

South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 03450 450 500
f: 01954 713149
www.scambs.gov.uk



22 June 2017

To: Chairman – Councillor Andrew Fraser
Vice-Chairman – Councillor Grenville Chamberlain
Members of the Audit and Corporate Governance Committee – Councillors
John Batchelor, Simon Crocker, Christopher Cross, Roger Hall,
Douglas de Lacey, Tony Orgee and John Williams

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 30 JUNE 2017** at **9.30 a.m.**

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

Yours faithfully
Alex Colyer
Interim Chief Executive

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

AGENDA		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 31 March 2017 as a correct record.	1 - 4
AUDIT REPORTS		
4. Internal Audit Annual Report 2016-17		5 - 18
5. External Audit: 2016/17 Progress Update Report (oral update)		
6. External Audit: 2017/18 Fee Letter		19 - 22

DECISION ITEMS

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| 7. | Annual Governance Statement 2016-17 | 23 - 42 |
| 8. | Risk Management Strategy | 43 - 64 |
| 9. | Statement of Accounts (report to follow) | |

INFORMATION ITEMS

- 10. Matters of Topical Interest**

- 11. Date of Next Meeting**

The next meeting is scheduled for 29 September 2017 at 9:30am.

It is suggested that we reschedule the meeting arranged for 30 March 2018 (as this is Good Friday) to 23 March 2018.

OUR LONG-TERM VISION

South Cambridgeshire will continue to be the best place to live, work and study in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment.

OUR VALUES

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

- Working Together
- Integrity
- Dynamism
- Innovation

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

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Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Friday, 31 March 2017 at 9.30 a.m.

PRESENT: Councillor Andrew Fraser – Chairman
Councillor Grenville Chamberlain – Vice-Chairman

Councillors: John Batchelor
Christopher Cross
Douglas de Lacey
John Williams

Simon Crocker
Roger Hall
Tony Orgee

Officers: Tom Lewis
Patrick Adams
Suzy Brandes

Monitoring Officer
Senior Democratic Services Officer
Principal Accountant (General Fund & Projects)

External: Steve Crabtree
Suresh Patel
Tony Poynton

Shared Head of Internal Audit
Ernst & Young
Ernst & Young

1. APOLOGIES FOR ABSENCE

There were no Apologies for Absence.

2. DECLARATIONS OF INTEREST

None.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 21 October 2016 were agreed, subject to the following amendment:

- The first sentence under the heading "Audit fees" in minute 6 was amended to read: "Neil Harris explained that extra staff had been drafted in to complete the audit. There would be an additional charge for the additional work."

Steve Crabtree explained that Gifts and Hospitality was in the audit plan for 2017/18.

4. INTERNAL AUDIT PROGRESS REPORT 2016/17

Steve Crabtree presented this progress report on the delivery of the internal audit service up to 28 February 2017. The Committee focused on the audits which it had not already received.

Ermine Street Housing

The Committee noted that this audit was focusing on the collection of rent and associated debts.

Homelessness

The Committee noted that managers had asked internal audit to carry out this work to ensure that the Council was complying with new legislation. The problem the new system had with not properly storing data had now been resolved.

Budgetary Control

It was noted that this audit had been postponed until 2017/18, due to the implementation of a new Main Financial System across three councils.

Flexible Working Arrangements

It was noted that the aim was to reduce the amount of office space required and more was required on the guidance provided by the Council.

Internal Audit Shared Services

It was noted that Huntingdonshire District Council had decided in November 2016 not to join the shared arrangements at the present time. Peterborough City Council would continue to be part of the shared arrangements until at least September 2017. The Shared Internal Audit Service were recruiting to the post of Head of Internal Audit.

The Committee **NOTED** the Internal Audit Progress Report 2016/17.

5. INTERNAL AUDIT PLANS FOR 2017/18

Steve Crabtree presented this report on the Internal Audit Plan for 2017/18, with the associated documents in accordance with best practices as specified in the Public Sector Internal Audit Standards. The following additional points were noted:

- The 24 days allocated to the review of the Financial Management System could be reduced.
- The 12 days allocated to Treasury Management was similar to other local authorities.
- A review of Business Rates Collection was expected for 2018/19.
- Review of land supply was risk on a five year land supply.
- The review of licensing policies was scheduled for June/July 2017.
- A review would evaluate the delivery of the Shared Waste Service.
- The Gifts and Hospitality was reviewed in 2016/17 and its recommendations were being acted on.
- ICT staff were based in Huntingdon and would have to be consulted with on any review of the Council's cyber security.

Steve Crabtree explained that any review of the Combined Authority arrangements would have to be carried out from the perspective of this Council and no such review was planned for 2017/18.

The Committee **ENDORSED** the Internal Audit Plans for 2017/18.

6. EXTERNAL AUDIT PLAN 2016-17

Suresh Patel introduced this item, which provided the Committee with details of the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and other legal and professional requirements.

Fees

It was noted that External Auditor planned to levy an extra fee of £5,000 due to an audit of the group accounts. Ermine Street Housing Ltd was audited as a separate entity.

The Committee **NOTED** the External Audit Plan 2016/17.

7. EXTERNAL AUDIT: ANNUAL CERTIFICATION REPORT

Tony Poynton introduced this item on the Council's claims and returns for 2015/16.

Housing benefits subsidy claim

Extended testing had discovered four errors. The net impact of the subsequent amendments was £55. This was a low number of errors compared to other local authorities.

The Committee **NOTED** the report.

8. RISK MANAGEMENT STRATEGY

The Principal Accountant (General Fund & Projects) introduced this report, which invited the Committee to approve the Risk Management Strategy. It was explained that the amendments to the strategy document were made with the intention to align it to the Cambridge City Council Risk Management Strategy, so that the same document was approved by both Councils.

Roles and responsibilities

Members of the Committee proposed that paragraphs 6.2.1 and 6.2.2 of the Risk Management Process were amended to specifically incorporate Corporate Management Team's (CMT's) responsibilities. The Principal Accountant (General Fund & Projects) pointed out that the process was due to be reviewed by CMT and was only presented to the Committee to be noted. It was also suggested that Appendix A should include the roles and responsibilities of individual councillors.

Minor amendments

Members of the Committee suggested that:

- The definition of risk in paragraph 1.1 of the Risk Management Process should be listed as bullet points.
- In paragraph 2.1 "ensures" should be amended to "helps to ensure".
- The diagram in paragraph 3.6 be replaced with a table.

With regard to the four step diagram in paragraph 5.1 members of the Committee raised the following points:

- It does not show how potential risks are identified.
- It does not show the influence of external factors.
- The final arrow was not required as the risk management process was not cyclical.

The Principal Accountant (General Fund & Projects) explained that this diagram had been included in a previous approved version of the Strategy and the process could be described as cyclical as a regular review of the risk register lead to the identification of new risks.

It was noted that Cambridge City Council had not yet agreed their Risk Management Strategy and as the Committee wanted to make some amendments it made sense to defer this item.

The Committee **DEFERRED** this matter to the next meeting.

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

The Head of Legal Practice explained to the Committee that the Council had not used the Regulation of Investigatory Powers Act (RIPA) since September 2015. He invited the Committee to agree the Council's existing RIPA policy, other than to update the names of the responsible officers.

It was noted that the Council could still use limited surveillance without a RIPA authorisation.

The Committee

NOTED the information contained in the report about the Council's use of surveillance powers since September 2015.

The Committee

AGREED that no changes to the Council's RIPA policy (other than officer changes) were necessary at this time.

10. MATTERS OF TOPICAL INTEREST

None.

11. DATES OF NEXT MEETINGS

The Committee **AGREED** the following meeting dates:

- 9:30am Friday 30 June 2017
- 9:30am Friday 29 September 2017
- 9:30am Friday 24 November 2017 (Provisional)
- 9:30am Friday 30 March 2018

The Meeting ended at 11.00 a.m.

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
AUDIT AND CORPORATE GOVERNANCE COMMITTEE**

30 JUNE 2017

ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE 2016 / 2017

Page 5 RECOMMENDATION:

Members of the Audit and Corporate Governance Committee are asked to consider, review, and provide challenge to the attached Head of Internal Audit Annual report for the year ended 31 March 2017.

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

ANNUAL REPORT

1. Introduction
2. Background
3. Assurance
4. Added Value Services
5. Quality, Performance and Customer Feedback
6. Compliance with the Public Sector Internal Audit Standards
7. 2017 / 2018 Progress

Annex A Significant Issues arising from the delivery of the IA Plan during 2016 / 2017

Annex B Audit Plan Coverage

1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Corporate Governance Committee, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year.

2. **BACKGROUND**

- 2.1 The 2016 / 2017 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards and the requirements of the Accounts and Audit Regulations 2015.
- 2.2 The Council continues to evolve and change. The drivers for change are both organisational (e.g. developing smarter ways of working) and financial (e.g. national austerity programme). During a period of change it is important that any increased business risks are identified and managed in an effective manner. Our 2016 / 2017 audit plan reflected these changes by concentrating on those areas of highest risk.

3. **ASSURANCE**

- 3.1 The audit plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). My opinion will inform the Annual Governance Statement which the Council is legally required to produce.
- 3.2 As my opinion is based upon professional judgement, backed up by sample testing, I can only provide at best a reasonable rather than an absolute assurance that the systems of internal control are adequate and effective in managing risk and meeting the Council's objectives. If serious issues are identified in the course of our work that have, or could have, prevented objectives to be met, then my opinion may be qualified.

3.3 Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.** This framework is designed to ensure that:

- The Council's resources are utilised efficiently and effectively;
- Risks to meeting service objectives are identified and properly managed; and
- Corporate policies, rules and procedures are adequate, effective and are being complied with.

3.4 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement and the risk management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

3.5 **Based on the above information, I am able to provide a reasonable assurance that the systems in place at South Cambridgeshire District Council are appropriate and meet with expectations.** As in any large organisation, our work did identify some issues that require action. All significant issues have been reported to the appropriate Director during the year and a summary of these is included as **ANNEX A**.









4. **ADDED VALUE SERVICES**

4.1 Although my primary responsibility is to give an annual assurance opinion I am also aware that for the Internal Audit service to be of value to the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include providing advice / input to support a number of projects and key working groups.

5. **QUALITY, PERFORMANCE AND CUSTOMER FEEDBACK**

5.1 I am required to report through Audit and Corporate Governance Committee details of any quality, performance and customer feedback issues. These are summarised below.

5.2 An annual self-assessment against the Public Sector Internal Audit Standards established that the service is compliant with these as well as meeting both professional and internal quality standards. As in previous years only a minor area of non-compliance was identified and actions have been taken to address these.

- 5.3 The internal audit plan for 2016 / 2017 contained 242 days, and these have been delivered. I am satisfied that there was adequate staffing resources available to deliver the audit activities in the year. The section is made up of a complement of 1.20 FTE and there were no staffing changes during the year.
- 5.4 The audit work that was completed for the year to 31 March 2017 is listed in **ANNEX B**, which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed.
- 5.5 Our reporting protocols have remained constant throughout the year with the following assurance ratings used:
-  Substantial (replaced 'Full' in April 2016);
 -  Reasonable (replaced 'Significant');
 -  Limited; and
 -  No
- 5.6 Similarly, the agreed actions are categorised in the following types, based on their severity, and these have remained the same during the year:
-  Critical
 -  High
 -  Medium
 -  Low
- 5.7 At the year-end a number of audits were in various stages of completion and audit opinions relating to these will be reported during 2017 / 2018.
- 5.8 Following professional changes, there is no longer a requirement for the Committee to be provided with a report into the effectiveness of Internal Audit on an annual basis. However, this report is seen as going some way to maintaining / providing that on-going assessment. A regular review will still be undertaken of the service and any issues identified will be referred through to Members.
- 5.9 It should be noted the continuation of shared management arrangements with Peterborough City and Cambridge City Councils for the full year although this was due to cease at the end of the financial year. Discussions are currently in train as to how the service moves forward

as a two way shared service with Cambridge City Council as reported through Cabinet in January 2017. Recruitment to the post of Head of Audit has proved to be unsuccessful. Consultation is in hand for the TUPE transfer of the Senior Auditor to Cambridge.

- 5.10 In undertaking the audit plan it is important that dialogue across the Council works well. During the year, it was noted that response times increased, leading to delays in completing audits (due to requested information not being provided) and also agreeing draft reports and the associated recommendations. In order to look to address this, we will look to revisit our Audit Charter, setting out our standards and what we expect from Officers, and use this document to publicise and raise our profile through Corporate Management Team.

6. **COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 6.1 With effect from 1 April 2013, new Public Sector Internal Audit Standards were introduced as mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector. These standards replaced CIPFA's Code of Practice for Internal Audit in Local Government. The self-assessment identified the level of compliance with only minor changes necessary. The changes have all been actioned.

7. **2017 / 2018 PROGRESS**

- 7.1 As well as finalising the works from the previous year, we have commenced on our new Audit Plans. Progress to date has been in relation to audits in relation to Taxi Licensing and also Waste Services.

Steve Crabtree
Head of Internal Audit
June 2017

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2016 / 2017**Annual Governance Statement (AGS):**

CIPFA have introduced a new governance framework for local government which was produced in April 2016. The new framework applies from 2016 / 2017 and will shape the local code of governance and underpin the AGS. The draft code will, following submission require approval at Council. We have provided some commentary to these draft document which will be finalised for the September committee cycle.

National Fraud Initiative:

The Council is required to participate in the National Fraud Initiative, a national data matching exercise organised by the Cabinet Office every 2 years. This matches data within and between audited bodies to prevent and detect fraud. This includes police, fire and rescue authorities, health provision as well as other Councils and Housing Associations. This is a wide ranging exercise and includes various datasets, including Housing Benefits, Payroll, Housing Rents, Insurance claims, Creditors, and Licences. This activity is currently linked with Internal Audit although it was reported as part of the Audit Plan 2017 / 2018 that this would no longer be the case – no time is included in the plans – but has not yet transferred. There is some time implications on the new audit plan which will be analysed and reported at the next meeting.

Corporate Governance (Gifts and Hospitality):

No assurance was reported into this activity. A lack of evidence was available in relation to declarations although steps have been adopted to address this. A follow up will be commissioned to look at progress.

AUDIT PLAN COVERAGE

CARRIED FORWARD ACTIVITIES								
Housing Benefits	Prior Review: FULL March 2015	New Assurance: REASONABLE	Critical: 0	High: 1	Medium: 0	Low: 1	Total: 2	There is an expectation that officers within the section notify their team leaders / managers of any individuals they may know who is on benefits. These accounts are then blocked from their access. Regular declarations are made by staff. However, while these are in place, they had not all been actioned on the system. Management agreed to review all declarations to ensure they had been suppressed on the system.
Accounts Payable	Prior Review: SIGNIFICANT March 2015	New Assurance: REASONABLE	Critical: 0	High: 2	Medium: 0	Low: 0	Total: 2	There has been improvement in the use of electronic system, E-BIS to make payments, however further improvements can be made to reduce the reliance on manual intervention.
Corporate Governance (Gifts and Hospitality)	Prior Review: Not applicable	New Assurance: NO	Critical: 0	High: 8	Medium: 1	Low: 0	Total: 9	<p>The Council has clear guidance in place in relation to Gifts, Hospitality and Sponsorship for both Officers and Members.</p> <p>There was no evidence that any declarations that have been made had been reviewed or who was responsible for such reviews. Furthermore, were the declarations were recorded electronically, no one had access to review these logs.</p> <p>Ownership has been agreed with the Head of Legal Practice who will instigate a full review following the appointment of the Deputy Monitoring Officer.</p>

HOMES FOR OUR FUTURE								
Ermine Street Housing	Prior Review: Not applicable	WORK IN PROGRESS						
Homelessness	Prior Review: Not applicable	Assurance: LIMITED	Critical: 0	High: 3	Medium: 1	Low: 1	Total: 5	<p>The objective of the audit was to ensure that the Council complies with legislative changes, use of Bed and Breakfast accommodation and the management of data / systems.</p> <p>The audit did not undertake an in-depth assessment of other forms of temporary accommodation, or to assess whether the strategic leadership, direction and other aspects of the day to day management of the service were of an appropriate standard.</p> <p>A number of gaps, particularly in relation to policies and procedures; personal data storage; and the data systems were identified.</p>

AN INNOVATIVE AND DYNAMIC ORGANISATION								
Banking Contract	Prior Review: Not applicable	Work in progress. This has been undertaken as a lessons learnt exercise to verify that “cross council” tendering has delivered the expected service improvements and that no issues were missed. Our initial findings are positive.						
Procurement and Commissioning	Prior Review: Not applicable	New Assurance: SUBSTANTIAL	Critical: 0	High: 0	Medium: 0	Low: 1	Total: 1	The objective of the audit was to verify that the Council is complying with the latest Public Contract Regulations which includes new requirements in relation to pre-qualification; tender stage; modification; reporting and retention. From our sample, we were able to verify full conformance. A separate issue in relation to data access was observed which was reported as a low risk.
Shared Services	Prior Review: Not applicable	Work in progress – audit is being undertaken in conjunction with Cambridge City Council.						

CORE SYSTEMS ASSURANCE WORK (Follow Up Of Previous Audits on Core Activities)							
Accounts Receivable (Follow Up)	Prior Review: LIMITED	New Assurance: REASONABLE	Completed: 4	In Progress: 1	Outstanding: 2	Cancelled: 0	Additional: 0
Benefits (Follow Up)	Prior Review: REASONABLE	New Assurance: REASONABLE	Completed: 1	In Progress: 1	Outstanding: 0	Cancelled: 0	Additional: 0
VAT (Follow Up)	Prior Review: FULL	New Assurance: FULL	Completed: 0	In Progress: 0	Outstanding: 0	Cancelled: 0	Additional: 0
Housing Rents (Follow Up)	Prior Review: SIGNIFICANT	New Assurance: REASONABLE	Completed: 1	In Progress: 1	Outstanding: 0	Cancelled: 0	Additional: 0
Business Rates / Council Tax	Prior Review: SIGNIFICANT	New Assurance: SIGNIFICANT	Completed: 1	In Progress: 0	Outstanding: 0	Cancelled: 0	Additional: 0

CORE SYSTEMS ASSURANCE WORK		
Budgetary Control	Prior Review: Not applicable	DEFERRED Due to the ongoing works on implementing the Main Financial System across three Councils – it has been considered appropriate to defer this audit into 2017 / 2018. Time has been reallocated to the Safeguarding Audit and the Ermine Street Housing Audit.

ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement

Annual Governance Statement	COMPLETED. The Annual Governance Statement was submitted to Audit and Corporate Governance Committee in September 2016 following review at Executive Management Team in the same month. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps. Internal Audit has provided suggestions and commentary on taking this forward in light of new changes made to the Good Practice Governance Framework for Local Authorities.
Annual Audit Opinion	COMPLETED. The Annual Audit Opinion was submitted to Audit and Corporate Governance Committee in June 2016, highlighting all Internal Audit activity for the previous 12 months together with any areas of concern.
Fraud and Corruption	COMPLETED As part of the realignment of fraud investigations, Internal Audit has been an active member of the working group set up to provide appropriate solutions. A separate report on this is due to be submitted to EMT in Quarter 4. THIS HAS SUBSEQUENTLY BEEN DEFERRED TO JUNE 2017.
National Fraud Initiative	ONGOING The biannual fraud initiative. Data matches were received in February 2017 covering a series of datasets provided to an external body. Internal Audit has undertaken a routine sift and those requiring investigation have been allocated to a number of officers across the Council to investigate. At present Internal Audit retain the coordination role but is expected to transfer as part of the above review. COMMENT ABOUT RESOURCES IN MAIN BODY
Safeguarding	Prior Review: DRAFT Not applicable The audit is focussed on the policies, procedures, awareness and evaluation of safeguarding across the Council. Matters arising from this audit have been provided to the Directors for comment prior to producing the report.

ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement

Flexible Working Arrangements	Prior Review: Not applicable	Assurance: REASONABLE	Critical: 0	High: 1	Medium: 3	Low: 2	Total: 6	<p>The review focussed on the current policies and procedures in place as the Council looks to the future for a greater level of smarter ways of working.</p> <p>The existing policies, procedures and guidance while satisfactory, will need to be improved in order for the Council to be more agile.</p>
Driver Competency	<p>ABORTED</p> <p>The audit was due to commence In Quarter 3 however it was put on hold during testing following request from senior management due to separate works being undertaken at the Depot. The audit as at May 2017 has not been resurrected.</p>							
Performance Management (Follow Up)	Prior Review: LIMITED	Assurance: REASONABLE	Completed: 4	In Progress: 0	Outstanding: 0	Cancelled: 0	Additional: 4	<p>Due to organisational changes within SCDC i.e. the use of Corporate Management Team to oversee aspects of Performance Management, additional actions were identified to improve on its governance arrangements.</p>

UNPLANNED ACTIVITIES: PROJECT MANAGEMENT / GENERAL ADVICE

Various ad-hoc advice and support has been provided to management during the year across the organisation. These include:

- Document retention policies
- Providing details of the internal control environment to assist in Insurance policy requests;
- The publication of expenses information; and
- The scheme of delegation

Members of the Internal Audit team also participate in the following internal working groups:

- Corporate Fraud Project

Alex Colyer
Chief Executive
South Cambridgeshire District Council
South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

27/04/2017

Direct line: 0739 210 6465

Email: spatel22@uk.ey.com

Dear Alex

Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at South Cambridgeshire District Council.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements

- Value for money conclusion
- Whole of Government accounts.

For South Cambridgeshire District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA sets an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee for 2017/18 will be based on actual 2015/16 benefit certification fees. As the actual 2015/16 benefit certification fee has not been finalised by PSAA at the time of writing they have not yet set the 2017/18 certification fees.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2017/18 relates to work on the housing benefit subsidy claim for the year ended 31 March 2018. We will set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2016/17 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Code audit fee			
Scale fee	51,975	51,975	51,975
Planned scale fee variations	5,000	5,000	20,644
Total planned Code audit fees*	56,975	56,975	72,619
Certification of housing benefit subsidy claim	TBC	13,793	9,190
Reasonable assurance over the pooling of housing capital receipts return	TBC	TBC	3,300
Audit of South Cambs Ltd	TBC	14,500	17,272

* The planned scale fee variations are yet to be approved by PSAA.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments of £12,994. Additionally, we will bill 25% of the indicative certification fee each quarter when it has been determined.

Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Financial Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Suresh Patel Executive Director	spatel22@uk.ey.com	Tel: 01223 394459
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Tony Poynton Manager	tpoynton@uk.ey.com	Tel: 01223 394416
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We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours sincerely

Suresh Patel

Executive Director
For and on behalf of Ernst & Young LLP

cc. Cllr Fraser, Chair of the Audit Committee

Agenda Item 7

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Audit and Corporate Governance
Committee

30 June 2017

LEAD OFFICER: Alex Colyer, Interim Chief Executive

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2016/17

Purpose

1. To consider and endorse the draft Annual Governance Statement (AGS) 2016/17 as part of the statement of accounts for the year ending 31st March 2017.

Recommendations

2. That the Committee:
 - (a) Consider and endorse the draft Annual Governance Statement (**attached**),
 - (b) Note the progress made by the Council on issues reported in the 2015/2016 AGS, set out in Section 6;
 - (c) Note and accept the recommendations of Internal Audit identifying governance issues emerging for 2017-2018, set out in paragraph 10 below and Section 5.2.1 of the Statement,;
 - (d) Note the forthcoming preparation of an updated Local Code of Corporate Governance to provide an overall statement of the Council's corporate governance principles and commitments, and
 - (e) Note that the final version of the AGS will be updated following the receipt of the External Auditors Opinion in September, at which point it will be submitted to the Committee for approval and sign-off by the Leader of the Council and Chief Executive.

Background

3. There is a statutory requirement to publish an Annual Governance Statement. The AGS provides public assurance about the effectiveness of the Council's system of internal control and the Council's corporate governance arrangements and assurance framework.
4. CIPFA, in conjunction with SOLACE, has produced an updated framework for delivering good governance in local government, based on seven core principles:
 1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.

These principles have been used to inform the review of the AGS, and will form the basis of an updated Local Code of Corporate Governance, which will be presented to the Audit and Corporate Governance Committee and Council for adoption in September 2017.

Considerations

5. The functions of the Audit and Corporate Governance Committee include consideration of the AGS prior to its inclusion in the annual statement of accounts. The AGS should explain the governance framework operating during the accounting period, assess the effectiveness of those controls and identify any significant issues and associated actions.
6. The draft AGS is **attached**. It retains the revised format first used for the 2012-2013 AGS, mapping core principles to the Council's performance framework into a simpler, plain English document which presents a strategic overview of good governance, with links and appendices providing the more detailed evidence base.
7. Six actions were identified as potentially significant governance issues requiring attention during 2016/2017. Details of actions taken in response to each are set out in Section 6 of the draft AGS.
8. In order demonstrate the integration between performance and governance, the final version of the Statement will provide a summary of Corporate Plan achievements during 2016-17, taken from the Year-End Position Report on Finance, Performance and Risk, being reported to Scrutiny and Overview Committee and Cabinet in July 2017.
9. The final AGS will include the External Audit opinion for 2016/17 on whether the council has followed the right accounting processes, delivered value for money and that the Council's finances were adequately presented when it is received prior to the Committee meeting in September.
10. Internal Audit has identified the following potentially significant governance issues likely to require attention during 2017-2018 (as set out in Section 5 of the Statement):

(1) *Financial Management System*

The Council is in the process of implementing a new Financial Management System (FMS), Tech 1, for implementation across three authorities. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Shared Internal Audit has been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.

(2) *Combined Authority*

Appropriate governance arrangements need to be in place to ensure that South Cambridgeshire District Council's interests are protected through the work of the Combined Authority. The Council needs to develop effective partnership relationships with the new authority.

Implications

11. In the writing of this report, the following implications have been considered:

Financial

12. Good corporate governance and internal controls reduce the risk to the Council of financial loss.

Legal

13. It is a statutory requirement to produce an Annual Governance Statement under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Reporting Practice 2007 (CIPFA). Operating good corporate governance and internal control systems should demonstrate high ethical standards.

Risk Management

14. Failure to produce an Annual Governance Statement would affect the approval of the statement of accounts.

Equality and Diversity

15. Preliminary screening of the statement identified no significant equality and diversity implications, therefore a full Equality Impact Assessment is not required.

Effect on Strategic Aims

16. Delivering strategic objectives in an open, accountable and transparent manner provides evidence of strong governance. Improved service performance and a well-run business are integral of the objective to be an Innovative and Dynamic Organisation set out in the Corporate Plan 2017-2022, and to the wider delivery of the whole plan.

Background Papers:

Annual Governance Statement 2015/2016
Delivering Good Governance in Local Government CIPFA/SOLACE 2016
Annual Audit Letter
Equality Impact Assessment: Initial Screening Document

Contact Officer: Richard May – Policy and Performance Manager
Telephone: (01954) 713366
Email: richard.may@scambs.gov.uk

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How did we do in 2016/17?

How well were we governed and how
well did we perform?

**SCDC's annual assessment of its
governance and performance
during the year
to 31 March 2017**

(1) INTRODUCTION AND PURPOSE OF THIS DOCUMENT

1.1 This document is an assessment of our “governance”, but what do we mean by that word? There is no legal definition of “governance”, but we believe it is best summarised as having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **plan of action** (including **vision, aims, approaches and ambitions**); and
- the right **way of operating** (including openly, honestly and efficiently)

So that we deliver:

- the **right services**, to the **right people**, at the **right price** and at the **right time**.

1.2 Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives), which, in 2016, jointly published an updated Framework for Delivering Good Governance in Local Government.

1.3 This guidance sets out seven core principles of good governance, which we think are compatible with the summary above. CIPFA/SOLACE lists these core principles as:

1. **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**
2. **Ensuring openness and comprehensive stakeholder engagement.**
3. **Defining outcomes in terms of sustainable economic, social and environmental benefits.**
4. **Determining the interventions necessary to optimise the achievement of the intended outcomes.**
5. **Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**
6. **Managing risks and performance through robust internal control and strong public financial management.**
7. **Implementing good practice in transparency, reporting and audit to deliver effective accountability.**

1.4 The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our ‘Annual Governance Statement’ and includes a ‘review of effectiveness’, where review how well all our processes**

are working to make sure we do things well and in the right way. This report seeks to provide this assurance in respect of South Cambridgeshire District Council.

1.5 We need to demonstrate that we meet the requirements of the Accounts and Audit Regulations 2015 which require the publication of a statement on internal control which shows that we manage risk to a reasonable level. We must also fulfil our duty under the Local Government Act 1999 to continually improve the way we function, having regard to economy, efficiency and effectiveness.

1.6 Governance matters because **good governance produces good results**. Governance can sometimes be difficult to measure; however, the delivery of positive outcomes arising from the implementation of our Corporate Plan (in line with core principles (3) and (4) above) is not only the ultimate test of good governance but also an indicator that our underlying culture, values, systems and processes are also sound. This report therefore focuses on how far we achieved the objectives we set ourselves, in terms of positive outcomes for our communities, and how we performed against key performance measures of the effective running of the business.

1.7 Some people will, rightly, question whether it is right that we report on ourselves: surely that gives rise to a conflict of interest? In response, we would say that:

- we are required to do so;
- we have tried to be as objective as possible in summarising our performance against our corporate objectives, linking these wherever possible to demonstrable outcomes and specific performance measures;
- feedback from external stakeholders, including residents has contributed significantly to our assessment of how far we have delivered;
- all political groups – those in control of the council and those in opposition or independent – have been given the opportunity to input into this report, challenging its content where appropriate; and
- this report is only part of the overall process, as we are also subject to internal and external audit.

This report is written under the authority of the council's Audit and Corporate Governance Committee, who approved it formally on *[Insert date]* 2017. It has been signed by the Leader (an elected Councillor) and Chief Executive (an Officer) and published with the final accounts. It was submitted to our external auditors along with our annual accounts prior to publication, and the auditors considered whether the information submitted met their expectations as part of their annual opinion, also published in *[month]* 2017.

(2) GOVERNANCE STRUCTURES

2.1 In the Introduction above, the first thing we said was that we should have the right governance structures in place. This section reviews those structures. We govern ourselves through **Council**, an

Executive Management Team (EMT), Cabinet and Committees, and we have many **policies** in place that govern our activities and which we follow. These are listed in turn below:

Council

2.2 The Council met six times during 2016/17 – it agreed the Council’s budget and policy framework, primarily consisting of our Corporate Plan, Medium Term Financial Strategy (MTFS), annual capital and revenue estimates and Council Tax and, at an extraordinary meeting, endorsed county-wide devolution proposals. Of the 57 Councillors, the numbers attending were respectively 53, 50, 48, 55, 43 and 47. All meetings of Council were held in open forum and considered reports and recommendations from Cabinet and other committees. Details of agendas and minutes can be found at SCDC Council Agendas and Minutes [SCDC Council Agendas and Minutes](#)

Cabinet

2.3 The Cabinet, or Executive, is the Council’s principal decision-making body charged with implementing the budget and policy framework agreed by Council, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a ‘portfolio’. Across the country, councils are allowed to choose between a number of models for their committee structures. We have been using the Cabinet model since 2001, and although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party. Cabinet met five times during 2016/17 – details of agendas and minutes can be found at [SCDC Cabinet agendas and minutes](#).

Executive Management Team and structure

2.4 The management team structure (i.e. employees, who we call ‘Officers’, as opposed to elected Councillors) comprises a strategic Executive Management Team of Chief Executive and Directors, supported by an operational Corporate Management Team (CMT), introduced during the year, of Heads of Service. Both held formal monthly meetings during the year, in addition to which EMT held regular informal meetings and away days to consider policy formulation and future planning.

During 2016/17 EMT comprised the following (at 31 March 2017):

- Alex Colyer, Interim Chief Executive
- Susan Gardner Craig, Head of People and Organisational Development
- Mike Hill, Director of Health and Environmental Services
- Stephen Hills, Director of Housing
- Stephen Kelly, Director of Planning and Economic Development (Joint Post with Cambridge City Council)

CMT comprised the following (at 31 March 2017):

- Gemma Barron, Sustainable Communities and Partnerships
- Myles Bebbington, Environmental Health and Licensing
- Gareth Bell, Communications
- Phil Bird, Business Improvement and Efficiency and Facilities Management
- Katie Brown, Revenues
- Susan Carter and Heather Wood, Housing Advice and Options (Job Share)
- Julie Fletcher, Housing Strategy
- Anita Goddard, Housing Services
- Dawn Graham, Benefits and Customer Contact Service
- Jane Green, New Communities
- Caroline Hunt, Planning Policy
- Jane Hunt, Shared Waste Service (with Cambridge City Council)
- Richard May, Policy and Performance
- Paul Quigley, Environment Commissioning
- Caroline Ryba, Finance
- Sarah Stevens, Development Management
- Paul Sumpter, Digital Services and ICT (Shared)
- **Statutory Officers**

We are required to appoint individuals with the necessary skills, knowledge, experience and resources to effectively perform the following statutory positions

- **Alex Colyer**, Interim Chief Executive and **Head of Paid Service**: ultimately responsible for the welfare of the Council's employees.
- **Alex Colyer**, Interim Chief Executive and **Chief Financial Officer** : responsible for looking after the financial affairs of the Council and for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. The Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010). Caroline Ryba (Head of Finance, Policy and Performance), was the Council's Deputy Chief Finance Officer (a shared post with Cambridge City Council).

- **Tom Lewis**, Head of Shared Legal Practice and **Monitoring Officer** - the **Monitoring Officer** is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about councillor conduct and behaviour. Eight new Code of Conduct Complaints were received and dealt with under the Localism Act 2011 during 2016/17 . One is currently on-going.

There were three complaints which started before April 2016. One did not proceed because the Councillor resigned, one went for investigation and the investigator concluded that there was no breach the code of conduct and the last one was withdrawn by the complainant before an investigator was appointed. *Note:* These figures do not include complaints received that either didn't fall under the Code of Conduct or were passed to Parish Councils for them to consider using the parish complaints procedure.

Audit and Corporate Governance Committee

2.5 This Committee met three times during the year. Its main purpose is:

- reviewing and advising on the effectiveness of governance arrangements including risk management and internal controls
- approving the Statement of Accounts, agreeing the Annual Governance Statement (this document) and confirming the annual Audit Risk Index and Strategic Audit Plan
- commissioning studies as appropriate (including on 'Value for Money'),
- recommending action to the Council in respect of any issues of major concern arising from audit reports and/or management letters
- monitoring overall efficiency and effectiveness of internal and external audit
- monitoring the use of directed surveillance under the Regulations of Investigatory Powers Act (RIPA)
- receiving information from the Chief Finance Officer or Monitoring Officer of any suspected fraud, maladministration or illegality.

Civic Affairs Committee

2.6 This Committee met three times during the year. Its main purpose is:

- reviewing the Council's Constitution, including proposals for substantive changes for consideration by the Council (excluding those matters which are specifically included within the remit of other bodies on the Council)
- considering changes to electoral arrangements, (including District, ward and parish ward boundaries), and making recommendations to Council

- setting ethical standards (as set out in Article 9.03 of the Council’s constitution) and monitoring the Council’s Code of Conduct and those of all parish councils in the district

Information about the Committee’s work during 2016/17 was presented to the Annual Council Meeting on 25 May 2017.

Employment Committee

2.7 The Employment Committee deals with the appointment of senior management, re-gradings and disciplinary and grievance issues. It met once during the year.

Scrutiny and Overview Committee

2.8 The Scrutiny and Overview Committee consists of 9 non-Executive members (ie. not members of the Cabinet) whose role is to hold Cabinet decision takers to account, focusing on issues considered as ‘internal’.

It monitors the performance of the Leader and Cabinet, scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement.

2.9 Partnerships Review Committee

The Partnerships Review Committee’s remit is externally focused with members scrutinising, challenging and holding decision takers to account on issues relating to the work of those organisations in the council’s area, including formal partnerships.

2.10 Information about the Overview and Scrutiny and Partnerships Review Committees’ work during 2016/17 is available to view in the annual [report](#) presented to the Council’s Annual Meeting on 25 May 2017.

The Council also has other committees (planning, licensing etc), but as these are not concerned directly with governance arrangements they are not listed here.

Policies

2.10 The table below lists the Council’s main documents, policies and procedures which underpin our assurance framework; we refer to and follow these, to make sure we do things consistently and in the right way. All these policies have been approved by your elected Councillors where required and all are available for inspection at the Council’s [main offices](#) as well as via our website

The Council has put procedures in place to ensure informed and transparent decisions which are subject to effective scrutiny and management of risk. The Council has a Risk Management Strategy which is reviewed annually by Council alongside a strategic risk register which is

reviewed quarterly by senior officers and members. It also has a Code of Conduct for staff incorporated in the Constitution, Capability and Disciplinary Procedures and a Whistleblowing policy.

Compliance with the Council's Anti- Theft, Fraud and Corruption Policy is monitored by the internal auditors in liaison with the council's Fraud Team. The National Fraud Initiative has led to the delivery of investigating fraud becoming part of the Single Fraud Investigations Service within the Department of Work and Pensions (DWP). Internal Audit carried out a review of the Council's anti-fraud arrangements during 2015-2016, against CIPFA best practice guidelines. We have since carried out a project to draw up options for an integrated corporate framework for addressing fraud, as part of which all relevant policies will be reviewed and updated, and will adopt a Fraud Policy during 2017-2018.

The Council is committed to the ongoing development of its staff and members. The Council achieved gold accreditation from Investors in People (IIP), reflecting outstanding practice in a number of key areas. The Finance and Staffing Portfolio Holder has agreed a People and Organisation Development Strategy for 2016-2020 which will enable the Council to implement recommendations arising from the last IIP towards and consider whether to seek Platinum status in 2018; the new strategy includes priorities for Member development, removing the need for a separate Member Development Strategy.

<i>Documents underpinning assurance framework</i>	<i>Contact Officer</i>	<i>Last updated</i>
Constitution (including Procurement Strategy, Finance and Contract Regulations and Codes of Conduct)	Tom Lewis	May 2017
Medium Term Financial Strategy	Caroline Ryba	February 2017
People and Organisational Development Strategy	Susan Gardner Craig	July 2016
Risk Management Strategy	Suzy Brandes	June 2017 (?)
Anti-Fraud and Corruption Policy	Mike Hill	September 2013
Whistleblowing Policy	Tom Lewis	September 2013
Corporate Plan	Richard May	February 2017
Business Plans	Richard May	April 2017
Statement of Accounts	Caroline Ryba	September 2016

2.11.1 Governance arrangements for shared services are documented in shared service collaboration agreements.

2.11.2 The corporate website, residents' magazine and social media channels, inform and engage residents and other stakeholders in service delivery and policy formulation.

3. VISION, AIMS, AND OBJECTIVES

3.1 In the introduction to this document, the second thing we said we needed was the right plan of action.

During 2016-2017, the Council's Vision was as follows:

"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.

3.2 Each year we agree a rolling five-year **Corporate Plan**, showing how we will work towards this Vision. We chose to express this in terms of three strategic aims around the themes of Engagement, Partnerships and Wellbeing, delivered through 12 objectives, believing that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

3.3 The 2016-2021 Corporate Plan had four strategic **aims**:

- A. Living Well: Support our communities to remain in good health whilst continuing to protect the natural and built environment.**
- B. Homes for Our Future: Secure the delivery of a wide range of housing to meet the needs of existing and future communities**
- C. Connected Communities: Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity.**
- D. An Innovative and Dynamic Organisation: Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost**

3.4 We identified specific actions showing how we would meet each aim, performance against which is summarised in Appendix 1.

3.5 Councillors agreed a revised Corporate Plan in February 2017, retaining the Council's Vision and aims, updating actions to reflect completed projects, continuing, changing and emerging priorities. . The 2017-2022 Corporate Plan is available to view [here](#).

4. REPORTING

4.1 In the Introduction, we said that we needed the right way of operating so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also identified strong performance against key corporate aims and indicators as a mark of good governance in itself, as well as a sign that the underlying governance is also working properly. This section reviews how we operated and delivered.

Regular reporting

4.2 We publish an annual [Statement of Accounts](#) made up of:

- **Statutory accounts:** The format of these is set by accounting regulations, and we recognise that these are hard for many people to understand. To help make them comprehensible, we add an 'explanatory foreword'.
- **Plain English Accounts** - these are intended to be a straightforward and comprehensible version of the statutory accounts.

With respect to the Council's Vision and Objectives mentioned above, we publish:

- **Corporate Plan and in-year three, six, nine-month and year-end progress reports.**

These documents can be found at our [Performance Page](#).

5. REVIEW OF EFFECTIVENESS

5.1 The Council must review the effectiveness of its governance arrangements annually by considering the work of Members and Officers on the development and maintenance of the governance environment, the head of internal audit's annual report and comments by external auditors and other review agencies and inspectorates.

Auditing and monitoring

5.2 The Council is subject to the following principal auditing and monitoring processes, which are intended to be objective and (where necessary) critical:

- **Internal audit:** 5.2.1 Since 2013 we have been part of a shared service internal audit arrangement with Cambridge City Council and Peterborough City Council. Internal audit carried out 242 days work during 2016-2017 on a number of specific areas identified in a plan agreed at the start of the year. For each area, we asked them to check our policies and procedures; report on a graded system as to how they think each area is doing; and to make recommendations for changes to our procedures. We then prepared management responses to each of their recommendations. The 2016/17 Internal Audit annual report, setting out details of all the areas they investigated; how many hours they spent doing so; what grading

they gave; how many major/minor recommendations they made; and how many of these we accepted, can be found [here](http://scambs.moderngov.co.uk). (<http://scambs.moderngov.co.uk>)

- The Head of Internal Audit provided a reasonable assurance that the systems in place at South Cambridgeshire District Council were appropriate and met with expectations, making a number of observations regarding potentially significant governance issues requiring attention during 2017/18. These are set out below, with management responses, lead officer and timescales also identified:

Issue	Observation	Management Response	Lead Officer	Timescale
Shared Financial Management System (FMS) implementation	The Council is in the process of implementing a new Financial Management System (FMS), Tech 1, which is due to be fully implemented across three authorities. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Shared Internal Audit has been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.	The implementation project team is preparing for user acceptance testing of the new product. Some issues have been identified, which we are working with the software developer to resolve.	Caroline Ryba	To be confirmed, following the conclusion of User Acceptance Testing
Combined Authority	Appropriate governance arrangements need to be in place to ensure that South Cambridgeshire District Council's interests are protected through the work of the Combined Authority. The Council needs to develop effective partnership relationships	SCDC has appointed Members to key positions within the Combined Authority: - Combined Authority (Cllr Peter Topping , with Cllr Nick Wright as Deputy) - Scrutiny Committee	Alex Colyer	Agree reporting relationships with SCDC political management framework by 30 Sept 2017

	with the new authority.	(Cllrs John Batchelor and Alex Riley) - Audit Committee (Cllr Andrew Fraser)		
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The Council’s assurance arrangements conform with the governance requirements of CIPFA’s Statement on the Role of the Head of Internal Audit in Local Government (2010)

External audit: 5.2.2 Ernst and Young was the external auditor of the Council. It performed work on the accounts and other documents and processes; checked that we are delivering good value for money; and provided an audit opinion at the end of that work. In 2016-17 it gave the Council an *[qualified/unqualified]* opinion on the council’s financial statements, stating:

[to follow]

The full report *[will be]* available here *[insert link]*

Other external assurance sources: 5.2.3 During 2015-2016 the Council achieved Gold Standard accreditation against the Investors in People (IIP) standard, demonstrating outstanding practice in a number of areas, in compliance with Core Principle (5):

‘Developing the entity’s capacity, including the capability of its leadership and the individuals within it.’

Peer Review: 5.2.4 The Council underwent a Peer Review Challenge by the Local Government Association (LGA) in November 2016. The Peer Review Team, made up of senior members and officers from other local authorities, assessed the extent to which the Council was meeting the challenges facing it in terms of community leadership, place-shaping and running an effective business. The Review Team found many areas of strength and improvement, identifying the Council’s clear direction and strong political and managerial leadership, with focused plans in place to deliver its objectives, which are based on a good understanding of the needs of the area. The Council had achieved huge improvements in performance over the past decade and had a sound track record on delivering savings to meet cuts to national funding whilst still meeting the needs of local people. The team made a number of recommendations for further improvement, which have been developed into an action plan which is aligned to 2017/18 business plans. The review team will return to the Council within 12-18 months of the review to assess progress. Further information, including the review team’s full report, is available on our [website](#).

Benchmarking Housing Performance: 5.2.5 The council’s housing service has a number of external methods of scrutinising its performance. The Affordable Homes Directorate submits

its key financial and performance data to Housemark, a national benchmarking service, which allows the Council to compare its performance with other landlords across the country. In line with the Homes & Communities Agency regulatory framework for housing organisations, the council has established an independent tenant lead scrutiny body that will undertake scrutiny reviews of the housing management service. The Council was shortlisted for Outstanding Landlord of the Year, impressing judges with its innovative approach to delivering efficient services and outstanding homes and identifying specific initiatives such as Ermine Street Housing and the trusted handyperson scheme.

Major Opposition Leader's annual statement: 5.2.6 Another 'critical friend' of the Council is the Leader of the largest opposition political party. For SCDC in 2016/17, when the majority of Councillors were Conservative, the Major Opposition Leader was Cllr Bridget Smith, leading the Liberal Democrat Group. The Major Opposition Group Leader's Annual statement for 2016-17 can be found here:

[Major Opposition Group Leader's Annual Statement](#)

There were also seven members of the Independent Group, one Labour councillor and one non-group councillor.

Analysis performed for this Governance statement

5.3 In drawing up this governance statement we have reviewed the objectives and actions in the Corporate Plan from a governance and performance basis, as set out in Appendix 1. For each action, the table:

- lists the action
- asks 'how did we do?'
- asks 'what's still left to do?'
- shows how that action relates to CIPFA/SOLACE's core principles of good governance.

5.4 We believe that a study of the table in Appendix 1 shows that our results and performance were good, when measured against the visions, aims, approaches and actions that we set ourselves. Taken together with the governance framework and review of effectiveness set out in this statement, we may conclude that our governance was also good.

6. OPPORTUNITIES FOR IMPROVEMENT

6.1 Last year, the Head of Internal Audit made a number of observations regarding potentially significant governance issues requiring attention during 2016/17, all of which were accepted by the Council's management. These are set out in the following table, along with details of actions undertaken to address each.

TABLE THREE

Observation	Progress Update	Lead Officer(s)	Timescale
1. 3C shared services was set up in October 2015. The Council should review the effectiveness of its governance arrangements and outcomes achieved in relation to these in order to establish whether or not value for money is being achieved and the original expectations met.	Scrutiny and Overview Committee begun to receive Shared Services performance reports from February 2017. Performance reports will be submitted as part of regular performance management arrangements during 2017/18.	Brian O'Sullivan / Richard May	March 2018
2. Ensure the replacement Financial Management System is delivered to timescale and meets expectations of all Councils. This will include appropriate testing prior to the system going live and being rolled out across partners.	A number of issues have been identified at the design stage that require addressing by the supplier. As a result the implementation date has been delayed from April to October 2017. Detailed testing of the system is planned for summer 2017.	Caroline Ryba	October 2017
3. Following the departure of a number of senior officers, review the effectiveness of continuity planning/handover arrangements within directorates.	The Council used a combination of temporary contracts, agency staff and Acting Up arrangements to ensure continuity in key posts during the year, including Chief Executive, Head of Shared Waste and Head of Development Management.	Susan Gardner Craig	March 2017
4. Assess the possible impacts of changes imposed by government upon the viability of the business model for Ermine Street Housing	Ermine Street Housing has business plans and risk registers in place to be able regularly to assess and react to potential impacts. A company board including newly appointed independents has been recruited. Adjustments to the business plan have been made and a new viable business plan approved by the Board in February 2017.	Alex Colyer Stephen Hills	December 2016 – complete but kept under review
5. In light of a number of services being shared between authorities, there is an opportunity to rationalise policies and procedures. Initial areas to focus on relate to HR and Risk Management.	Risk management strategies have been reviewed with the aim of aligning these with partners. Further consistency with partners has been achieved through the adoption of the 4Risk system, enabling risk management to be integrated more fully into operational management.	Phil Bird Brian O'Sullivan Caroline Ryba	March 2017
6. Ensure the effectiveness of internal controls for group entities, in light of the Group relationship with South Cambs	The following controls are in place and planned: - Internal audit periodic reviews of company to	Alex Colyer Stephen Hills	Complete, but kept under review

Ltd (trading as Ermine Street Housing) and SCDC's significant activities with the company.	provide assurance on reliability of processes and procedures <ul style="list-style-type: none"> - External audit of company audit, independent of SCDC accounts - Submission of company business plan to Cabinet - SCDC Chief Finance Officer (Executive Director) is company Board Member - Company Board includes Non-Executive Directors 		
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6.2 We consider that the Council's governance arrangements are fit for purpose in accordance with the governance framework.

We, the Leader and Chief Executive, undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2016/17, and will reflect and report on their operation and effectiveness as part of our next annual review.

Signed.....

Beverly Agass

Chief Executive

Signed.....

Councillor Peter Topping

Leader of the Council

8. CONCLUSION

The Council's Audit and Corporate Governance Committee is responsible for ensuring that the Council complies with its own governance code, including monitoring the effectiveness of the governance framework and ensuring plans are put in place to address any weaknesses and ensure continuous improvement of the system. The Committee believes that it has discharged that responsibility, and that this report is evidence of that. We recognise that there will always be room for improvement (which will need to be balanced by the costs associated with that, and whether the 'law of diminishing returns' applies), but on balance we are delighted to report that **we believe that, during 2016/17, the council was well-governed, and performed well.**

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Agenda Item 8



REPORT TO: Audit and Corporate Governance
Committee

30 June 2017

LEAD OFFICER: Executive Director (Corporate Services)

REVIEW OF RISK MANAGEMENT STRATEGY AND PROCESS

Purpose

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

Recommendations

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

Reasons for Recommendations

4. The proposed revised Risk Management Strategy (Appendix A) has been updated to reflect the changes in the Council's approach to managing the risks throughout last year.
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 at the meetings of Cabinet on 14 July, 15 September and 17 November 2016, and 9 February 2017.

Background

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

Considerations

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

expected that Cambridge City Council will adopt the same Risk Management Strategy at the time of their annual review.

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

Options

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

Implications

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

Risk Management

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

Effect on Strategic Aims

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

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

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

Background Papers

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

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

Report Author: Suzy Brandes - Principal Accountant (General Fund & Projects)
Telephone: (01954) 713101

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Risk Management Strategy

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Risk Management Strategy



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Appendix A Roles and Responsibilities

1. Definition of Risk

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

2. Governance

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

3. Risk Management – purpose and objectives

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

3.6 The Benefits of Good Risk Management in assisting the Council to achieve objectives and deliver services are as follows:

- Support Governance Framework
- Greater control of insurance costs
- Helps to inform the decision making process
- Better management of change programmes
- Identifies and explores opportunities to enable innovation
- Supports value for money
- Supports the Performance Management Framework
- Minimises the impact of failure
- Maintains service provision through adversity
- Manages partnerships, suppliers, contractors and ongoing services
- Helps to comply with legal and regulatory requirements
- Manage external changes in culture, political environment, etc

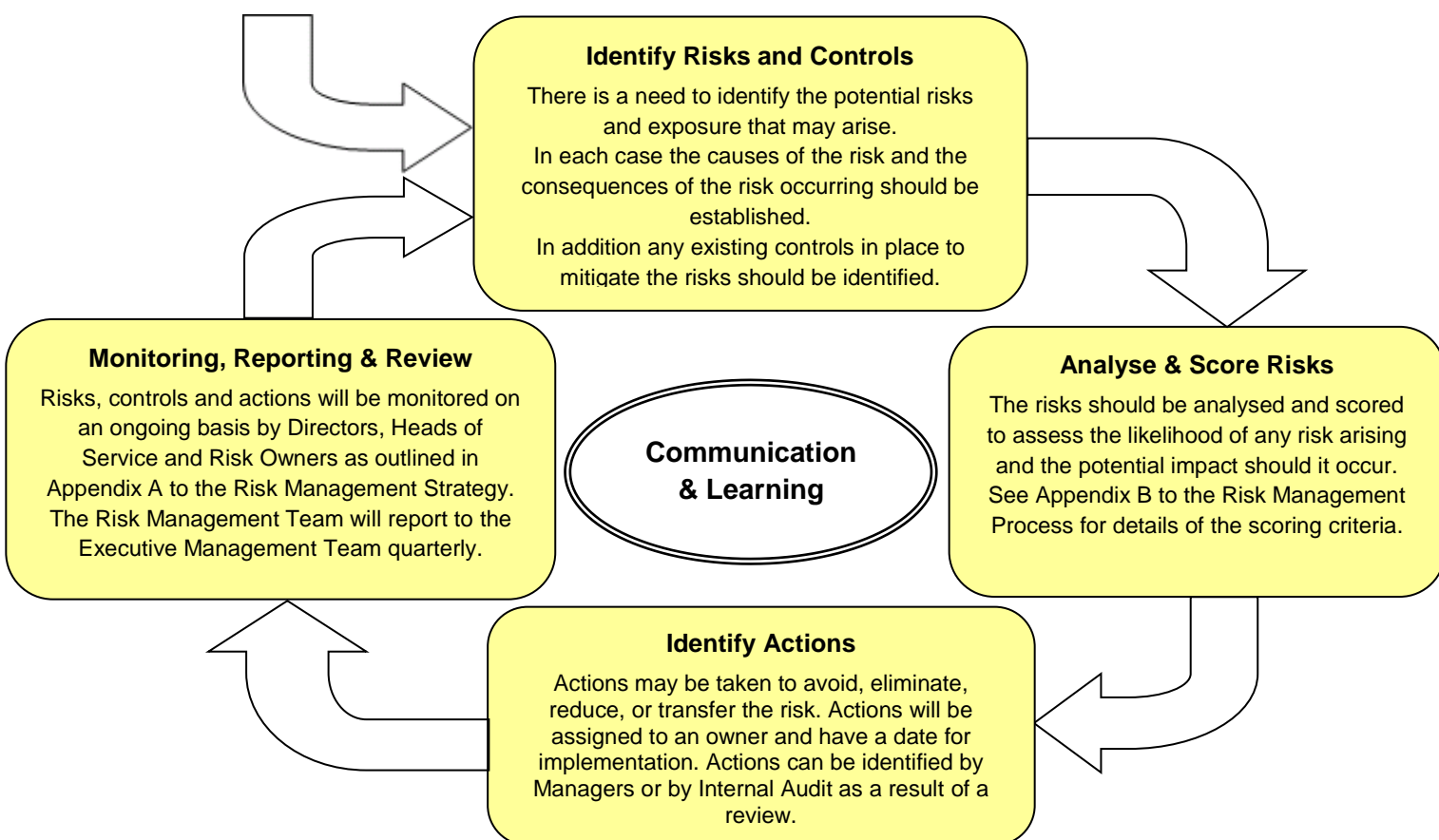
4. Objectives of the Risk Management Strategy

4.1 The objectives of the strategy are to:

- (a) Integrate Risk Management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.
- (b) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
- (c) Raise awareness of the need for managers responsible for the Council's delivery of services to undertake Risk Management.

5. Approach to Risk Management.

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



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

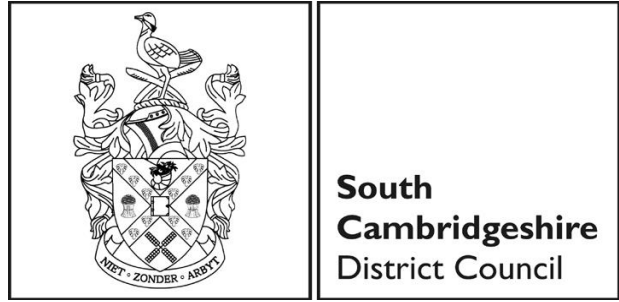
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Roles and Responsibilities

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

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

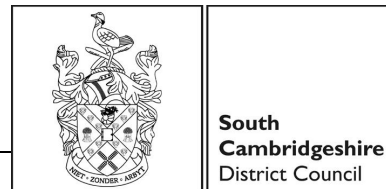
<p>Internal Audit</p>	<p>Internal Audit provides independent assurance on the effectiveness of controls within the Council to mitigate risks. Internal Audit supports the risk management process. It utilises the risk register for monitoring the progress of management agreed actions resulting from audit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



Risk Management Process

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Appendix A – Risk Management Process



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Appendix A Risk Categories
Appendix B Risk Scoring

1. Purpose and objectives

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

2. Objectives

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

3. Identifying and recording risks and controls

3.1 *Identifying risks*

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

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

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

3.2 *Recording risks and controls*

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

Strategic Risk Register

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

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

Service area risk registers

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

Project and Programme Office risk registers

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

Shared Service risk registers

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

4. Analysing and scoring risks

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

5. Monitoring risks and identifying actions

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

5.4 Project managers and programme officers will manage project and programme risks in accordance with their project/programme office governance arrangements. Shared service project managers / lead officers will manage shared service project/ arrangement risks in accordance with the shared service governance arrangements.

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

6. Reviewing and reporting risks

6.1 *Reviewing risks*

6.1.1 Reviews of risk registers will include consideration of any new risks. Approval of risk registers will include both the acceptance of new risks and also the closure of risks considered to be no longer relevant, fully mitigated or those that have materialised.

6.1.2 Risks are reviewed at service planning, departmental management teams, Corporate Management Team (CMT), Executive Management Team (EMT), Cabinet, project management, programme office and shared service meetings, as appropriate:

- EMT will review the strategic risk register quarterly, recommending its approval to Cabinet. Cabinet will similarly review and approve the strategic risk register quarterly.
- Directors, including the Executive Director (Corporate Services) will review and approve their service areas' risk registers as part of the annual preparation of business plans.

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

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

When reviewing their service area risk registers, service managers and directors / the Executive Director (Corporate Services), may escalate a service area risk for EMT to consider including in the strategic risk register, if the risk is significant (i.e. has a score above the Council's risk tolerance of 12, and especially if it is a new risk) or has a corporate nature. The PA(GF&P) may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.

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

6.2 **Reporting risks**

- 6.2.1 The PA(GF&P) will report the draft strategic risk register to EMT quarterly, for review and recommendation to Cabinet. These reports will show only risks with a total (Gross) score of 5 or more (risks scoring 4 or less (Gross) will still be on the strategic risk register, just not included in the reports).
- 6.2.2 Directors / the Executive Director (Corporate Services) will record service area risks above the Council's risk tolerance line in the Overview section of their service plans published annually.
- 6.2.3 CMT will review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. These reports will show only risks with a total score above the Council's risk tolerance line of 12 (risks with a score of less than 12 will still be on the service area risk registers, just not included in the reports). CMT will review the HRA Business Plan risk register alongside the Affordable Homes risk register. As part of these reviews, CMT will consider whether to include risks scoring 12 or more in the strategic risk register. (It will be assumed not, unless minuted otherwise.)
- 6.2.4 Project managers, programme officers and shared service project managers / lead officers will report their risk registers, including control measures / sources of assurance, to the PA(GF&P) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 6.2.5 The PA(GF&P) will provide updates of risk registers to the Council's insurance officer, to facilitate discussion of insurance cover and negotiation of any premium discounts or reductions with the Council's insurers.

Other reports

- 6.2.6 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's risk tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the PA(GF&P). The report writer should ensure that the risk is incorporated in the strategic risk register, relevant service area risk register, project, programme or shared service risk register, as appropriate. Directors/report writers will fully brief Members on risks identified in the report.
- 6.2.7 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers, to identify any risks for inclusion in the report.

7. **Communication and learning**

- 7.1 The PA(GF&P) will give relevant staff and Members timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.
- 7.2 The PA(GF&P) will also keep staff and Members informed through a Risk Management page on In-Site, the Council's intranet, which will include the following:

- the Risk Management Strategy, Process and appendices, including assessment criteria for the potential impact and likelihood of risks occurring;
- the latest version of the Strategic Risk Register,
- the latest versions of Service area Risk Registers;
- link and a summary guide to the Risk Management software.

8. Review of the Risk Management Process

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

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Appendix A – Risk Categories

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

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

Appendix B – Risk Scoring

South Cambridgeshire District Council – Risk Matrix

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

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

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