

Agenda Item No: 8 **Report No:** 144/13

Report Title: Interim Report on the Council's Systems of Internal Control 2013/14

Report To: Audit and Standards Committee **Date:** 23 September 2013

Ward(s) Affected: All

Report By: Head of Audit and Performance

Contact Officer

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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 2013/14, 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 2013/14 (as shown in Section 3).
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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 previously operated in accordance with the Code of Practice for Internal Audit published by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a common set of Public Sector Internal Audit Standards (PSIAS) that apply from 1 April 2013. The Head of Audit and Performance (HAP) advised the Audit and Standards Committee of the effect of the new standards at its March 2013 meeting.
- 2.2 The PSIAS 2013 specify the requirements for the reporting to the Audit and Standards Committee and senior management by HAP. These requirements are met via a series of reports, which include interim reports to each meeting of the

Committee. Each interim report includes a review of the work undertaken by Internal Audit compared to the annual programme, an opinion of HAP on the internal control, risk management and governance environment at the Council, together with any significant risk exposures and control issues, in the period since the beginning of the financial year. Each interim report will contain an appendix that includes an outline of each of the final audit reports issued since the previous meeting of the Committee, and an appendix that outlines any significant recommendations that have not yet been implemented. .

- 2.3** This report to the September 2013 meeting of the Audit and Standards Committee is the second of the interim reports prepared under the new standards.

3 Internal Control Environment at Lewes District Council

- 3.1** The Annual Report on the Council's Systems of Internal Control for 2012/13 included the opinion of HAP 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, BDO, 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 2013/14

- 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 and Standards Committee in March 2013.
- 4.2** Table 1 shows that a total of 322 audit days have been undertaken compared to 321 planned. The variance of one day is not significant at this stage, and it is estimated that the audit days will be close to plan by the year end.

Table 1: Plan audit days compared to actual audit days for April to August 2013

Audit Area	Actual audit days for the year 2012/13	Plan audit days for the year 2013/14	Actual audit days to date	Pro rata plan audit days to date
Main Systems	289	245	130	
Central Systems	54	90	14	
Departmental Systems	128	155	96	
Performance and Management Scrutiny	68	74	14	
Computer Audit	20	60	6	
Environmental Audit	42	33	12	
Management Responsibilities/Unplanned Audits	128	117	50	
Total	729	774	322	321

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 was 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 BDO's work on the Council's accounts for 2012/13. The audit did not identify any significant control issues that would have an impact on the Council's main accounts. A summary report has been finally issued. The priority work on behalf of BDO to test the Council's subsidy

claims for Benefits and NDR for 2012/13 is largely completed, and is awaiting quality review by BDO. This work has again involved significant additional testing at the request of BDO, and this has had an impact on the progress that has been possible on the audits within Departmental Systems.

- 4.4** *Central Systems:* A final report was issued for the audit of Insurance.
- 4.5** *Departmental Systems:* Final reports were issued for the audits of Waste and Recycling and the Planning User Group. Audits of Planning and Development Control, Cemeteries and Economic Development are underway, and an audit of Housing Management is at the draft report stage.
- 4.6** *Performance and Management Scrutiny:* Internal Audit has for some time been represented on the Management Boards for the Agile Working and Food Waste projects to advise on internal control and quality assurance. The Food Waste project is working towards the 'business as usual' stage and Internal Audit is contributing to the end of project review exercise. From May 2013, Internal Audit has been performing a quality assurance role on the joint Regeneration and Enterprise Project Board that is managing four regeneration projects. This work overlaps with the audit of Economic Development, and information obtained from the audit is being used to help with quality improvements in the four projects.
- 4.7** *Computer Audit:* Internal Audit completed the IT aspects of the testing of the main financial systems on behalf of BDO, and a report on the audit of IT Change Control has been finally issued. Two unplanned audits on IT issues are summarised at 4.12.
- 4.8** *Environmental Audit:* During early June 2013, Internal Audit examined the Council's annual EMAS statement prior to its submission to Lloyd's Register Quality Assurance (LRQA) verifier as part of the assessment process. The verifier's conclusion was that there are no significant issues to report, the Council continues to meet the requirements of the published standards and it was recommended that the Council's EMAS registration be confirmed. Earlier, a final report was issued for the audit of EMAS: Waste and Recycling. The programme of EMAS audits for 2013/14 is underway, with the audit of EMAS: Management and Control at the draft report stage.
- 4.9** *Management Responsibilities/Unplanned Audits:* This category provides resources for the support for the Audit and Standards Committee, liaison with BDO, managing the Follow Up procedures, as well as for special projects or investigations.
- 4.10** Internal Audit has been coordinating the Council's work for the 2012/13 NFI data matching exercise which is run by the Audit Commission. The base data was forwarded to the Audit Commission in October 2012, and the results were returned to the Council in February 2013 for the investigation of reported matches. This investigation work is underway.
- 4.11** Internal Audit has undertaken a review of Health and Safety at the Council at the request of the Chief Executive. The review is at the draft report stage.
- 4.12** A review of proposals to make the interfaces between key systems more efficient and an examination of the links between the Council and the Bank Automated Clearing System (BACS) are both at the draft report stage. Although IT managers are focused on supporting the Nexus programme the Director of Finance has

requested them and the Head of Revenues to improve arrangements. So far as can be determined there is no immediate risk to the Council from this situation.

Follow up of Audit Recommendations

- 4.13** 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 2013/14 has been on confirming the implementation of the recommendations that were agreed in the previous year. The results of this work were reported to the June 2013 meeting of the Committee. There no significant recommendations that are currently outstanding.

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

- 4.14** The results of the Internal Audit quality reviews, customer satisfaction surveys and PIs for 2012/13 were reported to the June 2013 meeting of the Audit and Standards Committee. The results enabled the HAP to report that the Internal Audit service at Lewes is fully effective, is subject to satisfactory management oversight, achieves its aims, and objectives, and operates in accordance with the Internal Audit Strategy as approved by the Audit and Standards Committee.
- 4.15** Proposals for a revised set of PIs for Internal Audit are reported separately to this meeting of the Committee.

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 response to the Government's national deficit reduction plan, the Corporate Management Team (CMT) has put in place a phased programme to make savings in the Council's budgets. Of the initial target for 2012/13 to 2013/14, £0.2m remains outstanding. However, the Government has confirmed further real term reductions in funding for local authorities in its Local Government Finance Settlement for 2013/14 and 2014/15 with the result that the total value of savings to be achieved by 31 March 2015 is now £0.9m. In overall terms, the Council will have made savings of 22% compared with its net budget at April 2011. The HAP 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 programme of savings continues.
- 5.4** The Annual Report on Risk Management was presented to Cabinet at its July 2013 meeting. This report confirmed the strategic risks identified by CMT and the action

plan for risk management for the year ahead. The report is presented to the Audit and Standards Committee for information (see Appendix A).

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 2012/13. 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 2012/13. Nothing has arisen in the first five months of the financial year to change these assessments.

7 Corporate governance

7.1 In June 2013, the HAP reviewed the Council's Local Code of Corporate Governance, and concluded that the arrangements remain satisfactory and fit for purpose. These results are reported separately to this 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 2012/13 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. In February 2013, the Council external auditors PKF announced their merger with BDO and the operation of the new merged entity under the BDO brand. All references to the Council's external auditors now use the term BDO.

8.2 The results of these external reviews have helped inform the opinion on the internal control environment. The recent results are summarised below.

8.3 Annual Audit Letter for 2011/12 (October 2012) – This report outlined the key findings from BDO's audit of 2011/12. BDO concluded that:

- the financial statements give a true and fair view of the Council's financial affairs, and income and income and expenditure for the year were properly accounted for in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12.
- internal controls remain adequate, although there was one area where the control environment could be strengthened. Action has been taken to ensure the authorisation of purchase orders remains within officers' formal limits and orders are only placed by officers who are on the authorised list.
- the AGS was not inconsistent or misleading with other information they are aware of from the audit of the financial statements.
- an unqualified opinion was appropriate for the Whole of Government Accounts assurance statement.
- in all significant respects 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 conclusion.

- the Council has continued to exhibit clear financial leadership from the top of the organisation, with member and officer involvement in reviewing financial matters ensuring the financial position is documented and impacts on developed financial plans.
- the Council continues to recognise that the short term will be extremely challenging and, through its annual budget preparation and medium term financial planning processes, is confident that the current level of available reserves provides it with sufficient funding to support core services and key priorities over the period.

8.4 Annual Governance Report for 2011/12 (September 2012) – The key findings and conclusions from this report were summarised in the Annual Audit Letter (see above). In addition, BDO concluded that:

- Internal Audit has satisfactorily carried out a programme of work and we were able to place reliance on their work for the testing of the effectiveness of specific controls.

8.5 Planning Letter 2012/13 (November 2012) – The letter setting out the proposed fees and programme of work for the review of the financial year 2012/13 was presented to the January 2013 meeting of the Committee. The detailed plan of audit work, including the risk assessment on which the plan is based, was published in February 2013 and was presented to the March 2013 meeting of the Committee.

8.6 Grant Claim Certification for 2011/12 (December 2012) was presented to the January 2013 meeting of the Committee. The key points were:

- BDO were satisfied with the accuracy of the preparation of grant claims and returns and were able to certify all but one without qualification.
- Issues noted in the testing of the Housing benefit subsidy claim resulted in both the amendment of the claim and the issue of a qualification letter to the Department of Work and Pensions (DWP).
- All testing in respect of the Housing and Council Tax benefit subsidy was completed by Internal Audit staff, and PKF re-performance of that work agreed with their conclusions.

9 Financial Appraisal

9.1 There are no additional financial implications from this report.

10 Risk Management Implications

10.1 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 a risk that key aspects of the Council's control arrangements may not comply with best practice.

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.

13 Background Papers

13.1 Annual Audit Plan 2013/14 that was presented to the Audit and Standards Committee on 18 March 2013. This can be found at :
<http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=6156>

14 Appendices

14.1 There is no Statement of Internal Audit work and key issues (normally Appendix A) for this report.

14.2 There is no Log of Significant Outstanding Recommendations (normally Appendix B) for this report.

14.3 Appendix A - Risk Management – Annual Report to Cabinet

Appendix A

Agenda Item No: **Report No:**

Report Title: **Risk Management – Annual Report.**

Report To: **Cabinet** **Date:** **11 July 2013**

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

Ward(s) Affected: **All**

Report By: **Director of Finance**

Contact Officer

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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 (Appendix 1).
 - 2 Notes the strategic risks identified by the Corporate Management Team (CMT) and the associated mitigating controls (Appendix 2).
 - 3 Notes the progress against last year's action plan for risk management and the action plan for the coming year (Appendix 3).
-

Reasons for Recommendations

- 15 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 and Standards Committee after being endorsed by Cabinet. This report is also one of the key elements in the Council's submissions to the external auditor, BDO, and will provide data for the Annual Governance Statement (AGS) which will accompany the statement of accounts for 2012/13.

Introduction to Risk Management

- 16 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.

- 17 The Risk Management Strategy includes provision for an annual review of the strategy by CMT. The strategy was reviewed in June 2013 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.

Strategic risks

- 18 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.
- 19 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.
- 20 Appendix 2 shows the strategic risk register that has been compiled by CMT for the year 2013/14. This register 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/s 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.
- 21 CMT is responsible for ensuring that the strategic risks have mitigating controls in place.

Financial Appraisal

- 22 There are no financial implications arising from the recommendations to this report other than those already contained within existing budgets. However, if a strategic risk were not to be mitigated there could be significant financial impact on the Council.

Equalities Screening

- 23 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

- 24 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

25 I have not completed the Sustainability 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 2013/14.

Appendix 3: Progress on 2012/13 Action plan and 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 The risk management strategy is subject to annual review and 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 and Standards 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 via the website and will be reviewed annually by CMT.

June 2013

Appendix 2: Lewes District Council – Strategic Risk Register 2013/14

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
1	✓	✓	✓	Loss of IT services 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.	<p>Partial mitigation:</p> <ul style="list-style-type: none"> • through preventative measures including effective security, fire prevention, water ingress alerting and over heating, • through the introduction of server virtualisation providing additional resilience and redundancy (i.e. failsafe capability) above and beyond what already exists. Virtualisation will progressively benefit the network, • of network outages by the introduction of new network components offering resilience and redundancy for Southover House IT users, • by providing resilience and redundancy for remote workers connected to our IT systems, • by migrating our wide area network into a Public Service Network (PSN) compliant network service, and • by migrating our telephony to a hosted Voice Over Internet Protocol (VOIP) service. VOIP is otherwise known as internet phone. <p>However, satellite sites will still continue to have a higher risk profile than Southover House until current consolidation has been completed at Southover House, which will allow time and resources to review the other sites. The development of the Council's IT Strategy will also help to inform the future Disaster Recovery requirements.</p>
2	✓	✓	✓	Failure to achieve transformation of the Council Chief Executive	<ul style="list-style-type: none"> • Inability to adapt and work in new and innovative ways to be more efficient, cost effective and customer focused. • Failure to deliver "One District One Council". 	<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

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
					<ul style="list-style-type: none"> • Failure to achieve change in the necessary timescale. • Not having the necessary resource, capacity or skills to deliver the change. • Inability to ensure the right skills, people and employee capacity to meet changing demand for services. Loss of key staff working on corporate priority projects. • Programme Nexus projects not achieving their desired effect or taking longer for benefits to materialise than expected. • The Council fails to achieve its net budget reduction targets in the Medium Term Financial Strategy. • Changes in national, regional and/or local policy or priorities could require changes to or stopping of some or the entire programme. <p>Major reorganisation of the Council into three new directorates. Risks are that a)</p>	<p>information, updated information on the Council's intranet.</p> <ul style="list-style-type: none"> • Engagement – involving public and staff in projects to support chances of programme success. Includes establishment of a Change Champions group to support change processes. • Providing ongoing training for managers building on the Leadership Development Programme. • External human resources brought in to support change. • Succession planning, training and reprioritisation of work. • Investing in staff at time of significant including through training (as above). • Temporary cover when there is a loss of key staff. • Strong governance arrangements for the Nexus Board including clear arrangement for the management and monitoring of projects. • Use of the collaboration web based software pam. This is helping us to manage change, record and monitor projects, collaborate better and support us in a more agile working environment. • Financial resources earmarked in reserves to facilitate change. 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.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
					the Council cannot recruit suitable candidates to the new Director posts, b) fails to provide adequate succession planning as senior staff leave , c) the proposed structure fails to meet the needs of councillors, staff customers and external partners and d) restructuring may lead to uncertainty for staff and adversely affects staff morale.	<ul style="list-style-type: none"> Mitigation by a) open market recruitment with advice from with advice from an external specialist on the best way to advertise the posts to attract the best possible candidates, b) early recruitment of new chief officers, c) widespread consultation on making a customer focus model work well for people of Lewes District and d) a programme of staff meetings and discussions and, and good internal communications, as the process of change unfolds.
3	✓			Loss of premises Corporate Head – Property, Regeneration and Enterprise	Long term or short term loss of key office buildings or depots due to fire, flood or other damage.	Partial 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. Slightly elevated risk during the construction phase in Southover House - the fire safety arrangements will need constant review and update.
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 under the Civil Contingency Act 2004 to provide temporary shelter for displaced residents and using the Council's Business Continuity arrangements to relocate to other buildings to be able to continue delivering key services. Mitigation by implementing the Lewes District Council Emergency Plan and Flu Business Continuity Plan.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
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 has reduced or is likely to reduce following the 2013 National Spending Review Announcement.	Mitigation through effective financial planning, monitoring, forecasting and delivery of efficiencies and savings to meet required target. Balances and Reserves held at a level which have the capacity to meet short term demands. Regular horizon scanning to identify impacts on the Councils finances.
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 transactions e.g. payment of benefits and payments to suppliers and staff, or collection of revenues.	Mitigation through preventative measures e.g. system security, robust and supported software, training and performance monitoring. Documentation increasingly held electronically, rather than paper (with inherent risk of loss and destruction), and subject to IT continuity arrangements. 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. Documented and tested manual procedures for Treasury Operations in the event of a major IT failure.
7	✓		✓	Loss of plant and equipment Director of Planning & Environmental Services/ Corporate Head – Property, Regeneration and Enterprise Head of District Services	Loss, damage, breakdown or theft of vehicles and equipment that is 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, insurance and support arrangements.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
8	✓	✓	✓	<p>Failure of significant contractor</p> <p>Director of Finance (finance)</p> <p>Director of Planning & Environmental Services (planning and environment contracts)</p> <p>Corporate Head -Housing Services (housing related contracts)</p> <p>Corporate Head – Property, Regeneration and Enterprise (regeneration related contracts, facilities & leisure contracts)</p> <p>Head of District Services (Recycling and</p>	<p>Loss of contractor due to insolvency, contractor not meeting contracted service standards or breakdown in the supply chain.</p> <p>Significant contracts include:</p> <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 	<p>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.</p>

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
				grounds maintenance contracts) Corporate Head – Legal & Democratic Services and Head of Audit & Performance (Procurement 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	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	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.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
				responsibility. Director of Finance (for financial control and services within his remit) Director Planning and Environmental Services, Corporate Head – Legal and Democratic Services, Corporate Head - Housing Services, Corporate Head – Property, Regeneration and Enterprise (for services within their remit)	(e.g. recyclables).	<ul style="list-style-type: none"> • CMT members examining alternative arrangements for their services.

Risk Rank	Council Priorities			Risk and Owner/s	Background and Risk Scenario	Mitigating controls
	Customer	Contribution	Saving Money			
11			✓	Governance and regulatory failure Corporate Head – Legal and Democratic Services	Inability to meet adequate governance standards.	Mitigation through the preventative measures in place identified in the Council's Code of Corporate Governance. These include effective <ul style="list-style-type: none"> • Internal controls and Internal Audit service. • Audit and Standards and Scrutiny committees. • Risk management and partnership governance arrangements. • Contract and Financial Procedure Rules. • Training and guidance in regulatory requirements, and performance monitoring.
12	✓			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.

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: Progress on 2012/13 Action Plan

Key Tasks	Progress	Status	Officer/s responsible
Monitoring of risk assessments in Cabinet reports.	Risk assessments for those reports sampled of a good standard.	Achieved	Head of Audit and Performance
Updates on risk management to each meeting of the Audit and Standards Committee.	Reported to each meeting of the Audit and Standards Committee.	Achieved	Head of Audit and Performance
Development of pam risk tool with Alliantist.	Revised tool developed with Alliantist and loaded onto pam in May 2013.	Achieved	Head of Audit and Performance
Updating of the Council's risk management methodology.	Nexus project methodology includes approach to project risks. Note to managers on use of pam to record service risks.	Achieved	Head of Audit and Performance
Keeping the Business Continuity Plan under regular review.	Review of BCP completed in October 2012.	Achieved	Director of Planning and Environmental Services
Guidance and training for service managers on the revised risk management methodology and use of pam risk tool.	Guidance on risk management and risk tool on pam offered to managers as and when required.	Achieved	Head of Audit and Performance
Briefing note to Councillors on revised risk management approach to.	Note to Councillors on pam July 2013.	Achieved	Head of Audit and Performance
Record service risks on pam.	Recording of service risks on pam being undertaken by managers.	Ongoing	Service Managers.
Annual review of the Risk Management Strategy.	Undertaken by CMT at the 5 June 2013 meeting.	Achieved	CMT
Annual assessment of strategic risks.	Undertaken by CMT at the 5 June 2013 meeting.	Achieved	CMT
Annual Risk Management report to Cabinet.	Report to be presented to Cabinet at its 12 July meeting.	Achieved	Director of Finance

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 and Standards Committee.	Ongoing	Head of Audit and Performance
Review and re-write the BCP to reflect agile working methods, rationalisation of accommodation, electronic document management, new IT/telephony, and external partnership arrangements (e.g. with Eastbourne).	February 2014	Director of Planning and Environmental Services and the future Director responsible for the BCP.
Record service risks on pam.	March 2014	Service Managers
Annual review of the Risk Management Strategy.	June 2014	CMT
Annual assessment of strategic risks.	June 2014	CMT
Annual Risk Management report to Cabinet.	July 2014	Director of Finance