

Agenda Item No: 7 **Report No:** 151/12

Report Title: Interim Report on the Council's Systems of Internal Control 2012/13

Report To: Audit and Standards Committee **Date:** 27 September 2012

Ward(s) Affected: All

Report By: Director of Finance

Contact Officer
Name: David Heath
Post Title: Head of Audit and Performance
E-mail: David.Heath@lewes.gov.uk
Tel no: 01273 484157

Purpose of Report:

To inform Councillors on the adequacy and effectiveness of the Council's systems of internal control during the first five months of 2012/13, and to summarise the work on which this opinion is based.

Officers Recommendation(s):

- 1 To note that the overall standards of internal control were satisfactory during the first five months of 2012/13 (as shown in Section 3).

Reasons for Recommendations

- 1 The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

Information

2 Background

- 2.1 The Internal Audit function at Lewes operates in accordance with the Code of Practice for Internal Audit published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code sets out how the Head of Audit and Performance should report to the Audit and Standards Committee, including keeping the Committee informed of any emerging issues in respect of internal control, corporate governance and risk management.

3 Internal Control Environment at Lewes District Council

- 3.1 The Annual Report on the Council's Systems of Internal Control for 2011/12 included the opinion of the Head of Audit and Performance that the overall

standards of internal control are satisfactory. This opinion was based on the work of Internal Audit and the Council's external auditors, PKF, and the Council's work on risk management. In the five months since the start of the financial year there has been nothing to cause that opinion to change and there have been no instances in which internal control issues created significant risks for Council activities or services.

4 Internal Audit work 2012/13

- 4.1** This section of the report summarises the work undertaken by Internal Audit during the first five months of the year, compared to the annual plan that was agreed by the Audit Committee in March 2012. Further information on each of the audits completed since the previous meeting of the Committee is given at Appendix A.
- 4.2** Table 1 shows that a total of 302 audit days have been undertaken compared to 310 planned. The variance of 8 days is not significant at this stage, and it is estimated that the audit days will be at or close to plan by the year end.

Table 1: Plan audit days compared to actual audit days for April to August 2012

Audit Area	Actual audit days for the year 2011/12	Plan audit days for the year 2012/13	Actual audit days to date	Pro rata plan audit days to date
Main Systems	268	215	160	
Central Systems	122	85	16	
Departmental Systems	69	145	54	
Performance and Management Scrutiny	39	71	30	
Computer Audit	57	70	1	
Environmental Audit	61	36	3	
Management Responsibilities/Unplanned Audits	169	129	38	
Total	785	751	302	310

Note: The 'Pro rata plan audit days to date' provides a broad guide to the resources required to carry out planned audits. The actual timing of the individual audits will depend on a variety of factors, including the workloads and other commitments in the departments to be audited.

- 4.3 Main Systems:** The initial work has been on completing the testing of the major financial systems in order to gain assurance on the adequacy of internal controls for the Annual Governance Statement (AGS) and to inform PKF's work on the Council's accounts for 2011/12. A summary report was finally issued. The work on behalf of PKF to test the Council's subsidy claims for Benefits and NDR for 2011/12 is to be completed by the end of September 2012. This work has again involved additional testing at the request of PKF.
- 4.4 Central Systems:** A final report was issued for the audit of Business Continuity Planning. Audits of Newhaven Business Centre and Partnerships are at the draft report stage.
- 4.5 Departmental Systems:** Final reports were issued for the audits of Contaminated Land and Air Quality, Environmental Health and Licensing.
- 4.6 Performance and Management Scrutiny:** Internal Audit has provided the resources for a review of the organisation of corporate property management on behalf of the Chief Executive, the result of which was an options paper to the Corporate Management Team (CMT). There has been a review of the AGS process for

2011/12, and Internal Audit is represented on the Agile Working Project Board in order to advise on internal control and provide a quality assurance role for the project. This level of involvement in the project, and the resources required for this work, will be more than originally planned.

- 4.7 Computer Audit:** Internal Audit completed the IT aspects of the testing of the main financial systems on behalf of PKF.
- 4.8 Environmental Audit:** During June 2012, Internal Audit examined the Council's annual EMAS statement prior to its submission to Lloyd's Register Quality Assurance (LRQA) verifier. The verifier's assessment of the statement and Internal Audit's coverage of EMAS during 2010/11 informed the LRQA decision to confirm the Council's registration for the period up to May 2014. Earlier, a final report was issued for the last audit from the 2011/12 programme, and the audit of EMAS: Biodiversity from the 2012/13 programme is underway.
- 4.9 Management Responsibilities/Unplanned Audits:** This category provides resources for special projects or investigations, support for the Audit Committee, liaison with PKF and managing the Follow Up procedures.
- 4.10** Internal Audit has been coordinating the Council's preparations for the 2012/13 NFI data matching exercise which is run by the Audit Commission. The base data will be forwarded to the Audit Commission in October 2012 and the results will be reported to the Council in February 2013 for the investigation. Internal Audit is working with colleagues in Audit and Performance (APD) to review the Council's risk management methodology and the pam (Platform for Achieving More) risk tool to further develop risk management at the Council.
- 4.11** Final reports were issued for the audit of the controls over changes to suppliers' payment details, which was requested by the Chair of the Audit and Standards Committee, and for the investigation of a reported cash loss at the Fort Road offices. A draft report has been issued for a short review of email monitoring that was carried out at the request of the Director of Finance. .

Follow up of Audit Recommendations

- 4.12** All audit recommendations are followed up to determine whether control issues noted by the original audits have been resolved. The early focus for follow up in 2012/13 has been on confirming the implementation of the recommendations in the previous year. The results of this work are summarised as follows.

Performance Indicator	Actual 2010/11	Target 2011/12	Actual 2011/12	Target 2012/13
% of recommendations implemented by the agreed date.	90%	90%	83%	90%

Quality Reviews/Customer Satisfaction Surveys/Performance Indicators (PIs)

- 4.13** The results of the Internal Audit quality reviews, customer satisfaction surveys and PIs for 2011/12 were reported to the June 2012 meeting of the Audit Committee. The results enabled the Head of Audit and Performance to report that the Internal Audit service at Lewes is fully effective, is subject to satisfactory management

oversight and complies with the CIPFA Code of Practice and the Accounts and Audit Regulations.

5 Risk Management

- 5.1** Cabinet approved the Risk Management Strategy in September 2003. Since then risk management at the Council has been developed via a series of action plans, with the result that all the elements of the risk management framework set out in the strategy are in place and are maintained at best practice standards.
- 5.2** The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are beyond its control, for example a major incident, a 'flu' pandemic, a downturn in the national economy or a major change in government policy or legislation. The Council has sound planning and response measures to mitigate the effects of such events, and continues to monitor risks and the effectiveness of controls. The overall satisfactory situation for risk management has helped to inform the opinion on the internal control environment.
- 5.3** In December 2010, the Government published reductions in funding for individual local authorities as part of the national deficit reduction plan. The Council's position is that it must achieve a saving of £1.4m in its gross expenditure over two years, and the Corporate Management Team (CMT) has prepared a planned programme of savings. The Head of Audit and Performance has reviewed with CMT the impact on the control environment of the savings achieved so far, and has obtained assurance that there has been no adverse effect on the operation of controls. This exercise will be ongoing while the Council has in place a programme of savings.
- 5.4** The Annual Report on Risk Management was presented to Cabinet at its July 2012 meeting. This report confirmed the strategic risks identified by CMT and the action plan for risk management for the year ahead (see Appendix B).

6 System of management assurance

- 6.1** The Council operates a management assurance system, which enabled senior officers to confirm the proper operation of internal controls, including compliance with the Constitution, in those services for which they were responsible in 2011/12. A joint statement by the Chief Finance Officer (Section 151) and Monitoring Officer confirmed that there were no significant governance issues for the Council in 2011/12. Nothing has arisen in the first five months of the financial year to change these assessments.

7 Corporate governance

- 7.1** In June 2012, the Head of Audit and Performance reviewed the Council's Local Code of Corporate Governance, and concluded that the arrangements remain satisfactory and fit for purpose. These results were reported to the June 2012 meeting of the Audit and Standards Committee.
- 7.2** The Council is required to produce an Annual Governance Statement (AGS), which outlines the main elements of the Council's governance arrangements and the results of the annual review of the governance framework including the system of internal control. The AGS for 2011/12 is reported separately to this meeting of the Committee.

8 External assurance

8.1 The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The results of these external reviews have helped inform the opinion on the internal control environment. The recent results are summarised below.

8.2 Annual Audit Letter for 2010/11 (November 2011) – This report outlined the key findings from PKF's audit of 2010/11. PKF concluded that:

- the Council had effectively managed the transition to financial reporting under International Financial Reporting Standards (IFRS), and issued an unqualified opinion on the financial statements.
- the key financial systems are generally adequate as a basis for preparing the financial statements, although there are deficiencies in internal controls in some aspects of purchase ordering and the authorisation of manual journals.
- the AGS is not inconsistent or misleading with other information they are aware of from the audit of the financial statements.
- the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and issued an unqualified value for money opinion.
- the Council has continued to manage its finances well in the year, through robust budget monitoring and members and officer involvement in reviewing financial matters.
- the Council Plan and medium term financial strategy support continued delivery of the Council's core services and key priorities over this challenging period.

8.3 Annual Governance Report for 2010/11 (September 2011) – The key findings and conclusions from this report were summarised in the Annual Audit Letter (see above). In addition, PKF concluded that:

- Internal Audit has satisfactorily carried out a comprehensive programme of work on the key financial systems, and PKF were able to place reliance on this work for their testing of the effectiveness of specific controls.

8.4 Grant Claim Certification for 2010/11 (December 2011) was presented to the January 2012 meeting of the Audit Committee. PKF concluded that:

- the Council's arrangements for preparing grant claims and other returns to Government departments are generally operating adequately, and all final claims were fairly stated in the reports to Government departments.
- the Council should review the effectiveness of the procedures to address issues arising from its quality assurance checks on Housing and Council Tax Benefits claims.
- PKF were able to rely on the work of Internal Audit, and the workbooks were completed to a good standard.

9 Financial Appraisal

9.1 There are no additional financial implications from this report.

10 Risk Management Implications

- 10.1** Internal Audit seeks to ensure that key aspects of the Council's control arrangements comply with best practice standards. However, if the Audit and Standards Committee does not ensure proper oversight of the adequacy and effectiveness of the Council's systems of internal control there is the potential for significant risks not to be properly monitored or mitigated.

11 Sustainability Implications

- 11.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

12 Equality Screening

- 12.1** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required. However, if Internal Audit note equalities issues during their work these will be raised with the Equality Officer to ensure that appropriate equality impact screening is carried out.

13 Background Papers

- 13.1** Annual Audit Plan 2012/13 and Strategic Audit Plan 2012/13 to 2014/15 that were presented to the Audit and Standards Committee on 19 March 2012.

14 Appendices

- 14.1** Appendix A - Statement of Internal Audit work and key issues.
- 14.2** There is no Log of Significant Outstanding Recommendations (normally Appendix B) for this report as the outstanding issues from the audit of Agresso Security are being actioned.
- 14.3** Appendix B - Risk Management – Annual Report to Cabinet

APPENDIX A

STATEMENT OF INTERNAL AUDIT WORK AND KEY ISSUES

Audit report: Environmental Health: Health and Safety/Food Safety

Date of final issue: 28 August 2012

Overall opinion:

From the audit work carried out during this review Internal Audit has obtained has obtained substantial assurance that there is a sound system of internal control covering the enforcement of Health and Safety/Food Safety regulations. On the whole, compliance with controls is satisfactory, although there are a small number of issues that indicate there is scope to strengthen the way some supporting procedures are operated.

The Commercial Team is adequately staffed and trained, and complies with the latest regulatory guidance from government. Service aims and objectives are being met in that Health and Safety/Food Safety inspections are carried out in accordance with the planned programmes with an emphasis on ensuring the inspection of higher risk premises. The recommendations from previous audits have largely been implemented. The one outstanding recommendation, and the two new issues from the current audit, concern the ways in which inspections are documented, and how information is stored and accessed. The report contains three recommendations.

Main points:

- Present practice for the recording of inspections does not ensure that all parts of premises have been identified and documented, as is required by the FSA Code of Practice and the Council's own Food Hygiene Inspection Procedure. This approach weakens the risk assessment process on which is based the planned programme of inspections, and creates a greater likelihood that hazards will remain undetected. There is need to ensure that all the necessary areas within inspected premises are known to the Council and their locations documented, and that there is adequate recording of the reasons why any parts of premises are not subject to inspection.
- The Council is not meeting all the requirements of Section 18 of the Health and Safety at Work Act (1974) in respect of maintaining an effective intelligence system, making data readily available and sharing data with other organisations.

Audit report: Licensing

Date of final issue: 28 August 2012

Overall opinion:

From the audit work carried out during this review Internal Audit has obtained full assurance that there is a sound system of internal control covering licensing, and that compliance with controls is good.

Applications for licences are received and processed in accordance with legislation and, where necessary, third party certifications are obtained. Charges are levied correctly and the procedures for the accounting, reconciliation and banking of receipts are properly controlled. Also, the operation of the MVM computerised system for the processing and recording of licences is satisfactory and the recommendations from a previous audit have been implemented.

The satisfactory situation means that there are no significant points to be addressed and there are no recommendations in the report.

APPENDIX B

Agenda Item No: **Report No:** **117/12**

Report Title: **Risk Management – Annual Report to Cabinet**

Report To: **Cabinet** **Date:** **12 July 2012**

Lead Councillor: **Cllr James Page Leader of the Council**

Ward(s) Affected: **All**

Report By: **Director of Finance**

Contact Officer
Name: **David Heath**
Post Title: **Head of Audit and Performance**
E-mail: David.Heath@lewes.gov.uk
Tel no: **01273 484157**

Purpose of Report:

To present the annual report on risk management confirming the strategic risks faced by the Council.

Officers Recommendation(s):

That Cabinet:

- 1** Receives and endorses the annual report on risk management, and notes the Council's Risk Management Strategy at (Appendix 1).
 - 2** Notes the strategic risks identified by the Corporate Management Team (CMT) and the associated mitigating controls shown at (Appendix 2).
 - 3** Notes the action plan for risk management over the coming year (Appendix 3).
-

Reasons for Recommendations

- 1** The Council is committed to the proper management of risk. This report forms part of the annual reporting cycle on risk as set out in the Risk Management Strategy, and proceeds to the Audit Committee after being endorsed by Cabinet. This report is also one of the key elements in the Council's submissions to the external auditor, PKF, and will provide data for the Annual Governance Statement which will accompany the statement of accounts for 2011/12.

Introduction to Risk Management

- 2** Risk management is about using common sense to take effective action to prevent or limit the impact of risks so as to help the Council meet its priorities and deliver services effectively. In September 2003 Cabinet adopted a Risk Management Strategy that sets out the responsibilities for risk management at the Council, and

which is supported by a framework of procedures and guidance for the assessment of risks and the development of mitigating controls.

- 3 The Risk Management Strategy includes provision for annual review of the strategy by CMT. The strategy was reviewed in June 2012 and has been updated with minor changes (see Appendix 1). To support this strategy the Council has a standard approach for assessing risk which is applied to service planning, the management of major projects and decision making. This methodology is currently being reviewed as outlined in the key developments section below.

Strategic risks

- 4 Strategic risks are those that are likely to have a significant impact across the Council, in that if they occur they are likely to prevent it from achieving its strategic objectives.
- 5 The compilation of a Strategic Risk Register provides evidence of a risk aware and risk managed organisation. Generally it reflects risks that will be common to comparable local authorities in this current period of change and financial challenge for the public sector.
- 6 Appendix 2 shows the strategic risks that have been identified by CMT for the year 2012/13. This Appendix shows the:
 - Risk ranking - the order of importance that is placed on each strategic risk.
 - Council priority/ies which are relevant to the risk.
 - High level description of the risk and the officer/officers who are responsible for the risk.
 - Detailed background to the risk and the likely risk scenario if it is not mitigated.
 - Mitigating controls put in place to reduce the risk or prevent it from occurring.
- 7 CMT is responsible for ensuring that the strategic risks have mitigating controls in place.

Key developments

- 8 In January 2012 the new collaboration software for the Council (pam), went live. A key strength of pam is its approach to project management and the ability to record risks against specific projects or elements of projects. This will help the Council to improve its overall approach to project management.
- 9 Pam provides a tool for risk management called the "The Risk register and treatment plan". Officers are currently reviewing the Council's risk methodology and the pam risk tool to further develop risk management at the Council with risk being recorded on pam. This will take place over the coming months as outlined in Appendix 3.

Financial Appraisal

- 10 There are no financial implications arising from the recommendations to this report other than those already contained within existing budgets.

Equalities Screening

- 11** An equalities impact assessment is not considered necessary because the report is seeking endorsement of risk arrangements at the Council including the strategic risks identified by CMT.

Risk Management Implications

- 12** If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

Sustainability Implications

- 13** I have not completed the Environmental Implications Questionnaire as there are no significant effects as a result of these recommendations.

Background Papers

None

Appendices

Appendix 1: Lewes District Council – Risk Management Strategy.

Appendix 2: Lewes District Council –Strategic Risk Register for 2012/13.

Appendix 3: Action Plan for risk management for the year ahead.

Appendix 1

LEWES DISTRICT COUNCIL - RISK

MANAGEMENT STRATEGY

1.0 Policy

- 1.1 We define risk as something that might have a detrimental impact on the achievement of the Council's objectives or service delivery.
- 1.2 The appraisal and management of risk will be part of our business planning and project management.
- 1.3 We will also use risk management to promote innovation and opportunity as well as to help secure our objectives.

2.0 Organisation

- 2.1 This risk management strategy will be subject to approval by the Cabinet.
- 2.2 The Chief Executive is responsible for risk management. The Corporate Management Team (CMT) will support the Chief Executive in assessing and mitigating risks likely to have a significant impact on the achievement of the Council's objectives.
- 2.3 Heads of Service will implement risk management within their services and ensure that;
 - annual service plans contain an appraisal of risks to service delivery
 - managers carry out risk assessments as a routine part of service planning and project management activities
 - managers put in place appropriate controls to mitigate risks
 - managers will notify the Director of Finance of any significant risks that will require adequate insurance and/or financing measures
- 2.4 The Head of Audit and Performance is responsible for providing advice and guidance and coordinating the Council's approach to risk management. Internal Audit is responsible for monitoring the implementation and effectiveness of this risk management strategy and for

reviewing compliance with controls introduced by CMT and their managers to manage risks.

- 2.5 The Audit Committee is responsible for reviewing the effectiveness of the systems and processes in place for managing risk, and can make recommendations to Cabinet if changes are needed to improve risk management.
 - 2.6 Cabinet is responsible for considering overall risk and receives the annual report on risk management that includes the strategic risks of the Council. The Leader of the Council has portfolio responsibility for risk management.
- ##### 3.0 Arrangements
- 3.1 Annual Service Plans support achievement of the Council Plan. Service plans will include an assessment of risk which will be reviewed and updated by service managers.
 - 3.2 Reports to Cabinet will include risk management implications.
 - 3.3 Risk Management training will be provided to senior managers with the aim of ensuring that they have the skills necessary to identify, appraise and control the risks associated with the services they provide. Councillors will receive training/information on risk so that they can consider the implications of risk in their work for the Council.
 - 3.4 Project managers will be responsible for appraising risks associated with their projects and make provision for dealing with those risks.
 - 3.5 This strategy will be communicated to Councillors and staff and will be reviewed annually by CMT.

June 2012

Appendix 2: Lewes District Council – Strategic Risk Register 2012/13

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
1	✓	✓	✓	Loss of IT services Acting Head of IT	Long or short term loss of IT and telephone systems through equipment failure, loss of key premises and data loss or corruption.	Partial mitigation through preventative measures including effective security and fire prevention. More effective mitigation will take place with significant updating of the Council's IT Infrastructure in 2013. Business continuity will help to mitigate the risk and manage any incident. Planned server virtualisation will facilitate an improved disaster recovery solution.
2	✓	✓	✓	Failure to achieve transformation of the Council Chief Executive	<ul style="list-style-type: none"> • Too much change in too short a time frame. • Not having the necessary resource, capacity or skills to deliver the change. • Inability to adapt and work in new and innovative ways to be more efficient, cost effective and customer focused. • Programme Nexus initiatives not achieving their desired effect or taking longer for benefits to materialise than expected. • The Council fails to achieve the £200,000 revenue savings arising from the rationalisation of its office buildings and receipts from regeneration are delayed. 	<p>Comprehensive change management programme put in place by senior management to deliver our vision "One District, One Council". This includes:</p> <ul style="list-style-type: none"> • Communication - Briefings to managers and staff with cascading of information, updated information on the Council's intranet (Infolink). • Engagement – involving public and staff in projects to support chances of programme success. Includes establishment of a Change Champions group to support change processes. • Creating a Nexus Academy to help upskill staff and organisation for the change. • External human resources brought in to support change including a Change Advisor, Programme Manager, Acting Head of Human Resources and Acting Head of IT. • Introduction of a new collaboration web based software pam (platform for achieving more). This is helping us to manage change, collaborate better and support us in a more agile working environment. <p>Further mitigation will be achieved by putting in place comprehensive governance arrangements for the Nexus</p>

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
					<ul style="list-style-type: none"> Changes in national, regional and/or local policy or priorities could require changes to or stopping of some or all of the programme. 	<p>Programme Board.</p> <p>In the event the Council is unable to dispose of buildings and land as part of rationalisation and regeneration of its property assets it will take the opportunity to lease buildings until the market recovers.</p>
3	✓			Loss of premises Corporate Head – Communities and Enterprise	Long term or short term loss of key office buildings or depots due to fire, flood or other damage.	Mitigation through preventative measures e.g. fire safety arrangements, planned and responsive maintenance of buildings. If the event occurs then Business Continuity arrangements would be activated to reduce the impact on service delivery.
4	✓	✓		Major incident or emergency affecting the District or Region Director of Planning & Environmental Services	Major incident caused by fire, flood or other disaster resulting in homelessness, disruption to Council services and local business community. Major infectious disease outbreak.	Mitigation through the Council's use of emergency powers to relocate homeless residents and using the Council's Business Continuity arrangements to relocate to other buildings to be able to deliver key services. Mitigation by implementing the Emergency Plan and Flu Business Continuity Plan.
5	✓	✓	✓	Failure to achieve the Council's budget realignment target in the Medium Term Finance Strategy Chief Executive	Inability to achieve planned level of efficiency savings or manage the income streams for those areas where government funding and other income is expected to reduce.	Mitigation through effective financial planning, monitoring and delivery of efficiencies and savings to meet required target.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
6	✓		✓	Major failure in financial systems Director of Finance	Loss of key IT financial systems with immediate impact on Council's ability to process priority transaction e.g. payment of benefits.	Mitigation through preventative measures e.g. system security, robust and supported software, training and performance monitoring. If the event occurs the Council's Business Continuity arrangements would be activated. For example back up/ historic records would be used to generate payment records which would be processed by other means.
7	✓		✓	Loss of plant and equipment Director of Planning & Environmental Services/ Corporate Head – Communities & Enterprise Head of District Services	Loss, damage, breakdown or theft of vehicles and equipment that are key to the provision of Council services. This risk relates mainly to: <ul style="list-style-type: none"> the vehicle fleet maintained by District Services, and the emergency generator in Southover House under the responsibility of the Director of Planning & Environmental Services under the BCP. The day to day maintenance falls to the Corporate Head Communities & Enterprise. 	Mitigation through effective security, inspection, maintenance and support arrangements.
8	✓	✓	✓	Failure of significant contractor Director of Finance (finance, facilities & leisure trust contracts)	Loss of contractor due to insolvency, contractor not meeting contracted service standards or breakdown in the supply chain. Significant contracts include:	Mitigation through proper set up and monitoring of contracts. If the event occurs then mitigation would be through the emergency appointment of an alternative contractor or where possible undertaking the service in house.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
				Director of Planning & Environmental Services (planning and environment contracts) Corporate Head - Housing Services (housing related contracts) Corporate Head - Communities & Enterprise (regeneration related contracts) Head of District Services (Recycling and grounds maintenance contracts) Corporate Head – Legal & Democratic Services and Head of Audit & Performance (Procurement	<ul style="list-style-type: none"> • Wave Leisure Trust • Grounds maintenance • Council housing maintenance • Public convenience cleaning • Insurance • Electricity and gas • Recycling of glass and paper • Plant maintenance 	

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
				standards)		
9	✓		✓	Major changes in legislation Chief Executive	Changes in Government policies or legislation creating new or increased demands on Council services or materially changing service requirements and standards.	Mitigation through: <ul style="list-style-type: none"> • Corporate Head - Legal and Democratic Services alerting officers in a timely manner. • CMT members flagging up significant changes affecting their services areas to the Nexus Board. • Staff training in new legislation, monitoring of government proposals for policy changes and reassigning resources to meet new priorities.
10	✓		✓	Economic factors outside the Council's control Chief Executive takes overall responsibility. Director of Finance (for financial control and services within his remit) Director Planning and Environmental Services, Corporate Head – Legal and Democratic	Changes in national economic climate and/or local demographics affecting demand for Council services. Significant fluctuations in costs of inputs (e.g. fuel) and price of commodities sold (e.g. recyclables).	Mitigation through: <ul style="list-style-type: none"> • The Director of Finance monitoring trends closely and examining possible requests for additional funding. • Holding a healthy level of working balances. Budget monitoring procedures are in place to identify material fluctuations in prices. • Corporate Management Team members examining alternative arrangements for their services • Using the Nexus Board to realign services and their associated finances

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
				Services, Corporate Head - Housing Services, Corporate Head Communities and Enterprise (for services within their remit)		
11		✓	✓	<p>Workforce planning challenges including loss of key staff</p> <p>Acting Head of Human Resources</p>	<p>Inability to ensure the right skills, people and employee capacity to meet changing demand for services.</p> <p>Loss of key staff working on corporate priority projects causing it to slow or stall.</p>	<p>Mitigation through:</p> <ul style="list-style-type: none"> • succession planning, training and reprioritising of work, • effective use of pam in recording project information, • investing in staff at a time of significant change including the pam Academy. and • temporary cover when there is a loss of staff
12			✓	<p>Governance and regulatory failure</p> <p>Corporate Head – Legal and Democratic Services</p>	<p>Inability to meet adequate governance standards.</p>	<p>Mitigation through the preventative measures in place identified in the Council's Code of Corporate Governance These include effective</p> <ul style="list-style-type: none"> • internal controls and Internal Audit service • Audit and Scrutiny committees • risk management and partnership governance arrangements. • Contract and Financial Procedure Rules, and • training and guidance in regulatory requirements, and performance monitoring.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
13	✓			Damage to reputation Corporate Head – Legal and Democratic Services	Reputational damage arising from failure to meet statutory duties and service standards, litigation by the Council, actions by councillors and officers which bring the Council into disrepute and failure to deliver contracts e.g. contract for Council to provide services to the South Downs National Park	Mitigation through a range of measures including: <ul style="list-style-type: none"> • Effective communications • Clear codes of conduct for councillors and staff. • Robust training protocols

Council Priorities Key:

Customer = Unswerving Commitment to Customer Service

Contribution = To Connect with Our Workforce and Partners to Inspire Exceptional Contribution

Saving Money = To save money and put money back into our residents' and business pockets where we can

Appendix 3: Action Plan for risk management for the year ahead.

Key Tasks	Timescale	Officer/s responsible
Monitoring of risk assessments in Cabinet reports.	Ongoing	Head of Audit and Performance
Updates on risk management to each meeting of the Audit Committee.	Ongoing	Head of Audit and Performance
Development of pam risk tool with Alliantist.	September 2012	Head of Audit and Performance
Updating of the Council's risk management methodology.	September 2012	Head of Audit and Performance
Keeping the Business Continuity Plan under regular review.	September 2012	Director of Planning and Environmental Services
Guidance and training for service managers on the revised risk management methodology and use of pam risk tool.	October 2012	Head of Audit and Performance
Briefing note to Councillors on revised risk management methodology.	October 2012	Head of Audit and Performance
Record service risks on pam.	November 2012	Service managers.
Annual review of the Risk Management Strategy.	June 2013	CMT
Annual assessment of strategic risks.	June 2013	CMT
Annual Risk Management report to Cabinet.	July 2013	Director of Finance