will be provided on an annual basis.					
BACS Payments	Assurance: Significant	Critical: 0	High: 1	Medium: 2	Low: 4	Improvements are required around the administration of the system to ensure there are appropriate checks in place with data held securely.
Housing Rents	Assurance: Significant	Critical: 0	High: 1	Medium: 4	Low: 0	Well maintained system which requires a check to prime documents.
VAT	Assurance: Full	Critical: 0	High: 0	Medium: 0	Low: 0	
Housing Benefits Council Tax and NNDR Main Accounting System Capital Accounting Treasury Management Accounts Payable (Creditors) Accounts Receivable (Sundry Debtors)	Works in progress					

NB: Full system reviews were undertaken last year to document each activity as no audit files were available. Audit were able to place significant reliance on the majority of these. Our audit works will focus on any key changes within each area, and various substantive testing.

GOVERNANCE AND ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY					
Annual Governance Statement	<p>COMPLETED</p> <p>The Annual Governance Statement was approved at Corporate Governance Committee in September 2014. No material issues were identified for attention of management / members within the Statement. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps.</p>					
Annual Audit Opinion	<p>COMPLETED</p> <p>The Annual Audit Opinion was submitted to Corporate Governance Committee in June 2014</p>					
Internal Audit Effectiveness	<p>COMPLETED</p> <p>The report in to the effectiveness of Internal Audit was submitted to Corporate Governance Committee in June 2014</p>					
National Fraud Initiative	<p>Data downloads were submitted to timescale to the Audit Commission for data matching purposes. Appropriate fair processing notices were used on all datasets. Where anomalies have been identified in the data, these have been referred to management.</p> <p>With the creation of the Single Fraud Investigation Service (Department for Works and Pensions), the fraud unit has transferred across at the end of February 2015. Internal Audit have produced a draft strategy to look to take forward the NFI within SCDC.</p> <p>Data matches have been returned via the secure website. Internal Audit is in the process of sifting through the data for appropriate investigations. This will be reported to Executive Management Team and Corporate Governance Committee on a periodic basis.</p>					
Partnership Governance	In progress					
Performance Management	Assurance: Limited	Critical: 0	High: 0	Medium: 4	Low: 0	While there are steps in place to review performance across the organisation, there is not always a separate check on the data provided for accuracy, particularly from third parties.

CORPORATE CROSS CUTTING AUDITS

AUDIT ACTIVITY	COMMENTARY					
Human Resources / Staffing	Assurance: Limited	Critical: 0	High: 2	Medium: 1	Low: 3	The Council has sound policies in place for sickness absence and flexible working. These are not always consistently applied by departments.
s.106 Contributions / CIL	Assurance: Significant	Critical: 0	High: 2	Medium: 2	Low: 0	The Council has identified the need for suitable project planning to implement CIL and is looking to put this in place in order to meet its desired implementation of 2015.
Community Chest Grants	Assurance: Limited	Critical: 0	High: 2	Medium: 1	Low: 0	No formal documentation to assist in the decision making process.
Business Efficiency Agenda	Assurance: Significant	Critical: 0	High: 0	Medium: 2	Low: 0	Initial evaluation of the processes in place for project management. Lack of business cases for the first tranche of projects undertaken.

DEPARTMENTAL SPECIFIC

AUDIT ACTIVITY	COMMENTARY					
Housing Company	Assurance: Limited	Critical: 0	High: 4	Medium: 3	Low: 1	There is a requirement for service level agreements to be established together with appropriate processes and procedures to back these up.
Responsive Repairs	Work in progress					
New Build Strategy	Verification of investment portfolio has been incorporated into the review of the HRA Business model.					
ICT Governance	A detailed 3 year IT Audit plan has now been established and is out for discussion with the Head of Service.					
Depot	Deferred					
Development Control	Fieldwork in progress					

Separate advice has been provided to the Council in relation to:

- National Fraud Initiative: Data Issues;
- National Fraud Initiative: Strategy to Investigate;
- Corporate Contracts: Monitoring of spending; and
- Provision of examples of internal controls which Finance can use as part of ongoing training to all managers.

3. DEVELOPMENT OF THE SERVICE

3.1 As part of the development of the shared arrangements, the following initiatives have been commissioned:

- Senior Auditor at SCDC has commenced professional training from December 2014. This is in relation to the Institute of Internal Auditors. Mentoring during this will be provided by the Head of Internal Audit; and
- Fortnightly site meetings have been held at Cambridge to develop team working; and monthly at Peterborough to develop the Audit automated package (VISION). This will continue in to 2015 / 2016.

ARRIVING AT AN OPINION

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, involvement in working groups, review of National Fraud Initiative (NFI) reports and follow-ups. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	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 / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report and is for any control weaknesses that jeopardises the complete operation of the service. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

This page is left blank intentionally.

Agenda Item 5

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

CORPORATE GOVERNANCE COMMITTEE

27 MARCH 2015

INTERNAL AUDIT PLAN FOR 2015 / 2016

RECOMMENDATION:

That Corporate Governance Committee endorse:

- **The Annual Plan 2015 / 2016**
- **The Audit Charter**
- **The Internal Audit Code of Ethics; and**
- **The services performance indicators**

1. INTRODUCTION

- 1.1 This is the Internal Audit Plan for 2015 / 2016 for consideration by 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 1)

- 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 2)

- 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 3)

- 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 2015 / 2016 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 Plan has been broken down into a number of elements:
- a) Core Systems Assurance work. This work covers the Council's key financial systems and provides External Audit with assurance on their control;

- b) Annual Governance and Assurance work;
- c) Corporate / Cross Cutting audits;
- d) Departmental specific audits; and
- e) Other resource allocations.

- 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 PERFORMANCE INDICATORS (APPENDIX 4)

- 5.1 As part of the ongoing appraisal of the service, various indicators have been set to ensure delivery against best practice and also to monitor individual and service performance.

6. CONSULTATION

- 6.1 Ongoing work planning is agreed with External Audit, and reviewed throughout the year to ensure that the work of Internal Audit and External Audit is co-ordinated. A copy of the audit plan has been sent to External Audit for their information. The initial draft Plans were submitted to Directors in February 2015.

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

This page is left blank intentionally.

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT CHARTER**

March 2015

Next Review: By March 2016

Version Control: 1.02

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 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

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 March 2015, 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.

4.3 Board

4.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the 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 Senior Management

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.

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 the other Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services,

which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited. With the arrangements adopted between SCDC, CCC and Huntingdonshire District Council, regular discussions will take place with HDC.

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 **Managing the risk of fraud and corruption is the responsibility of management.** 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 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 Corporate Governance Committee, the Chief Executive, Section 151 Officer and the Executive Management Team.

6.2 The remaining Internal Auditors have 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 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 HoIA will be professionally qualified (CMIIA, CCAB 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 HoIA 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 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 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
- Governance and Assurance Framework
- Corporate / Cross Cutting audits
- Departmental specific reviews
- Other Activities (including follow up activity)

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.

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 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 within 15 working days of completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond within 15 days, including acceptance (or not) 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 within 10 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).

- 10.4 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	
Definitions	Assurance Rating
The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.	FULL
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.	SIGNIFICANT
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.	LIMITED
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.	NO

- 10.5 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.

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

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Report	Relevant Director Head of Service External Audit S.151 Officer	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	Executive Summary Audit Opinion Detailed risk issues Agreed improvement plan
Progress Reports (based around the committee cycle)	Corporate Governance Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	Progress against annual plan Any amendments to current annual plan Details of significant risk issues Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	Corporate Governance Committee External Audit	The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.	Annual assurance report giving HoIA's opinion on the control environment Achievement of the annual plan and performance data. Effectiveness of Internal Audit Compliance with PSIAS and any associated quality improvement plan
Annual Audit Plan	Corporate Governance Committee S.151 Officer External Audit	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	Audit Plan and days to be delivered Audit Charter Code of Ethics Performance indicators to monitor service delivery and quality

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 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. The Service operates in accordance with a number of key performance indicators. Performance is subject to regular review by Audit.

11.2.2 Internal arrangements also include post audit feedback from auditees and should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.

11.2.3 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 the Corporate Governance Committee. Presenting this information to the 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 the 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. Consensus for this approach suggests it would be appropriate to undertake in 2015 / 2016.

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.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**AUDIT PLAN 2015 / 2016****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 2011 stipulate that a council should maintain "*a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk*". The regulations also provide that council's "*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 Council's Internal Audit team are bound by the mandatory requirements of these standards.
- 1.3 Internal audit 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
- 1.4 The provision of assurance is the key role for Internal Audit. This role requires the Head of Internal Audit (HoIA) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This audit opinion is provided to the Corporate Governance Committee and also feeds into the Annual Governance Statement. An overview of risk management and governance processes and key financial controls is also a significant aspect of our work.
- 1.5 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. AUDIT PLANS

- 2.1 With a shared audit management, there is a potential for a dilution of resources. Every effort is made to look at minimising this. In order for the service to deliver and enhance its provision, the following actions are used:
- Robust quality control of the works conducted;

- Regular training needs assessments to ensure appropriate skills are available;
- Efficient audit processes are utilised;
- Development of audit software;
- Shared resources and knowledge; and
- Use of assurance from other providers.

2.2 The following sources of information have been used in identifying the priorities put forward for audit coverage:

- Council objectives;
- Financial Strategy;
- The Council’s strategic and operational risk registers; and
- Consultations with directors.

2.3 Resource Requirements

2.3.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Executive Director (Corporate Services) as the Section 151 Officer. The current plans are based upon 1.20 FTE, i.e. a Senior Auditor full time and the Shared Head of Internal Audit at 0.20 FTE. Availability is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year

2.3.2 The resource availability summarised in **Table 1** sets out the requirement of 240 chargeable days, including contingency.

Table 1: AVAILABLE RESOURCES				
	Days			%age
Maximum Available Resources	262	52	314	100.00
Less: Non Chargeable Elements				
Leave / Bank Holidays / Sickness	-40	-10	-50	
Training	-10	-2	-12	
Staffing Related (1:1 / Appraisals / Admin)	-8	-4	-12	
TOTAL RESOURCES ALLOCATED	204	36	240	

2.4 Allocations

2.4.1 We have attempted to map the audit activities across a series of broad areas, these being:

- **CORE SYSTEMS.** Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts
- **GOVERNANCE AND ASSURANCE FRAMEWORK.** Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements.
- **CORPORATE CROSS CUTTING AUDITS.** Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.
- **DEPARTMENTAL.** We will look to provide support and assurance of a number of the key activities across each directorate.
- **OTHER RESOURCES.** Coverage set aside for service development, follow up activities etc.

2.4.2 The overall allocation of time from the estimated 240 days available is as follows:

Table 2: INTERNAL AUDIT		
	Days	%
Core Systems Assurance Work	26	10.8
Governance and Assurance Framework	40	16.7
Corporate Cross Cutting Audits	30	12.5
Department Specific	74	30.8
Other Resource Provisions	70	29.2
TOTAL RESOURCES ALLOCATED	240	100.00

INTERNAL AUDIT PLAN 2015 / 2016

SERVICE / SYSTEM	DAYS	SCOPE OF THE REVIEW
------------------	------	---------------------

The core systems are reviewed on a three year cycle. This is a departure from previous arrangements.

CORE SYSTEM ASSURANCE WORK		
Housing Benefit	6	System testing
Accounts Payable / Creditors	7	System testing
Payroll	–	Assurance to be provided by Cambridge City Council
Accounts Receivable / Sundry Debtors	7	System testing
Housing Rents	6	System testing
TOTAL	26	

Page 34

Areas excluded from 2015 / 2016 are

- Council Tax
- NNDR
- Main Accounting system
- Banking and Treasury
- Capital accounting
- BACS payments
- VAT

SERVICE / SYSTEM	DAYS	SCOPE OF THE REVIEW
------------------	------	---------------------

GOVERNANCE AND ASSURANCE FRAMEWORK		
Annual Governance Statement	2	Verification of progress on delivery of actions to address significant governance issues identified in AGS.
Annual Audit Opinion	4	Annual report to Corporate Governance Committee. HoIA opinion on the state of governance and the internal control framework in place within South Cambridgeshire.
National Fraud Initiative	12	Ongoing reviewing of matches from NFI and reporting on progress.
Corporate Fraud arrangements	5	Review of arrangements put in place following transfer of staff to the Single Fraud Investigation Services within the Department for Works and Pensions.
Risk Management	5	Review of processes for the coordination, monitoring and challenge of the risk management strategy and registers
Project Management	12	To provide assurance that the Council's projects are managed in accordance with best practice.
TOTAL	40	

SERVICE / SYSTEM	DAYS	SCOPE OF THE REVIEW
------------------	------	---------------------

CORPORATE CROSS CUTTING AUDITS

Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.

Human Resources / Staffing	7	Overview of compliance by Managers etc. with HR Policies / Practices. Focus for 2015 / 2016 will look at recruitment and selection.
Service Preparations for Growth	6	We will maintain ongoing dialogue with County in respect of the City Deal and look to provide assurance as appropriate
Corporate Governance	7	Evaluation and appropriateness of governance arrangements in place for Gifts and Hospitality; Bribery Act; Ethics and Culture.
Reorganisations / Service Delivery	10	Review of governance arrangements in relation to shared services between HDC, CCC and SCDC. (Discussions will be held with HDC to avoid duplication)
TOTAL	30	

SERVICE / SYSTEM	DAYS	SCOPE OF THE REVIEW
------------------	------	---------------------

DEPARTMENT SPECIFIC: AFFORDABLE HOMES

Allocations / Voids	6	Review of plans for self-service arrangements / effectiveness. SCDC are the lead authority for the delivery of the Home Link Choice based lettings scheme. We will look to review arrangements for self service and its effectiveness.
HRA Business Plan	6	Review the progress on meeting the deliverables set out in the HRA Business Plan.

DEPARTMENT SPECIFIC: CORPORATE SERVICES

Insurance	5	Evaluation of our current provision.
Information Governance	20	Proposals are to review <ul style="list-style-type: none"> • Data security; and • Data sharing protocols
Energy / Emissions	10	Consumption and emissions. SCDC are required to establish a baseline position for future reductions to be monitoring against. Proposal to review the collation and verification of data.
Members	7	Review of payment of expenses etc.

DEPARTMENT SPECIFIC: HEALTH AND ENVIRONMENTAL SERVICES		
Community Right to Bid	5	As part of the Localism Act, surplus assets can be made available to communities. The review will ascertain that appropriate processes are in place to deliver.
RECAP	5	Review of the contract
DEPARTMENT SPECIFIC: PLANNING AND NEW COMMUNITIES		
Urban Design / Conservation	10	Following restructure within the department there is an element of internal commissioning and charging out to others. Review will focus on the charging mechanisms and how the data is captured.
TOTAL	74	

SERVICE / SYSTEM	DAYS	SCOPE OF THE REVIEW
------------------	------	---------------------

OTHER RESOURCE PROVISIONS		
Fraud / Irregularity Contingency	15	Incorporation of time within the plan for undertaking proactive counter fraud-work, together with reactive work where suspected irregularities have been detected.
Carry Forward Activities	15	Completion of 2014 / 2015 audits
Follow Up Provision	5	Review of implementation of agreed actions
Reviews / Management	10	Undertake reviews of works / quality checks to ensure meet required standards.
Service Development	25	Identification of time to develop IT software package for full utilisation within the team
TOTAL	70	

This page is left blank intentionally.

INTERNAL AUDIT: PERFORMANCE INDICATORS (AT MARCH 2015)

SERVICE RELATED

Indicator	Target	Purpose
% audit actions accepted by management	100 %	Internal Audit strives to agree all actions with management. Acceptance of audit recommendations by management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements. However, there can be occasions where actions are disputed. In these cases, there may be justifiable reasons for management not supporting them. Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken. However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed.
% actions implemented to timescale	90%	This indicator measures the effectiveness of management in making change. Management commitment in implementing actions ensures that high profile risks / fundamental flaws in systems of internal control are suitably resolved.
Days between the completion of audit fieldwork and issue of draft report	15 working days	The draft report is the first stage after which management will have written confirmation of the audit outcomes. Issue on a timely basis provides better opportunity for management to be able to comment, and also ensures that the audit plan is delivered as expected.
Days between the issue of the draft and final report	10 working days	Delivery of a timely final report ensures that management can commence process of addressing internal control weaknesses.

COMPLIANCE

Indicator	Target	Purpose
Compliance with the Public Sector Internal Audit Standards	Full	These Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. A checklist has been developed from the guidance, which will be completed annually, with the results feeding into our review of the effectiveness of internal audit.
Compliance with the CIPFA Statement on the Role of the Head	Full	This Statement sets out what CIPFA considers being best practice for Heads of Internal Audit in terms of providing a summary of the core responsibilities entailed in the role to support the Council in achieving its objectives, by giving assurance on its internal control arrangements and playing a key part in promoting good corporate governance. A checklist

of Internal Audit		has been developed from the guidance, which is completed annually and feeds into our review of the effectiveness of internal audit.
-------------------	--	---

Agenda Item 6

South Cambridgeshire District Council

Year ending 31 March 2015

Audit Plan

3 March 2015



DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

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

3 March 2015

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 Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, 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 plan with you on 27 March 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

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

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

Contents

1. Overview	1
3. Financial Statement risks	4
4. Economy, efficiency and effectiveness	6
5. Our audit process and strategy	8
6. Independence	12
Appendix A Fees	15
Appendix B UK required communications with those charged with governance	16
Appendix C Detailed Scope	19

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

1. Overview

Context for the audit

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 2015 and of the income and expenditure for the year then ended;
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

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

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

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; 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. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Corporate Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls. We do not currently expect to rely on the controls operating over any of the Council's systems as we believe a substantive audit approach to be more efficient.

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. We will liaise with internal audit and consider their work, where we consider it appropriate to do so in aiding our understanding of your control environment.

Changes to the scope of our audit,

- ▶ The council is planning to prepare group accounts for the first time this year, to consolidate the results of South Cambridgeshire Ltd into the financial statements. Our audit will therefore address the additional accounting and disclosure requirements arising from the preparation of group accounts.

Appendix C provides an overview of the nature of our planned involvement in the work to be performed by the component auditors of South Cambridgeshire Ltd.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for South Cambridgeshire District Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ securing financial resilience
- ▶ challenging how the Council secures economy, efficiency and effectiveness.

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

Further detail is included in section 4 of this Audit Plan.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

3. Financial Statement risks

We outline below our 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.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>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.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ 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 ▶ We will test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.
Other financial statement risks	
Group accounts	
<p>The Council is proposing to prepare group accounts for the first time. While the activities of the subsidiary company have been fairly limited to date there are considerable additional disclosures required within group accounts requirements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ The accuracy and completeness of the consolidation entries ▶ The compliance of the group accounts with disclosure requirements.
Provision for Business Rates Appeals	
<p>In 2013/14 the Council was required to calculate a provision for business rate appeals for the first time. We found that the council had developed an appropriate methodology for the estimate once they had included the need for consideration of future appeals not yet lodged.</p> <p>This methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ We will review the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37 and that the assumptions underlying the estimate are reasonable. As part of this we will ensure the provision is supported by appropriate evidence and that any level of estimation uncertainty is adequately disclosed in the accounts.

Property Asset Valuations

Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements.

Our approach will focus on:

- ▶ Reliance on management's experts and review of the instructions given to that valuer
- ▶ Consideration of the accounting treatments and basis of valuation as required by the Code
- ▶ Test of detail if required
- ▶ Test of the journals and derivation of accounting entries.

Respective responsibilities in relation to 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 fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for South Cambridgeshire District Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Significant risks	Impacts arrangements for securing:	Our audit approach
Financial Pressures and innovative delivery models		
<p>Along with many other Council's, South Cambridgeshire is facing significant financial challenges over the next three to four years.</p> <p>The Council's external funding sources are reducing and are likely to be subject to change and uncertainty in future years.</p> <p>The Council has established a wholly owned company (South Cambridgeshire Ltd) to take forward its strategic plans in the local housing market.</p> <p>The Councils governance arrangements should be adequate to ensure that these decisions are based on a sound assessment of the returns and value of this strategy to the Council.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on the following areas when completing our value for money work:</p> <ul style="list-style-type: none"> ▶ review of the medium term financial strategy and effectiveness of the Savings Programme. ▶ governance arrangements for significant contracts and partnerships; and ▶ the effectiveness of in year monitoring of the budget, including key areas in the Savings Programme. ▶ The approval process for the establishment of the investment company and the funding agreement between the Council and the company. ▶ How the Council ensures best value if it sells land to the company. ▶ Governance arrangements over conflicts of interest.

We will keep our risk assessment under review throughout our audit and communicate to the Corporate Governance Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code') 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 a two-part audit report covering both of these objectives.

i) Financial statement audit

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

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

We will also issue statutory audit opinions on the Council's subsidiary. We will plan our audit procedures to identify misstatements that could be material to the statutory financial statements of the individual entity.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

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

5.2 Audit process overview

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. This will enable us to more efficiently update our understanding of your systems and carry out the walkthrough of those systems as required under auditing standards. Our intention is to carry out a fully substantive audit in 2014/15 rather than rely on the operation of controls as we believe this to be a more efficient approach.

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, and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

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

Internal audit

As referred to earlier, we intend to consider internal audit's work in documenting your financial systems and controls to inform our understanding of systems and controls.

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

Use of experts

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in 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; and
- ▶ auditor independence.

Procedures required by the Code

- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements, including the Governance Statement.
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO
- ▶ reviewing and examining, where appropriate, evidence relevant to the South Cambridgeshire District Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

5.3 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 would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all 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.

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

5.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of South Cambridgeshire District Council is £69,300.

The requirement to audit group accounts is a change in scope to our audit and additional procedures will be required. We will therefore be seeking an additional audit fee for this work and will communicate this to the Corporate Governance Committee once this has been agreed with management and the Audit Commission or its successor body.

5.5 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience on South Cambridgeshire District Council. Mark is supported by Rachel Brittain. Rachel will be responsible for the day-to-day direction of audit work and is the key point of contact for the Executive Director (Corporate Services).

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Corporate Governance Committee's cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Corporate Governance Committee and we will discuss them with the Committee 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	Corporate Governance Committee timetable	Deliverables
High level planning, risk assessment and setting of scopes	February	March	Audit Plan
Testing routine processes and controls	March	March	Progress Report (in necessary)
Year-end audit	July - August		
Completion of audit	September	September	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	November	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.

6. Independence

6.1 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
<ul style="list-style-type: none"> ▶ 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. 	<ul style="list-style-type: none"> ▶ 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 Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ 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.

6.2 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 the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to 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 management 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 Mark Hodgson, the audit engagement Director and the audit engagement team have not been compromised.

6.3 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 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15 £	Out-turn 2013/14 £	Published fee 2013/14 £	Explanation
Opinion Audit and VFM Conclusion	69,300	69,300	68,400	Additional fee of £900 approved by the Audit Commission for additional audit work for NDR changes
Total Audit Fee – Code work	69,300	69,300	68,400	
Certification of claims and returns *	18,390	13,929	13,929	

All fees exclude VAT.

The agreed 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;
- ▶ the Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council and
- ▶ the Council has an effective control environment.

Note – We need to assess the implications of the Council's consolidation of South Cambridgeshire Ltd on the Council's statutory accounts. There will be the need to vary the scale fee to reflect the additional work required on the disclosures needed to meet the group consolidation requirements of the Code of Practice and International Accounting Standards.

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.

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

Appendix B UK required communications with those charged with governance

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

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ 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 	<p>▶ Report to those charged with governance</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ 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 	<p>▶ Report to those charged with governance</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ enquiries of the 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 	<p>▶ Report to those charged with governance</p>
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 	<p>▶ Report to those charged with governance</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ management's refusal for us to request confirmations ▶ inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ 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 Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance Committee may be aware of 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ breakdown of fee information at the agreement of the initial audit plan ▶ breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ 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 	<ul style="list-style-type: none"> ▶ Audit Plan

Required communication	Reference
Certification work <ul style="list-style-type: none"><li data-bbox="341 327 890 353">▶ Summary of certification work undertaken	▶ Annual Report to those charged with governance summarising grant certification.

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, when taken 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.

- ▶ 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 EY audit team for 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 EY 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.

Our audit approach is risk based, and we have assessed the risks presented by the component company with the South Cambridgeshire District Council group. South Cambridgeshire Ltd has been assessed as a limited scope component, with our work being based on a desk top review consisting of enquiries of management and analytical review as appropriate.

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 auditor of the group component company.

For the component company we expect to review the final audited financial statements and the auditor's report on the results of their audit when performing our tests of consolidation and analytical review of the amounts feeding into the group statements.

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is left blank intentionally.

Alex Colyer
Executive Director – Corporate Services
South Cambridgeshire District Council
South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

18 December 2015

Direct line: 01223 394547

Email: mhodgson@uk.ey.com

Dear Alex

Certification of claims and returns annual report 2013/14 South Cambridgeshire District Council

We are pleased to report on our certification work. This report summarises the results of our work on South Cambridgeshire District Council's 2013/14 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 are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013/14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary, audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2013/14 certification work and highlights the significant issues.

We checked and certified two claims and returns with a total value of £30.6 million. We met the submission deadlines for both the housing benefits subsidy claim and the pooling of capital receipts return.

Our certification work found one error which the Council corrected. The amendment had no effect on the grant due.

Fees for certification work are summarised in section 2. Indicative fees are set by the Audit Commission and reflect the amount of work required by the auditor to certify the claims and returns in that year.

We welcome the opportunity to discuss the contents of this report with you at the March 2015 Corporate Governance Committee.

Yours faithfully



Mark Hodgson
Director
Ernst & Young LLP
Enc

Certification of claims and returns annual report 2013/14

Contents

Certification of claims and returns annual report 2013/14..... 3

1. Summary of 2013/14 certification work 4

2. 2013/14 certification fees 5

3. Looking forward 6

1. Summary of 2013/14 certification work

We certified two claims and returns in 2013/14. The main findings from our certification work are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£27,519,430
Amended	Yes – subsidy decreased by £162.00 to £27,519,268
Qualification letter	No
Fee – 2013/14	£12,253
Fee – 2012/13	£20,899

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme 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+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found no errors in the testing of the detailed cases, however amendments were required to reconciliation and uncashed cheque cells of the claim form.

This testing identified errors for which an accurate amendment could be made to the claim. The amendments made by the Council decreased the subsidy claimed by £162.00.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£3,106,186
Limited or full review	Limited review
Amended	Yes
Qualification letter	No
Fee – 2013/14	£1,676
Fee – 2012/13	£1,135

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

One error was amended for on the housing capital receipts return, however this had no impact on the amount claimed, and we certified the amount payable to the pool without qualification.

2. 2013/14 certification fees

The indicative fee was based on actual certification fees for 2011/12 adjusted for schemes no longer requiring certification. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.

Audit work in 2013/14 was completed in line with the revised indicative composite fee for South Cambridgeshire District Council, £13,929. This compares to a charge of £22,034 in 2012/13.

Claim or return	2012/13	2013/14	2013/14
	Actual fee	Revised Indicative fee	Actual fee
	£	£	£
Certification of claims and returns including the annual report	22,034*	13,929	13,929

Fees for annual reporting, planning, supervision and review have been allocated directly to the claims and returns.

* The actual fee charged for 2012/13 was £24,709; however the above figure has been adjusted to remove claims no longer certified in 2013/14 for comparison purposes.

3. Looking forward

The DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Audit Commission in 2015. Subject to confirmation, we expect these new arrangements to apply to 2014/15 claims and returns and therefore the CFB06 Pooling of housing capital receipts scheme to fall outside the Audit Commission's arrangements.

We expect to certify the Authority's 2014/15 claim for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Audit Commission. Arrangements for 2015/16 onwards are to be confirmed, but it is likely that auditor certification will be needed until Universal Credit replaces housing benefit.

For 2014/15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012/13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014/15 is £18,390. The actual certification fee for 2014/15 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012/13 on individual claims or returns. Details of individual indicative fees are available at the following link: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415/proposed-estimated-indicative-certification-fees/>

Variations from the indicative fee should only occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 fee.

We can act as reporting accountants where the Commission has not made or does not intend to make certification arrangements.

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© Ernst & Young LLP 2014. Published in the UK.
All rights reserved.

This page is left blank intentionally.

Agenda Item 8



South
Cambridgeshire
District Council

REPORT TO: Corporate Governance Committee

27 March 2015

LEAD OFFICER: Principal Accountant (General Fund & Projects)

ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY AND PROCESS

Purpose

1. The purpose of this report is for Corporate Governance Committee to conduct the annual review of the Council's Risk Management Strategy and process and agree any changes considered necessary.
2. This is not a key decision but it has been brought because:
 - (a) it enables 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. It is recommended that Corporate Governance Committee approves the proposed revised Risk Management Strategy, as set out at Appendix A to this report.

Reasons for Recommendations

4. The proposed revised Risk Management Strategy has been updated to reflect:
 - that the Strategic Risk Register now goes to Cabinet as part of the Position Statement report on Finance, Performance and Risk, rather than to Corporate & Customer Services Portfolio Holder meetings;
 - that the date risks are first included on the Strategic Risk Register is now recorded;
 - that the updated Corporate Plan was adopted by Council on 26 February 2015; and
 - a change of job title.

It therefore represents appropriate application of risk management best practice to the Council's strategy and process.

5. The Strategic Risk Register, the risks included, assessments of their impact and/or likelihood, and associated control measures / sources of assurance, have been considered as part of the Position Statement reports on Finance, Performance and Risk at the following meetings of Cabinet in 2014-15:
 - (a) 10 July 2014;
 - (b) 11 September 2014;
 - (c) 13 November 2014; and
 - (d) 12 February 2015,

A review of strategic risks over the past 12 months gives Corporate Governance Committee assurance that the Council's Risk Management Strategy and process remain effective.

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 March 2014, to address recommendations resulting from Internal Audit's risk management review and to reflect the Council's Corporate Plan for 2014 to 2019.

Considerations

7. Corporate Governance Committee monitors the responsible portfolio holder's review and approval of the Council's Strategic Risk Register on an annual basis. Cabinet's reviews of the Strategic Risk Register during 2014-15, led by the Corporate and Customer Services Portfolio Holder, are summarised below:
 - (a) Cabinet has reviewed the Strategic Risk Register throughout the year, considering the risks included, the assessments of their impact and/or likelihood and associated control measures / sources of assurance. Examples include:
 - (i) July 2014: Cabinet agreed Executive Management Team (EMT)'s recommendation that the Welfare Reform risk likelihood score be reduced from 5 (Almost certain) to 4 (Likely). Cabinet also noted that a risk register had been prepared for the housing company pilot project, which shows separately risks the Council faces in relation to the company, and risks the company itself faces. This is incorporated in EMT's regular reviews of risk registers;
 - (ii) September 2014: Cabinet agreed EMT's recommendation that the Lack of Land Supply risk likelihood score be increased from 4 (Likely) to 5 (Almost certain);
 - (iii) November 2014: Cabinet agreed to include a new risk to reflect the various shared services initiatives taking place with other authorities;
 - (b) As a result of these reviews:
 - (i) one new risk has been included, relating to the various shared services initiatives taking place with other authorities;
 - (ii) the likelihood assessment of one risk (Welfare Reform) has been reduced and that of another risk (Lack of Land Supply) has been increased.
In addition, a new risk register has been prepared for the housing company pilot project.
 - (c) This demonstrates that Cabinet, led by the Corporate and Customer Services Portfolio Holder, has exercised its executive responsibility for risk management and that the Council's risk management process is effective.
8. The proposed revised Risk Management Strategy is attached at **Appendix A**; suggested updates are shown as **highlighted text**.

Options

9. Corporate Governance Committee could approve the changes proposed and the resulting revised Risk Management Strategy. (***This is the recommended option.***)
10. Alternatively, Corporate Governance Committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

Implications

11. 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

12. 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.

Consultation responses (including from the Youth Council)

13. There was no review of the Risk Management Strategy scheduled in Internal Audit's Strategic Audit Plan for 2014-15, approved by Corporate Governance Committee in March 2014.
14. The Corporate and Customer Services Portfolio Holder and members of EMT did not suggest any further changes to the Risk Management Strategy.

Effect on Strategic Aims

Engagement – Engage with residents, parishes and businesses to ensure we deliver first class services and value for money.

15. 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 Aims 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: John Garnham – Principal Accountant (General Fund & Projects)
Telephone: (01954) 713101

This page is left blank intentionally.



Risk Management Strategy

To be approved by Corporate Governance Committee, 27 March 2015

Contents

1.	Purpose	1
2.	Objectives	1
3.	Guiding principles	1
4.	Approach to risk management	2
5.	Identifying and recording risks	2
6.	Assessing and prioritising risks	5
7.	Managing risks	5
8.	Reviewing and reporting risks	6
9.	Communication and learning	10
10.	Organisational arrangements	10

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

1. Purpose

- 1.1 South Cambridgeshire District Council's primary role is to fulfil its statutory obligations. The Council also has a Long Term Vision that 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.
- 1.2 Supporting the Vision is a Corporate Plan with three strategic Aims, which have associated Objectives and Actions:
- (a) Engagement – Engage with residents, parishes and businesses to ensure we deliver first class services and value for money;
 - (b) Partnerships – Work with partners to create opportunities for employment, enterprise, education and world-leading innovation;
 - (c) Wellbeing – Ensure that South Cambridgeshire continues to offer an outstanding quality of life for our residents.
- 1.3 The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its aims and objectives.

2. Objectives

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

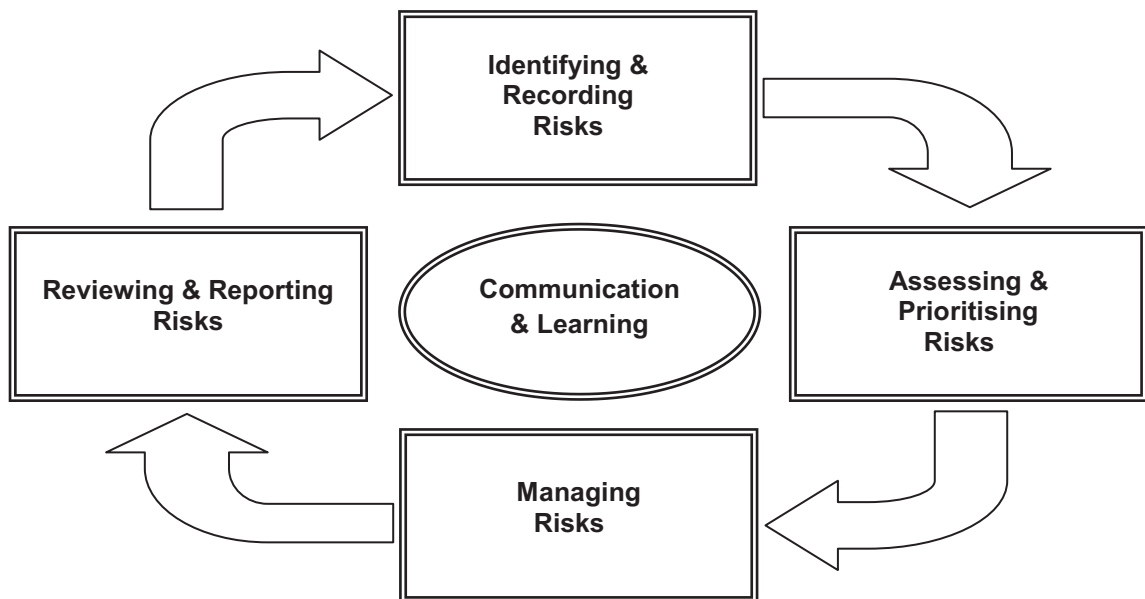
3. Guiding principles

- 3.1 To fulfil its risk management objectives, the Council shall:
- (a) Develop a culture that involves the participation of all appropriate staff in risk management.
 - (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction, by endorsing the allocation of executive and governance roles between:

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

4. Approach to risk management

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



4.2 These steps are outlined in the sections below.

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

5. Identifying and recording risks

5.1 *Identifying risks*

5.1.1 A risk is an event that may occur, which will have an impact on the Council’s services, or the achievement of its objectives and priorities. This strategy requires

the Council to identify strategic, service area (i.e. operational), project, partnership and shared service risks.

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

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

5.2 **Recording risks**

5.2.1 Identified risks shall be recorded in the relevant strategic or service area risk register, project, partnership or shared service risk register, as set out in paragraphs 5.2.2 to 5.2.10 below, with risks described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Aim(s)/ Action(s), and the possible outcome(s) that could result.

Strategic Risk Register

5.2.2 The strategic risk register CorVu report template is attached at **Annex C**. The Principal Accountant (General Fund and Projects) (“PA(GF&P)”), on behalf of the Executive Director (Corporate Services), shall record in the strategic risk register the top risks facing the Council from a corporate perspective, noting for each risk:

- relevant Objectives in the current Corporate Plan;
- the person nominated as the responsible “Risk Owner”;
- “Target” and “Actual” Risk Scores resulting from assessed Impact and Likelihood scores (see 6.1.1 below);
- Control measures to address / sources of assurance over the risk;
- for risks assessed above the Council’s risk tolerance line (see 6.2.2 below), the “Timescale to progress”, i.e. the Month/ Year by which it is planned to mitigate the risk to below the line.

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

5.2.3 Control measures are defined as actions to reduce either the likelihood of the risk occurring, or the potential impact of it materialising. Control measures may be either already in place, or additional ones considered necessary to manage the risk.

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

5.2.5 The “Timescale to Progress” shall also note control measures / sources of assurance that are not yet in place, with expected dates where appropriate.

5.2.6 The CorVu report enables monitoring of movement in strategic risk scores, where Red / Amber / Green means:

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

Service area risk registers

- 5.2.7 The service area risk register template is attached at **Annex D**. Directors shall record in their service area risk registers potential operational risks affecting the services for which they are responsible, noting for each risk:
- relevant Objectives in the current Corporate Plan;
 - Control measures to address / sources of assurance over the risk, already in place;
 - the assessed Impact and Likelihood scores and resulting Total scores (see 6.1.1 below);
 - the Direction of Travel of the risk (i.e. whether the risk is “new” or the Impact and Likelihood assessments have stayed the same, reduced or increased);
 - the person nominated as the responsible “Risk Owner”;
 - the Review Frequency, i.e. the frequency at which the control measures/ sources of assurance are reviewed;
 - Additional control measures / sources of assurance considered necessary to manage the risk;
 - Additional resources/cost required to manage the risk;
 - any Adjusted risk score resulting from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account;
 - for risks assessed above the the Council's risk tolerance line, the “Timescale to progress”, i.e. the Month/ Year by which it is planned to mitigate the risk to below the line.

Project risk registers

- 5.2.8 The Council shall require projects (see section 8.2 below) to use the same format as the service area risk register template. The Project Management Toolkit reflects this and guidance is available within the Toolkit.

Partnership risk registers

- 5.2.9 The Council shall encourage partnerships (see section 8.3 below) to use the same format as the service area risk register template; however, the Council acknowledges that a partnership may choose to use another format appropriate to its needs. If a partnership chooses not to use the same format, the Council's lead officer for that partnership shall liaise with the **PA(GF&P)** for guidance on how to structure the risk register/log. Guidance is also available in the Partnership Toolkit.

Shared Service risk registers

5.2.10 The Council shall encourage shared service projects to use the same format as the service area risk register template, both while the project is being developed and when it becomes operational; however, the Council acknowledges that a shared service project/arrangement may choose to use another format. If a shared service project/arrangement chooses not to use the same format, the Council's lead officer for that project shall liaise with the PA(GF&P) for guidance on how to structure the risk register/log. Guidance is also available in the Project Management and Partnership Toolkits.

6. Assessing and prioritising risks

6.1 Assessing risks

6.1.1 At both strategic and service area levels and for projects, partnerships and shared services, nominated risk owners shall assess each of the identified risks in terms of the likelihood of the risk occurring and the potential impact of it materialising, according to the guidelines in **Annex E** and **Annex F**, respectively.

6.2 Prioritising risks

6.2.1 Directors, project managers, partnership lead officers and shared service project managers / lead officers shall use a matrix of these assessments to rank risks in order (see **Annex G**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes represent Total risk scores, obtained by multiplying the Impact score by the Likelihood score. The Total risk scores indicate the order of priority of assessed risks. Directors, project managers, partnership lead officers and shared service project managers / lead officers shall re-schedule the risk registers in line with the order resulting from the prioritisation matrix. (Where the same Total risk score can be obtained in more than one area of the matrix, the Impact score shall take priority over the Likelihood score.)

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

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

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

6.2.4 Those assessed risks that fall above the Council's risk tolerance line are considered to require further action to reduce either the likelihood of the risk occurring or its impact if and when it does occur; nominated risk owners shall identify and record additional control measures / sources of assurance for these risks (see 7.1 below).

7. Managing risks

7.1 Risks above the Council's risk tolerance line (i.e. with a Total risk score of 12 or higher) require additional control measures / sources of assurance to be put in place to manage them, 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).
- 7.2 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) shall work with the PA(GF&P) to 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 Aims and/or Objectives, services, projects or partnerships, require additional resources or will incur additional costs, risk owners shall agree these with the managers/officers concerned.
- 7.3 At the service area level, service managers shall develop and implement additional control measures / sources of assurance for managing risks assessed above the Council’s risk tolerance line. Managers shall re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account, recording any changes to the scores in the ‘Adjusted risk score’ column. Where additional control measures / sources of assurance affect other Aims and/or Objectives, services, projects or partnerships, require additional resources or will incur additional costs, service managers shall discuss these with the managers/officers concerned.
- 7.4 Project managers and partnership lead officers shall manage project and partnership risks in accordance with their project/partnership governance arrangements. Shared service project managers / lead officers shall manage shared service project/arrangement risks in accordance with the governance arrangements.
- 7.5 Directors, project managers, partnership lead officers and shared service project managers / lead officers shall reassess risks below the Council’s risk tolerance line (i.e. with a Total risk score of 10 or lower) quarterly to ensure there is no change to the underlying risk or control measures / sources of assurance.
- 7.6 When an appropriate review meeting (see 8.1.2 below) considers that a risk has been “managed”, i.e. it either no longer exists, or it is now an integral part of day to day management of the service area concerned, the meeting shall agree to remove the risk from the relevant risk register.

8. Reviewing and reporting risks

8.1 *Reviewing risks*

- 8.1.1 Reviews of risk registers shall include consideration of any new risks. Approval of risk registers shall include both the acceptance of new risks and also the removal of risks considered to be “managed”.
- 8.1.2 Risks are reviewed at service planning, departmental management teams, Executive Management Team (EMT), Cabinet, project management, partnership and shared service meetings, as appropriate:
- EMT shall review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to Cabinet.
 - Cabinet, led by the Corporate & Customer Services Portfolio Holder, shall similarly review and approve the strategic risk register quarterly.

- Directors shall review and approve their service areas' risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans. Service area risk registers shall be on departmental management team meeting agendas for review at least quarterly. The Executive Director (Corporate Services) shall similarly review and approve the collated risk registers for service areas reporting direct to him.
- Project managers, partnership lead officers and shared service project managers / lead officers shall facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project, partnership plans or shared service arrangements.

8.1.3 Should a significant risk arise between reviews, the relevant director, manager or officer shall consider it with the PA(GF&P) for inclusion on the appropriate risk register and the PA(GF&P) shall inform the relevant director accordingly.

8.2 **Project risks**

8.2.1 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, using the same format as the service area risk register template (see paragraph 5.2.7 above). Project managers shall review project risk registers in accordance with their project management arrangements.

8.3 **Partnership risks**

8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council's direct control.

8.3.2 The Council has an understanding of its involvement with the partnerships in which it participates and the implications of that involvement in each partnership. Equally, each partnership has an understanding of the Council's role in the partnership.

8.3.3 Lead officers of partnerships shall adopt a two stage approach to risk management:

- (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis shall identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
- (b) Champion effective risk and performance management procedures within the partnership (including the risk of fraud and corruption), so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.

8.3.4 Partnership lead officers shall review partnership risk registers in accordance with the partnerships' governance arrangements. Similarly, shared service lead officers shall review shared service arrangements risk registers in accordance with the shared services' governance arrangements.

8.4 **Links**

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

8.5 **Reporting risks**

- 8.5.1 The PA(GF&P) shall report the draft strategic risk register to EMT quarterly, for review and recommendation to Cabinet. These reports shall show only risks with a total score of 5 or more (risks scoring 4 or less will still be on the strategic risk register, just not included in the reports). (Corporate Governance Committee shall review the adequacy of this as part of its annual review of the risk management strategy and process, as described in 8.5.11 below. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.)
- 8.5.2 Directors / the Executive Director (Corporate Services) shall record service area risks above the Council's risk tolerance line in the Overview section of their service plans published annually. They shall update their service area risk registers and control measures / sources of assurance to the PA(GF&P) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.3 In addition, EMT shall review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. These reports shall 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). EMT shall review the HRA Business Plan risk register alongside the Affordable Homes risk register. As part of these reviews, EMT shall consider whether to include risks scoring 12 or more in the strategic risk register. (It shall be assumed not, unless minuted otherwise.)
- 8.5.4 Relevant director(s) / the Executive Director (Corporate Services) shall provide on request from a portfolio holder a briefing/update on the service area risk register(s) appropriate to that portfolio.
- 8.5.5 Project managers, partnership lead officers and shared service project managers / lead officers shall report project, partnership and shared service risk registers in

accordance with their project management/governance arrangements and reporting frequencies. Project managers, partnership lead officers and shared service project managers / lead officers shall update 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.

- 8.5.6 The PA(GF&P) shall 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.
- 8.5.7 If a risk materialises, it shall be reported as follows:
- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the PA(GF&P), outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
 - service area: a similar report to the service manager by the risk owner;
 - EMT or the service manager, as appropriate, shall decide how to implement any recommendations regarding lessons to be learnt;
 - project, partnership or shared service: a similar report by the project manager partnership lead officer or shared service project manager / lead officer; decisions about implementing any recommendations regarding lessons to be learnt shall be taken in accordance with the project management partnership or shared service governance arrangements.
- 8.5.8 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's risk tolerance line, report writers also outline the additional actions that shall be taken to mitigate the risk and copy the report to the PA(GF&P), so that the risk can be incorporated in the strategic risk register, relevant service area risk register, project, partnership or shared service risk register, as appropriate. Directors/report writers shall fully brief Members on risks identified in the report.
- 8.5.9 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers shall also review relevant risk registers, to identify any risks for inclusion in the report.
- 8.5.10 Positive aspects of the matter under consideration are generally described in the body of the report to Members, alongside the various "Implications" sections (Financial, Legal, Staffing, Equality & Diversity, Climate Change). Report writers may also use the Risk Management Implications section to highlight any positive risks (opportunities) not mentioned elsewhere in the report.
- 8.5.11 The PA(GF&P) shall report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee. (The PA(GF&P) shall similarly invite the Corporate & Customer Services Portfolio Holder to review the risk management strategy and process and recommend changes.) Corporate Governance Committee shall review and approve changes to the risk management strategy and process annually, or if there is a material change during the year.

9. Communication and learning

9.1 Communication

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

9.1.2 The PA(GF&P) shall also keep staff and Members informed through a risk management page on In-Site, the Council's intranet, which shall include the following:

- the risk management strategy,
- the latest version of the strategic risk register,
- the latest versions of service area risk registers;
- guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
- risk management templates.

9.2 Learning

9.2.1 The Council shall keep its risk management strategy and processes up to date by learning from a variety of sources:

- applying best practice from other local authorities and organisations, as appropriate;
- ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;
- learning from any mistakes;
- providing relevant training for appropriate staff and Members (including at least a refresher session annually), facilitated by external specialists if necessary:
 - EMT shall decide the risk management training for staff, following a recommendation by the PA(GF&P);
 - The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder (the portfolio holder responsible for both risk management and for Member development), shall decide the risk management training for Members, following a recommendation from EMT;
 - The PA(GF&P) shall keep a record of risk management training attended by staff and Members;
 - Corporate Governance Committee shall review risk management training and the attendance records annually, to ensure that capabilities remain adequate.

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

10. Organisational arrangements

10.1 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these to their line managers and/or through the relevant form. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.

- 10.2 The prompt alerting of something going wrong can help prevent a situation from becoming worse. Staff are therefore encouraged to alert their line manager to potential risks at the earliest opportunity, without the fear of blame being attributed as a result. This will enable action to be taken as soon as possible to reduce either the likelihood of the risk occurring or the possible effects of it doing so and also promote a culture of openness, transparency and support.
- 10.3 A chart summarising the Council's arrangements for risk management is shown in ***Annex H***.

Annex A

The scope of risk; areas to consider

Political / Reputation

Partnership

Governance

Economic

Social

Technological

Legislative / Regulatory

Environmental

Competitive

Customer / Citizen

Managerial / Professional

Fraud / Corruption

Financial

Legal / Contractual

Physical

Health & Safety

Performance

Annex B

Some of the risks to consider when making strategic decisions

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

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

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

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

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

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

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

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

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

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

- Inadequate response to new legislation

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

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

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

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

- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds
- Inadequate expertise to write tight tender documents and contracts

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

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

Annex C Strategic Risk Register CorVu report template

Strategic Risk Register

[Date] (Month Year)

[changes highlighted]

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



South Hampshire
District Council

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

Corporate Plan Aims and Objectives

Impact

Likelihood

Notes

Risks are cross referenced to the relevant Corporate Plan Objectives adopted by Council on 26 February 2015 with effect from 1 April 2015, e.g. (1), (3) etc. Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2015/16 Corporate Plan Aim.

5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

1. The "Reference" is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are available on In-Site.
3. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
4. The dotted line (- - - - -) shows the Council's risk tolerance line.
5. The "Timescale to progress" is the date (Month Year) by which it is planned to mitigate the risk to below the line.

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

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

Annex D Service Area Risk Register template

[Name of Service Area] Risk Register

[Date] (Month Year)

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

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

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

Changes to previous wording are shown as highlighted text.

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



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

Notes

- The "Ref." is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
- Risks are cross referenced to the relevant Corporate Plan Objectives adopted by Council on 26 February 2015 with effect from 1 April 2015, e.g. (1), (3) etc. Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2015/16 Corporate Plan Aim.
- Criteria and guidelines for assessing Impact and Likelihood are available on In-Site.
- The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
- The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
- The dotted line (- - - - -) shows the Council's risk tolerance line.
- The "Timescale to progress" is the date (usually Month Year) by which it is planned to mitigate the risk to below the line.

Direction of Travel

- Impact
- 5 Extreme
 - 4 High
 - 3 Medium
 - 2 Low
 - 1 Insignificant
- Likelihood
- 5 Almost certain
 - 4 Likely
 - 3 Possible
 - 2 Unlikely
 - 1 Rare
- Priority reduced from last review (give the previous Total score in the brackets)
- Priority equal to last review
- Priority increased from last review (give the previous Total score in the brackets)
- Risk included in the risk register for the first time

Annex E Likelihood assessment guidelines

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

Annex F Impact assessment guidelines

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

Annex G Prioritisation Matrix template

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

----- Risk Tolerance Line

Managing the risk

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

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

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

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

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

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

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

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

Corporate Governance Committee

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

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

With regard to risk management, the Committee:

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

Executive

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

Notes:

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

Executive Management Team (EMT)

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly; recommends the strategic risk register to **Cabinet**.
- May cascade a strategic risk to an appropriate service area risk register.
- Reviews service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year.
- Considers reports on strategic risks that occur and decides how to implement lessons learnt.
- Promotes and champions risk management.
- Decides risk management training for staff, following a recommendation from the **Principal Accountant (General Fund and Projects) ("PA(GF&P)");** recommends training to Corporate Governance Committee.
- The Executive Director (Corporate Services) is the senior manager responsible for risk management.

"Risk owners"

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

At the strategic level:

- Work with the **PA(GF&P)** to develop and implement control measures / sources of assurance for managing strategic risks, including additional control measures / sources of assurance for risks assessed above the Council's risk tolerance line.
- Report strategic risks materialising, in conjunction with the **PA(GF&P)**, to the next meeting of EMT, recommending the application of any lessons to be learnt.

At the service area level:

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

Service managers

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

Project managers

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

Partnership lead officers

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

Shared service project managers / lead officers

- Review shared service risk registers at frequencies set out in shared service project plans / operational arrangements, reporting these in line with governance arrangements.
- Update the PA(GF&P) quarterly regarding shared service risk registers, including control measures / sources of assurance.
- Report shared service risks materialising, in accordance with governance arrangements.

Principal Accountant (General Fund and Projects) (“PA(GF&P)”)

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

Notes:

- Relevant officers’ job descriptions shall include responsibility in respect of risk and risk management.
- The management competency framework incorporates risk management.

This page is left blank intentionally.

Agenda Item 9

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee 27th March 2015
AUTHOR/S: Executive Director (Corporate Services) / Legal & Democratic Services
Manager

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE ON USE OF RIPA & OSC INSPECTION REPORT

Purpose

1. To update on the use of RIPA powers in the last two quarters and to note the report by the Office of Surveillance Commissioners on the use of RIPA covert surveillance following an inspection in November 2014.

Recommendations

2. That Corporate Governance Committee:
 - (a) **NOTE** the information contained in the report about the council's use of surveillance powers in the period October 2014 to March 2015.
 - (b) **NOTE** the covering letter at Appendix A from the Office of the Surveillance Commissioner following an inspection on 4th November 2014 on the council's use of RIPA.
 - (c) **NOTE** the inspection report at Appendix B which makes one recommendation that a single inventory for technical equipment be put in place and that this recommendation has been accepted and complied with by the council.

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. The Committee comprehensively reviewed and updated the council's RIPA policy in September 2012, made further minor amendments as part of an annual review in September 2013, and made further amendments following a review in September 2014.
5. 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. Inspections are usually conducted with little or no notice and local authorities are subject to inspection every third year, with SCDC last being visited in 2011.
6. On 4th November Mr Andrew Mackian, a surveillance inspector, visited the council to inspect policies and procedures and meet the staff involved in implementing the policy. His report is attached as Appendix B. The report states that "*The RIPA Corporate Policy and Procedures is an excellent manual of instruction for both*

applicant and Authorising Officer". Mr Mackian also 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*".

7. 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.*"
8. 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*".
9. The Chief Surveillance Commissioner, Sir Christopher Rose, wrote to the Chief Executive on 20th November 2014 (Appendix A) endorsing the inspection report and stating that the Council has "*an excellent corporate policy for using RIPA and effective oversight*".

Considerations

10. The inspection report made one recommendation that a central inventory of technical equipment which is used for covert purposes is compiled and that cross-referencing should take place when authorised use is made of the equipment between the inventory and authorisation. This has now been put in place.
11. The report also made reference to the need for refresher training for relevant officers, plans for which had been put on hold pending the publication of new OSC guidance and revised Codes of Practice in December 2014.
12. Since the Inspection joint training has taken place with East Cambridgeshire District Council on 19th January 2015 and a further in-house briefing of officers who were unable to attend the training on 24th February 2015.

The council's use of RIPA in Quarters 1 & 2 2014/15

13. The information in the table below outlines that there have been no RIPA authorisations granted by the council during the first and second quarter of the year 2014/15.

Quarter	Directed surveillance	CHIS	Total	Purpose
October - December 2014	0	0	0	n/a
January – March 2015	0	0	0	n/a

Implications

14. There are no significant implications that have needed to be taken into account in the writing of this report other than the legal implication that authorisation of surveillance activity gives that surveillance "lawful authority" for the purposes of the European Convention on Human Rights.

Effect on Strategic Aims

13. None identified.

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

None

Contact Officer: Fiona McMillan – Legal & Democratic Services Manager
Telephone: (01954) 713027

This page is left blank intentionally.



Chief
Surveillance
Commissioner

OFFICIAL-SENSITIVE

20th November 2014

Dear M/s Hunter,

Covert Surveillance

On 4th November 2014, one of my Inspectors, Mr Andrew Mackian, visited your Council on my behalf to review your management of covert activities. I am grateful to you for the facilities afforded for the inspection.

I enclose a copy of Mr Mackian's report which I endorse. You have an excellent corporate policy for using RIPA and effective oversight managed by your RIPA Monitoring Officer M/s Fiona McMillan. Covert tactics are used as a last resort and receive careful scrutiny by your Legal Services. It is to be hoped that there is no fall in standards following the departure of your Fraud Manager Chris Freeman who has played an important role in relation to RIPA. Your clear personal involvement gives confidence that RIPA compliance will remain a clear priority.

The one recommendation is that a single central inventory for technical equipment be put in place.

I shall be glad to learn that your Council accepts the recommendation and will see that it is implemented.

One of the main functions of review is to enable public authorities to improve their understanding and conduct of covert activities. I hope your Council finds this process constructive. Please let this Office know if it can help at any time.

*Yours sincerely,
Christopher Rose*

M/s Jean Hunter
Chief Executive
South Cambridgeshire District Council
South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge CB23 6EA

This page is left blank intentionally.

By virtue of paragraph(s) 1, 7, 7a of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left blank intentionally.