



ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE

WEDNESDAY 27TH MARCH 2013 AT 5.30pm
COMMITTEE ROOM 1, PARK NORTH, NORTH STREET, HORSHAM

Councillors: David Holmes (Chairman)
Gordon Lindsay (Vice-Chairman)
John Bailey Jim Rae
Roy Cornell Stuart Ritchie
Leonard Crosbie

Tom Crowley
Chief Executive

AGENDA

	Page No.
1. Apologies for absence	
2. To approve as correct the minutes of the meeting of the Committee held on 12 th December 2012	1
3. To receive any declarations of interest from Members of the Committee	
4. To receive any announcements from the Chairman of the Committee or the Chief Executive	
5. Annual Certification Report 2011/12 – to be presented by the Auditor - <i>please see separate appendix</i>	
6. Audit Plan 2012/13 – to be presented by the Auditor - <i>please see separate appendix</i>	
7. Letter from the Auditors – Understanding how the Committee gains assurance from management– to be presented by the Auditor	7
8. Internal Audit – Quarterly Update Report	9
9. Risk Management – Quarterly Update	26

10. Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as urgent because of the special circumstances
11. To consider the following exempt or confidential information:

		Reason for exemption	
<u>Report of the Chief Internal Auditor</u>			
(a)	Appendix 5 of the Internal Audit – Quarterly Update Report	Paragraph 3	38

ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
12TH DECEMBER 2012

Present: Councillors: David Holmes (Chairman), Gordon Lindsay (Vice-Chairman), John Bailey, Roy Cornell, Leonard Crosbie, Jim Rae, Stuart Ritchie

AAG/28 **MINUTES**

The minutes of the meeting held on 27th September 2012 were approved as a correct record and signed by the Chairman.

AAG/29 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/30 **ANNOUNCEMENTS**

There were no announcements.

AAG/31 **ANNUAL AUDIT LETTER 2011/12**

The Committee received and noted the Audit Commission's Annual Audit Letter 2011/12, which summarised the District Auditor's findings from the 2010/11 audit, as discussed at the last meeting of the Committee.

The Director of Corporate Resources gave an update on the new audit arrangements and reminded Members that, as a result of the Audit Commission's procurement exercise for the outsourcing of its in-house audit practice, Ernst & Young LLP had been awarded the contract for the South East, which included Horsham District, for the period 2012/13 to 2016/17.

AAG/32 **TREASURY MANAGEMENT STRATEGY 2013/14**

The Director of Corporate Resources reminded Members that the Council had significant investments and borrowing and had to manage its cash flow in both the short and long term. It therefore required an overall strategy as well as sets of practices and procedures and the Treasury Management Strategy for 2013/14 was therefore submitted for approval.

In February 2012, the Council had adopted the Chartered Institute of Public Finance and Accountancy's revised Code of Practice, which required the Council to approve a treasury management strategy before the start of each financial year.

Details of the current and expected treasury portfolios were submitted together with information in respect of:

AAG/32 Treasury Management Strategy 2013/14 (cont.)

- Investment criteria and limits
- Non-specified investments
- The planned investment strategy for 2013/14
- Security benchmark: average credit rating
- Liquidity benchmark
- Yield benchmark
- Liquidity management
- Borrowing Strategy
- Policy on Use of Financial Derivatives

The CIPFA Treasury Management Code set a number of indicators the Council had to set, as follows:

- Interest rate exposures
- Maturity structure of borrowing
- Principal sums invested for periods longer than 364 days
- Borrowing limits

In accordance with Department for Communities and Local Government Investment Guidance, information regarding the use of treasury management advisers, staff training arrangements and its policy on investment of money borrowed in advance of need each year was also submitted.

Members suggested that, in the future, it would be useful to have details of previously approved borrowing broken down by project.

RECOMMENDED

- (i) That the Treasury Management Strategy for 2013/14 be approved.
- (ii) That the Treasury Management Indicators for 2013/14 be approved.

REASONS

- (i) The Council has previously adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice Fully Revised Second Edition 2011 (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

AAG/32 Treasury Management Strategy 2013/14 (cont.)

- (ii) The Department for Communities and Local Government issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

AAG/33 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS
MID YEAR REPORT 2012/13**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for mid year 2012/13.

The report confirmed that, during 2012/13, the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, had not been breached.

It was noted that, during the first half of 2012/13, the Council's cash balances had been invested in accordance with the Council's treasury management strategy, with interest of £160,000 being earned on investments, an average overall return of 1.9%.

RESOLVED

That the report be noted

REASON

The report meets the requirements of the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which the Council adopted on 22nd February 2012.

AAG/34 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since June 2012.

A summary of audit findings in respect of Section 106 Agreements, Reprographics, Purchase Cards, Use of Consultants, Emergency Planning and Repairs & Maintenance was submitted.

With regard to Section 106 Agreements, Members asked to be advised as to whether any monies had been lost due to it not being spent before the specified date within an agreement and also asked for reassurance that a

AAG/34 Internal Audit – Quarterly Update Report (cont.)

system was in place to monitor time restricted agreements to ensure that this did not occur. The Head of Financial & Legal Services undertook to provide this information to Members of the Committee before the next meeting.

The Director of Corporate Resources advised Members that, whilst there had been some issues in respect of the management of repairs and maintenance, these would be addressed in the near future. It was also noted that the changes to Contract Standing Orders and the adoption of a Procurement Code, if approved by Council at its meeting on 19th December 2012, should lead to an improvement in the procedures for the engagement and management of consultants.

The use of purchase cards, which had previously been assessed as moderate assurance, had on this occasion received an overall audit opinion of substantial assurance.

An update was also given on the current position in respect of the Project Assurance Core Team and it was reported that a comprehensive review of the risk management process was being undertaken. It was noted that a special investigation had been undertaken in respect of the confidentiality of information.

As at 23rd November 2012, it was anticipated that one or two audits might not be completed within the current year due to the incidence of two recent special investigations. Priority would be given to completing the key financial systems audits, which were currently on track. It was noted that some of the planned governance and proactive fraud work had been delayed and NFI work had also been put on hold until resources became available. In this respect, it was noted that the key areas of the NFI work were undertaken by CenSus and were not therefore at risk.

The Chief Internal Auditor also reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2011/12, 2010/11 and 2009/10, together with details of agreed actions not yet implemented, an update for each item and a revised implementation date. It was noted that there had been a marked improvement in the number of outstanding actions that had now been implemented and a number of agreed actions currently outstanding related to amendments to the Council's Financial Regulations and Contract Standing Orders which, it was hoped, would be approved by Council on 19th December 2012. The Chief Internal Auditor was asked to highlight at the next meeting of the Committee any outstanding actions from 2009/10 and 2010/11 that were considered to be of significant concern.

AAG/34 Internal Audit – Quarterly Update Report (cont.)

RESOLVED

That the summary of audit and project work undertaken since September 2012 be noted.

REASON

- (i) To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/35 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor presented the latest quarterly update in respect of the Corporate Risk Register.

It was noted that the corporate risk register had been fully reviewed by the Corporate Management Team and that risk CRR38 (failure to implement the Community Infrastructure Levy (CIL) Scheme by April 2014 due to delay in preparing the District Planning Framework) had been added as a new risk. The implementation timescale for the new scheme was already extremely tight and any further delay would lead to a loss of income in CIL. Risk CRR27 (Health & Safety (Failure to comply with Council policy & procedures and legislative requirements)) would be removed, as all planned actions had been implemented and the level of risk reduced to an acceptable level.

Members noted the addition of risk CRR38 with concern and observed that the production of the District Planning Framework was a high priority for both Members and officers.

The action implementation dates in respect of risk CRR05, regarding information security, were to be checked and amended if necessary.

A progress update was submitted in respect of the Risk Management Strategy action plan for 2012/13.

A total of 12 out of 18 departmental risk register reviews had been completed in respect of the last quarter by the specified date and all outstanding reviews had been completed by the date of the preparation of the report.

AAG/35 Risk Management – Quarterly Update Report (cont.)

RESOLVED

- (i) That the updated Corporate Risk Register be approved.
- (ii) That the progress made in respect of departmental risk registers be noted.
- (iii) That the progress made in implementing the Risk Management Strategy action plan be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/36 **URGENT MATTERS**

There were no urgent matters to be considered.

The meeting finished at 6.46pm having commenced at 5.30pm.

CHAIRMAN

Report to Accounts, Audit and Governance Committee

27th March 2013

By the Chief Internal Auditor

INFORMATION REPORT

Not exempt



Internal Audit – Quarterly Update Report

Executive Summary

This report summarises the work completed by the Internal Audit Section since December 2012.

Recommendations

The Committee is recommended to:

- i) Approve the Internal Audit Strategy
- ii) Approve the Internal Audit Plan for 2013/14
- iii) Note the summary of audit and project work undertaken since December 2012.

Reasons for Recommendations

- i) To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit. The Code states that the Internal Audit Strategy and Annual Plan should be approved, but not directed, by the Audit Committee.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers:	CIPFA Code of Practice 2006 and Internal Audit Reports.
Consultation:	N/A
Wards affected:	All
Contact:	Paul Miller, Chief Internal Auditor.

Background Information

1. Introduction

The Purpose of this Report

- 1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since December 2012 and to seek Member approval for the Internal Audit Strategy and Annual Audit Plan for 2013/14.

2. Statutory and Policy Background

Statutory Background

- 2.1 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

Relevant Government Policy / Professional Standards

- 2.2 Internal Audit follows the standards set out in the “*Code of Practice for Internal Audit in Local Government*” published by the Chartered Institute of Public Finance and Accountancy (CIPFA). With effect from 1st April, local authority internal audit teams will be required to comply with a new set of standards, the PSIAS (Public Sector Internal Audit Standards) which will replace the CIPFA Code.

The PSIAS are based on the Chartered Institute of Internal Auditors (CIIA) International Standards with additional requirements and interpretations added for the UK public sector. These have been developed by the CIIA, working alongside CIPFA. The UK public sector’s adoption of this new guidance sets higher expectations for the role and scope of internal audit and provides a consistent framework for its delivery across the sector. Further information regarding the new standards will be provided at the June 2013 meeting, together with a proposed action plan.

Relevant Council Policy

- 2.3 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the work of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3. Internal Audit Strategy 2013/14

The CIPFA Code requires the Head of Internal Audit to produce an internal audit strategy. This is a high-level statement of how the Internal Audit service will be delivered in accordance with the terms of reference and how it links to the organisational objectives and priorities. The CIPFA Code states that the Internal Audit Strategy should be approved, but not directed, by the Audit Committee. The Internal Audit Strategy for 2013/14 is attached as Appendix 3 to this report.

4. Internal Audit Plan 2013/14

- 4.1 The CIPFA Code stipulates that the Internal Audit Plan should be fixed for a period of no longer than one year. The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed. The plan should differentiate between assurance and other work and should be sufficiently flexible to be able to reflect the changing risks and priorities of the organisation.
- 4.2 The Internal Audit Plan for 2013/14 includes an element of flexibility to enable the audit team to respond to current issues. The Plan was reviewed and challenged by Members of the Accounts, Audit and Governance Committee at a separate meeting held on 7th February and the final version is attached as Appendix 4. It was intended that the new Public Sector Internal Auditing Standards would be presented to the March meeting. However, the work involved at the time of the February meeting was underestimated, and therefore a time allocation to address this important piece of work has been added to the audit plan for 2013/14. The man day allocation for audit advice and special investigations has been reduced to compensate for this.

5. Summary of Audit Findings

5.1 Refuse Collection

OVERALL AUDIT OPINION: MODERATE ASSURANCE

A number of control weaknesses were identified with some of the main systems of control and processes within the department which are outlined below:

- The auditor identified that “Controlled Waste Transfer Notes” are not being completed and returned by customers in accordance with the Environmental Protection Act 1990. HDC are required by law to seek details of all types of waste collected from trade waste customers. It was also noted that there was no follow-up procedure in place to chase customers that have failed to return their notices. A new procedure has now been agreed and a proper monitoring process will be introduced to help ensure future compliance.
- Following an internal audit review undertaken in January 2011, a number of actions were agreed regarding stock controls over refuse bins. During the audit, we found that these controls and procedures were not in place, and the auditor was informed that this was due to officer changes at the Hop Oast depot. Remedial action has now been taken.

Agenda Item 8

- A review of risk assessments and safe working method documents was carried out and it was found that numerous documents had not been updated and reviewed for a number of years. It has been agreed that risk assessments and safe working method documents will be reviewed on a risk priority basis.
- A review of driver training and assessments was carried out and it was identified that internal driver training had not been carried out for approximately 2½ years due to the post of Driver Assessor being vacant. It was recommended as best practice by the HSE that all drivers should be subject to annual training and assessments by HDC. Remedial action will be dependent upon the successful appointment of a driver assessor.

5.2 Cash and Bank

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE (*previously assessed as “Substantial”*)

The auditor was satisfied that a sound system of control is in place for the operation of the Council's bank account and collection and receipting of cash within the Finance Department. At the time of the audit, it was identified that the Council's bank account and Financial Information system (TOTAL) had not reconciled for seven consecutive months and a variance of £14,990 throughout this period could not be explained. However, the reason for the discrepancy was identified prior to the final report being issued which related to an end of year journal entry for swipe card giros which should have been reversed. It has been agreed that supervisory control will be strengthened.

The previous three audits on Cash and Banking have highlighted the need to introduce and implement a corporate cash handling policy. At the time of the audit, this action was still outstanding; however, a policy has now been written by the Group Accountant and this has been uploaded onto the Council's Intranet.

5.3 Commercial Rents

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE

The auditor was satisfied that a sound system of control is in place for the operation of commercial rents, including financial controls and the maintenance of associated records. However, audit testing identified a few areas for improvement.

- The Council's Property Strategy and Asset Management Plan are overdue for review and updating. It has been confirmed that both documents will be reviewed and updated.
- From sample testing of new lease agreements, it became evident that a number of expected checks were not being undertaken. In particular, Experian credit checks were not being obtained for new tenants. It has been agreed that Experian credit checks will be undertaken for new high value rentals.

5.4 Server Room ~ County Hall North

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

The service level agreement that HDC has entered into with WSCC includes all expected controls designed to protect the Council servers and information assets. From work carried out by Internal Audit, and the visit made to the data centre, no significant weaknesses were identified.

The auditor was able to confirm that appropriate measures have been adopted and the controls outlined within the contract are in place and being complied with. A couple of minor control weaknesses were identified which have been addressed.

5.5 Horsham Museum

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

At the time of the audit, health and safety risk assessments held at the Museum were out of date and in need of review and it was also identified that fire drills had not been carried out in accordance with the Fire Safety Policy. These shortcomings have now been remedied.

A review of artefact loan agreements held revealed that these were not being fully completed as required. Many forms had not been completed with the date the item had been loaned out or when it was due to be returned. Furthermore, a considerable number of forms had not been signed to evidence that the agreement was completed and the item had been returned. A formal procedure for managing these forms is now being followed.

5.6 Housing Allocations

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

There is generally a sound system of control for the management of housing allocations including placement into temporary accommodation and the granting of tenancy deposits. A few minor control weaknesses were identified which are now being addressed.

6. Special Investigations / Project Support Work

6.1 Fuel Overspend ~ Hop Oast Depot

In September 2012, concerns were raised by Finance that the Council's spending on fuel was exceeding expectations. The Principal Accountant worked with the Support Services Manager to try and identify the reasons for the apparent overspend, but became concerned when a reconciliation between invoiced expenditure and a calculation (based upon fuel stock figures and figures provided by the Balvin software system) showed a discrepancy which could not be satisfactorily explained. It was at this point that Internal Audit was asked to undertake an independent investigation. A review was undertaken, and a report was drafted in December. The variance was in the region of 25,000 litres. A number

Agenda Item 8

of weaknesses in management control were identified and due to this (together with some concerns regarding the accuracy of the fuel software system) it was not possible to draw any meaningful conclusions at the time that the audit report was issued.

A number of audit recommendations have been agreed to help improve management systems and controls so that any future fuel discrepancies can be identified. For example, the need for independent checks of data input into the fuel software system (Balvin); management checks of fuel gauge / Balvin stock readings; controls over pump keys (including the override key); and the need for periodic reconciliations and routine monitoring of output reports.

6.2 Fuel Theft ~ Hop Oast Depot

Some time between the evening of the 19th December and the early hours of 20th December, thieves gained unauthorised access to the Hop Oast Depot by cutting through the padlock and chain at the front gates and disabling the alarm system (which also meant that the CCTV cameras within the depot failed to activate). The perpetrators then broke into the fuel tank and siphoned out a large quantity of fuel.

Internal Audit visited the site on the afternoon of the 20th December and assisted the Operational Services Administration Assistant in completing an incident report. The theft had already been reported to ADT and the Police. There was clear evidence that the fuel tank had been broken into, but at this stage, it was not known how much fuel had been removed. It was known, however, that 15,000 litres of fuel had been delivered on the morning of the 18th December.

It is estimated that the amount of fuel stolen was in the region of 10,400 litres. This figure has been obtained by interrogating the Balvin software system and conferring with the software suppliers. It is suspected that a tanker has been used to remove the fuel from the depot, but unfortunately there is no CCTV evidence to confirm this assumption. The financial loss arising from the theft is estimated to be in the region of £11,336.

A number of recommendations have been made to improve security at the Hop Oast Depot. These cover both physical security and detective controls.

6.3 Project Assurance Core Team (PACT)

The Chief Internal Auditor is a member of PACT, and monthly meetings are routinely convened with project managers to identify current risks and issues and to independently track progress to ensure that projects are being delivered within budget and in accordance with agreed timescales.

Since December, the team has tested the new VERTO (project management) software which has replaced Projxsoft. The new software is now being used for a number of live projects.

6.4 Risk Management Review

Internal Audit continues to play a key role in risk management. The new Operational Risk Management group had its second quarterly meeting in December, and a peer review was undertaken of two departmental risk registers. The risk management procedure document has been reviewed and is currently being updated. Further details are provided in the quarterly risk management report update.

7. Audit Plan 2012/13 ~ Progress to date

- 7.1 Due to the incidence of two special investigations and the need to become involved in new risk areas (for example, the introduction of fuel cards at Hop Oast Depot), a few of the audits originally planned to be undertaken during 2012/13 will slip into 2013/14. However, it is still anticipated that 87% of the original audit plan will be completed (which is within the agreed target of 85%).

8. Audit Follow ups

- 8.1 Table 1 shows agreed actions implemented expressed as a percentage of the total of agreed actions followed up.

Table 1 ~ Percentage of Agreed Actions Implemented

Financial Year	Mar 2012	Sep 2012	Dec 2012	Mar 2013
2009/10	74%	86%	88%	97%
2010/11	68%	80%	93%	97%
2011/12		59%	69%	89%
2012/13				85%

Table 2 below provides a summary of the number of agreed actions which haven't yet been implemented. Column 2 shows the total number of agreed actions which have been followed up, and Column 6 shows the number of agreed actions which are currently outstanding. Details of the outstanding items can be found in Appendix 5 which is an 'exempt' document. As requested at the December meeting, outstanding actions have been risk assessed.

In the last quarter, as anticipated, there has been significant progress in terms of outstanding actions being implemented for 2009/10 and 2010/11, which is continuing to strengthen the Council's control environment.

Table 2 ~ Outstanding Agreed Actions

Financial Year	Total Actions	No. of Agreed Actions which are Outstanding			
		Mar 2012	Sep 2012	Dec 2012	Mar 2013
2009/10	128	33	18	16	4
2010/11	155	49	31	11	5
2011/12	215		41	39	24
2012/13	82				12
		Totals	90	66	45

Please Note: The number of agreed actions total for 2012/13 will increase as and when agreed actions are formally followed up. The current total of agreed actions followed up for 2012/13 as at 1/3/13 was 82.

9. Next Steps

9.1 Not applicable.

10. Outcome of Consultations

10.1 Not applicable.

11. Other Courses of Action Considered but Rejected

11.1 Not applicable

12. Staffing Consequences

12.1 There are no direct staff consequences.

13. Financial Consequences

13.1 There are no financial consequences.


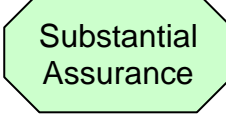


Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks	All internal audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit opinion (see Appendix 2 for definitions).
Risk Assessment attached Yes/No	No
Crime and Disorder	This report has no effect on Crime & Disorder issues.
Equality and Diversity/ Human Rights	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

Appendix 2

Categorisation of Audit Opinions

 <p>Full Assurance</p>	<p>System of Control: There is a sound system of control in place which minimises risk to the Council; and</p> <p>Compliance with Controls: Audit testing identified that all expected controls are being consistently applied.</p>
 <p>Substantial Assurance</p>	<p>System of Control: Whilst there is basically a sound system of control (i.e. key controls are in place), there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with controls in a few areas.</p>
 <p>Moderate Assurance</p>	<p>System of Control: There are some weaknesses in the system of control (i.e. the absence of two or more key controls) which is placing the Council at risk in a number of areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with two or more key controls.</p>
 <p>No Assurance</p>	<p>System of Control: The system of control is very weak or non-existent, which is placing the Council open to significant risk: and/or</p> <p>Compliance with Controls: Audit testing identified a high number of key controls which are not being complied with.</p>

INTERNAL AUDIT STRATEGY 2013 TO 2014

1.0 Introduction

1.1 CIPFA Code of Practice

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (Section 7.1) states that “the head of internal audit must produce an audit strategy; this is the high level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities”.

1.2 The purpose of this strategy is to outline:

- How the Internal Audit Service supports the Council’s Strategic Objectives.
- Primary Internal Audit objectives.
- The audit planning process.
- The audit reporting process.
- Resources, qualification requirements and competence matrix.
- Performance management and quality assurance processes.

1.3 Our aim is to help the Council meet the high standards of service delivery, conduct and governance its stakeholders expect by examining, evaluating and reporting on the internal control environment.

1.4 The corporate risk register is used to help inform the risk assessment of the audit universe, but is also supplemented with Internal Audit’s own assessment of risk and materiality. Over time, this assessment will draw more extensively from the Council’s risk registers.

1.5 The internal audit coverage for the coming 12 months has taken account of the District Plan, corporate and departmental risk registers, key corporate projects, internal audit risk assessment, project work and input from all members of the Corporate Management Team.

2.0 Council’s Strategic Objectives

2.1 Through the work it undertakes, Internal Audit will support the Council’s stated mission which sets out the Council’s focus over the coming years. The Council’s mission statement, which is articulated in the District Plan 2011 to 2015, is: “Promoting a better quality of life” which is underpinned by six themes:

- **Economic Development**
- **Efficiency and Taxation**
- **Arts, Heritage and Leisure**
- **Sustainable Communities**
- **Environment**
- **Safer and Healthier**

Agenda Item 8

The Internal Audit Service at Horsham assists in the achievement of these objectives by *providing a high quality audit service that gives management and Members reasonable assurance that the Council's control environment is effective, and acts as an agent for change by making recommendations for continual improvement*". We aim to be flexible and pragmatic and to deliver our service in collaboration with management to suit organisational needs. Through a risk based approach we will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk. Within the team we will provide a work environment that is both supportive and challenging to facilitate the development and retention of staff.

2.2 In order to support the Council's mission statement, the Chief Internal Auditor will provide an annual report to the Accounts, Audit and Governance Committee which provides an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management process and internal control environment.

3.0 Internal Audit Objectives

3.1 The primary objectives of the Horsham District Council Internal Audit Service are as follows:

- To ensure that the Internal Audit Service strengthens corporate governance by helping to improve the governance framework and helping the Council to continue to embed risk management into the culture of the Council.
- To provide an annual assurance statement by forming and evidencing an independent opinion on the organisation's risk management, internal control environment and governance arrangements based upon the results of audit work completed during the year.
- Whilst the Internal Audit section's primary role is to review, appraise and report on the adequacy of controls, it also undertakes other non-assurance work to "add value" to the organisation (including risk management, project assurance, advisory services and fraud-related work).
- To comply with the objectives set out in the 'CIPFA Code of Practice for Internal Audit in Local Government.'
- To comply with the mandatory Public Sector Internal Auditing Standards which come into effect from 1st April 2013.
- To ensure that Internal Audit continues to achieve a high standard in all key performance indicators for the service.
- To continually review the efficiency and effectiveness of the Internal Audit Service, and in particular, to maximise the use of computer audit software tools such as IDEA (Interactive Data Extraction & Analysis).
- To continue to work in partnership with the Council's external auditors and other internal audit functions as appropriate, to improve efficiency and avoid duplication of effort.
- To provide sufficient flexibility within the annual audit plan to enable the audit function to respond to current issues and the changing needs and priorities of the organisation.

4.0 Audit Planning

4.1 Internal Audit work will be adequately planned, controlled and recorded to establish audit priorities and ensure the effective use of audit resources.

- **Strategic Audit Plan**

The Strategic Audit Plan has been updated and is reviewed annually. Internal Audit work to a four year strategic plan and a risk assessment methodology is used to establish priorities and resource allocations.

- **Annual Audit Plan**

An annual operational audit plan is developed using a risk based approach. The following key financial systems are audited annually as they are material to the production of the Authority's accounts

- ☐ Budgetary Control
- ☐ Business Rates
- ☐ Cash Receipting & Bank Reconciliation
- ☐ Council Tax
- ☐ Creditors
- ☐ Debtors
- ☐ Housing Benefits
- ☐ Payroll
- ☐ Treasury Management

Specific tests are undertaken to satisfy the requirements set out in the International Standards for Auditing. The Council's external auditors review the team's work on these audits to assess whether reliance can be placed on the results for their statutory audit process.

In addition, on an annual basis, the Internal Audit Service undertakes work in the following key risk areas: information technology; contracts, corporate governance and risk management assurance.

There are currently 45 additional service and operational areas which are to be audited on a four yearly basis. The Chief Internal Auditor consults with Heads of Service about audit coverage as part of the annual audit planning process which includes a discussion about risk management and emerging risks which could impact on departmental objectives. Emerging risks could include significant local or national issues which may result in a one-off review, or alternatively may need to be incorporated into the strategic audit plan. The annual audit plan is approved by the Accounts Audit & Governance Committee.

A contingency allocation will also be built into the plan for consultancy work, investigations, counter fraud work, project assurance work and other unplanned enquiries. Any commissioned review work must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance. Any displacement of a previously planned review by unplanned work will be clearly justified.

5.0 Audit Reporting

5.1 Assignment Reporting

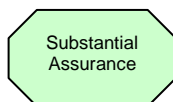
All formal internal audit assignments will result in a formal report. The primary purpose of the audit report is to provide an independent and objective opinion to management on the framework of internal control, risk management and governance in operation and to stimulate improvement.

The level of opinion provided in the formal audit report will be based on the following definitions:



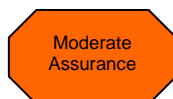
System of Control: *There is a sound system of control in place which minimises risk to the Council; and*

Compliance with Controls: *Audit testing identified that all expected controls are being consistently applied.*



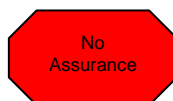
System of Control: *Whilst there is basically a sound system of control (i.e. key controls are in place), there are some weaknesses which may place the Council at risk in a few areas; and/or*

Compliance with Controls: *Audit testing identified a lack of compliance with controls in a few areas.*



System of Control: *There are some weaknesses in the system of control (i.e. the absence of two or more key controls) which is placing the Council at risk in a number of areas; and/or*

Compliance with Controls: *Audit testing identified a lack of compliance with two or more key controls.*



System of Control: *The system of control is very weak or non-existent, which is placing the Council open to significant risk; and/or*

Compliance with Controls: *Audit testing identified a high number of key controls which are not being complied with.*

Where possible, the formal audit report will be issued electronically within 15 days of the final meeting at which action and timescales for implementation are agreed. The formal audit report will be issued to the Line Manager, Head of Service and Director relating to the service area under review. All reports will be copied to the Section 151 Officer and the Chief Executive.

5.2 Follow ups

Action plans will form an integral part of the report detailing agreed actions, timescales for completion and responsible officers. Managers are accountable for any actions agreed within the action plans and responsible for ensuring actions are properly implemented within the agreed timescales.

Internal Audit will request progress reports from management, including evidence of actions taken where appropriate, within a timeframe that reflects delivery dates for agreed actions.

Agenda Item 8

The auditor will consider management responses and, where appropriate, evidence submitted, and exercise judgment as to whether any further action (e.g. a follow up review) is required by Internal Audit.

The results of audit follow ups will continue to be reported to the Accounts, Audit and Governance Committee in accordance with the new arrangements agreed by the Committee in 2012.

5.3 Quarterly Reports

The Chief Internal Auditor will submit quarterly reports to the Corporate Management Team (CMT) and the Accounts Audit & Governance Committee to summarise the main findings from audit assignments and remedial action agreed. An audit opinion for each audit assignment will also be given.

5.4 Annual Audit Opinion

The Chief Internal Auditor will prepare an annual report for CMT and the Accounts Audit & Governance Committee to include:

- An opinion on the overall adequacy and effectiveness of the framework of governance, risk management and internal control.
- Any issues which are considered to be particularly relevant to the Annual Governance Statement.
- Comment on compliance with the CIPFA Code of Compliance and the new Public Sector Internal Audit Standards.
- Feedback on performance against targets.

6.0 Resource Requirements, Training & Skills

6.1 The annual operational audit plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Accounts, Audit and Governance Committee will be advised where, for whatever reason, Internal Audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

6.2 The effectiveness of the Internal Audit section depends on the quality, training and experience of staff. In order to deliver the Audit Strategy and Annual Audit Plan, appropriate resources and skills will be required.

6.3 At Horsham, Internal Audit work is undertaken by an in-house team of three full-time employees and one part-time employee providing the equivalent of 3.5 full time staff. Internal audit staff will be appropriately qualified and have suitable audit experience. Appropriate qualifications are CCAB, CIAA or AAT. There is currently no requirement for elements of the audit service to be provided externally.

6.4 Partnership working was undertaken during 2012/13 in order to reduce duplication of Internal Audit work on CenSus Revenues and Benefits, and further partnership working will be undertaken in 2013/14. Similarly, a reciprocal arrangement set up between Horsham D.C. and Crawley B.C. during 2012/13, which has benefited both authorities, will continue.

Agenda Item 8

- 6.5 Training needs of individual auditors are identified using a competency matrix which is utilised to identify technical, professional, interpersonal and organisational competencies. This forms the basis of a skills register which records levels of competency achieved by each auditor together with a summary of training needs. As part of the annual appraisal process, personal development plans will be prepared for all audit staff following a skills gap analysis. Training needs will be evaluated on a six monthly basis and will respond to the changing demands placed upon the Internal Audit section resulting from emerging local and national issues.

7.0 Performance Management & Quality Assurance

- 7.1 Internal Audit will deliver a quality service that demonstrably adds to the improvement of the organisation's risk management, control and governance arrangements. Quality will be assured by adherence to audit processes that are subject to continuous review. The Chief Internal Auditor will undertake a review of working papers prior to the issue of each audit report.
- 7.2 A suite of performance indicators has been designed, and will be reported to the Corporate Management Team and Members as part of the Annual Audit Report. The targets set out below will be reviewed at the end of each financial year and revised as appropriate.

Code	Indicator	Target
A01	Percentage of agreed action items implemented.	100%
A02	Percentage of audits on annual audit plan completed within the year.	85%
A03	Management Satisfaction (very satisfied or satisfied) with Audit Service.	95%
A08	External Audit reliance on Internal Audit work achieved.	Yes
A09	Percentage of final reports issued within 15 days of completion of the final meeting to agree action and timescales.	85%
A10	Percentage of key financial system audits on annual audit plan completed within the year.	100%

- 7.3 The Chief Internal Auditor is committed to full compliance with the new mandatory Public Sector Internal Audit Standards. This includes ensuring that auditors are regularly reminded of their ethical responsibilities: integrity, objectivity, competence and confidentiality.

Paul Miller
Chief Internal Auditor
15th March 2013

INTERNAL AUDIT PLAN 2013/14	ESTIMATED MAN DAYS
ANNUAL AUDITS	
External Audit ~ Annual Key Controls (ISA)	40
Asset Management	14
Cash & Bank	16
Creditors & Purchase Cards	18
Debtors	16
Housing Benefits	43
Payroll	14
Treasury Management	12
Risk Management (Assurance)	14
ICT Audit ~ Data Access Management	15
ICT Audit ~ Review of IT Assets (Hardware)	15
ICT Audit ~ Staff Resources (Dependencies)	11
Contracts (Corporate Compliance)	12
Contracts (Leisure Contract ~ Monitoring)	10
Performance Management	15
Budgetary Control	15
OTHER WORK UNDERTAKEN ANNUALLY	
AGS & Governance Group	5
Sussex Audit Group & IT Sub Group	6
Audit Advice & Special Investigations	28
New Public Sector Internal Audit Standards	10
Ernst & Young liaison / meetings etc	4
Committee Representation	20
Follow-ups	14
NFI Work & Corporate Fraud	40
Risk Management	35
Project Assurance	24
Project ~ Disaster Recovery	10
OTHER AUDITS	
Health & Safety	16
Security	10
Compliance ~ Data Protection	15
Car Parks ~ follow up audit	16
Hop Oast Depot ~ Management Systems Review	20
Procurement/Purchasing	18
Compliance ~ Complaints & FOI Requests	15
Housing ~ Community Link Alarms	10
Insurance	14
Land Charges	16
Information Assurance	4
Economic Development (Horsham Market)	8
Economic Development (Events)	8
Community Development, Safety & Leisure Link	12
Licensing (Liquor / Gambling / Temporary Events)	15
Travel Claims	10
Total Chargeable Time	683

Report to Accounts, Audit and Governance Committee

27th March 2013

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt



Risk Management – Quarterly Update Report

Executive Summary

This report includes an update on the Corporate Risk Register for consideration and provides an update on progress with the quarterly departmental risk register reviews. The report also provides an update on progress in terms of the risk management action plan for 2012/13 which forms part of the Council's Risk Management Strategy.

Recommendations

The Committee is recommended to:

- 1) Consider the updated version of the Corporate Risk Register (see Appendix 2).
- 2) Note the progress which has been made with the departmental risk registers.
- 3) Note the progress in implementing the action plan contained within the Risk Management Strategy (see Appendix 3).

Reasons for Recommendations

As part of good governance, it is important that these documents are considered by Members.

Background Papers:	Management Information obtained from Covalent
Consultation:	The Corporate Management Team and Chief Internal Auditor
Wards affected:	All
Contact:	Paul Miller, Ext 5319

Background Information

1. Introduction

The Purpose of this Report

- 1.1 The Accounts, Audit and Governance Committee is charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.
- 1.2 The deadline for completing the third quarter review of departmental risk registers has now passed, and feedback on progress is summarised in this report.

2. Risk Management Update

2.1 Corporate Risk Register

The Corporate Management Team (CMT) has reviewed all outstanding actions on the Corporate Risk Register and comments have been updated to reflect the current position for each risk.

CRR27 has been removed from the "live" Corporate Risk Register as agreed at the last meeting, and CRR29 (relating to the review of Staff Terms and Conditions) has been added.

2.2 Departmental Risk Registers

All departmental risk register reviews for quarter 3 have been completed.

The Chief Internal Auditor facilitated a four hour workshop in February for the purpose of reviewing the Operational Services and Transport & Plant departmental risk registers. These have now been replaced by four new registers to reflect the current departmental structures. The new registers have been headed up as follows:

- Waste and Recycling
- Litter and Cleansing
- Support Services
- Parking Services

2.3 Operational Risk Management Group

The new Operational Risk Management Group (ORMG) met for the second time on 18th December and the Minutes have been reviewed by the Corporate Management Team. The Heads of Service responsible for Legal Services and Housing presented their departmental risk registers to the group as part of a new peer review process.

2.4 Risk Management Procedures

At the beginning of January, Internal audit arranged a meeting with the Head of Planning and Environmental Services and a number of risk champions to identify ways of improving the risk management process.

When undertaking quarterly reviews of departmental risk registers, for some officers, updating the Covalent system is considered to be difficult and time consuming. Although the Covalent system has been described as “clunky” and “unintuitive,” the software does provide a number of benefits. In particular, the output reports are produced in a consistent format which is easily understandable. The Chief Internal Auditor subsequently discussed this with the Director of Corporate Resources, and it has been agreed that support will be offered to those risk champions who are experiencing difficulties.

It was agreed that the Risk Management procedure document requires very little change. However, a number of good suggestions were made which will be taken on board:

- It was agreed that it would be helpful if the procedure document could be split up into the various topics for ease of reference.
- Departmental Risk Registers should be reviewed at team meetings as a standing agenda item. This happens in some departments, and is considered to be best practice. By adopting this approach (as an alternative to one-to-one meetings), new risks are more likely to be identified. This requirement will be built into the procedure document so that it becomes part of the process.
- It was suggested that risks should be considered by 'all' staff. Officers at the 'grass roots' level of the organisation (for example, front line services) may have a much better understanding of some of the risks than their managers, and there is therefore a need to roll out more risk management training across the organisation so that everyone is engaged in the process.
- Concerns were expressed that formal risk assessments are not attached to reports to Committee or Council. It was agreed that this is an area for further development.
- When the risk management process was first rolled out, an extension of time tolerance was built into the review process for the completion of the departmental risk registers. This tolerance will now be removed for the purposes of transparency. In the event that a department does not complete their review by the agreed cut-off date, this will continue to be reported to the Accounts, Audit and Governance Committee for information purposes.

3. Next Steps

3.1 Not applicable.

4. Outcome of Consultations

4.1 Not applicable.

5. Other Courses of Action Considered but Rejected

5.1 Not applicable.

6. Staffing Consequences

6.1 There are no direct staff consequences.

7. Financial Consequences

7.1 There are no financial consequences.

Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks	The report provides an update on the Council's corporate risks and how these are being managed by the Corporate Management Team.
Risk Assessment attached ~ No	See Appendix 2 for the latest version of the Council's Corporate Risk Register.
Crime and Disorder	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equality and Diversity/ Human Rights	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

Statutory and Policy Background

Statutory Background	The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003 (amended 2006): "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions and which includes arrangements for the management of risk".
Relevant Government Policy / Professional Standards	Risk management is an essential element of good corporate governance. The CIPFA/SOLACE Framework on Corporate Governance requires councils to establish and maintain a systematic strategy, methodology and processes for managing risk. They must also report publicly on the effectiveness of these arrangements.
Relevant Council Policy	The Council's Risk Management Strategy 2012/15 has been published on the Council's Intranet. The Corporate Risk Register is managed by the Council's Corporate Management Team, and each Head of Service is responsible for managing one or more departmental risk registers. When undertaking major projects, a risk log is maintained which is a requirement of the Council's project management methodology.

Corporate Risk Report with Actions March 2013 V2

Generated on: 19 March 2013

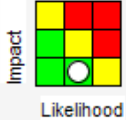



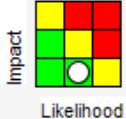

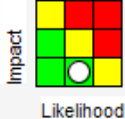

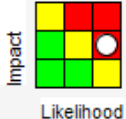

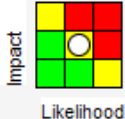











Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 Failure to identify appropriate actions to deal with reduced funding.	Job losses, reduced income, capital receipts reduced or not realised, service cuts (non-statutory functions, increased workload (e.g. debt recovery), and possible damage to reputation. Loss of discretionary services impacting on quality of life.	Katharine Eberhart		CRR.01.8 Develop & Deliver a new Medium Term Financial Strategy (to Council 19/12/12).	CMT	✓		March 2013 Update: The Finance Settlement for 2013/14 was announced on the 19th December 2012 and was broadly in line with predictions. The decisions made by Council on the 19th with regard to Car Park charges and Green Waste means that there is no likely deficit in 2013/14. The longer term deficit position will need to be continued to be monitored.
				CRR.01.9 Develop and deliver Business Transformation Programme.	CMT	▶		
				CRR01.01.10 Scope key projects and identify timelines. together with dependencies and critical resource requirements (Ongoing).	CMT	▶		
CRR05 Inadequate "information security"	Financial penalties & damage to reputation.	Peter Dawes		CRR.05.1 Develop an ICT Security Policy (by 30/09/12)	Peter Dawes	✓		March 2013 Update: See footnote ¹
				CRR.05.2 Develop processes & procedures which underpin the IT Security Policy (by 31/12/14, then annual review).	Peter Dawes	▶		
				CRR.05.4 Provide a programme of training on Information Security to all staff (by 31/12/13, then ongoing).	Peter Dawes	▶		

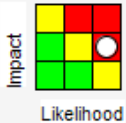

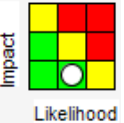


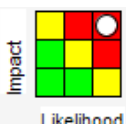

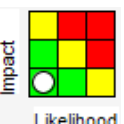

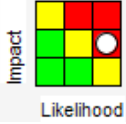

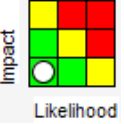

¹ Members queried the implementation timescales at the December 2012 AAGC meeting. The timescales recorded on the December Risk Register have been confirmed with the responsible Head of Service. The project is moving forward, but there is a great deal to do with a limited amount of resource. Member training was to be rolled out by end of March 2013, but this timescale has slipped.

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
				CRR.05.8 Member training will be provided to ensure the use of HDC e-mail only (or emails received / sent from private email boxes are copied to HDC email box) (by 30/3/13).	Peter Dawes			
CRR06 Lack of a tested Business Continuity Plan	Disruption to service, legislative breaches (if critical paperwork lost), loss of income & failure to achieve objectives.	Natalie Brahma-Pearl		CRR.06.1 Develop corporate business continuity plan and regular review (to be completed by 30/11/13).	Trevor Beadle			Mar 2013 Update: See footnote ²
				CRR.06.2 Develop departmental business continuity plans and regular review (by 30/11/13).	Trevor Beadle			
				CRR06.3 To field test reciprocal business recovery arrangements with Crawley Borough Council.	Trevor Beadle			
CRR21 Whilst there is a formal cascade system in place for calling out staff in the event of an emergency, there is no formal arrangement in place for calling out support services such as ICT & Buildings Maintenance staff (31/3/13).	An incident which cannot be resolved causing service interruptions at HDC Offices or other buildings for which we are responsible	Natalie Brahma-Pearl		CRR.21.1 Review Duty Officer and Out of Hours system (by 31/3/13)	Peter Dawes			March 2013 Update: This issue is being picked up as part of the staff terms and conditions review.
				CRR.21.2 Review appropriate Role Profiles to ensure that Out of Office cover is addressed (by 31/3/13)	Peter Dawes			
CRR24 Loss of Telephone System due to hardware failure	Failure of business objectives Non compliance with statutory requirements Financial business loss Disruption of service Damage to reputation	Peter Dawes		CRR.24.02 Explore partnership opportunities.	Peter Dawes			March 2013 Update: Out to tender for new system.
				CRR.24.03 Consider acquisition of new system - options report will be produced by December 2012.	Peter Dawes			

² Part 1 plans completed and a thorough Business Impact Assessment has been completed and sent to CMT. A BCP exercise was run 05/02/2013 and recommendations for improvement have been collated. The draft BC Plan and associated emergency office relocation MOU are awaiting consideration and sign off by the Chief Executive and Director of Community Services. Once CMT has agreed the draft BCP, Part 2 templates will be sent out for completion by end November 2013.

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR29 Pressure on the Council's financial position due to new government initiative to localise Council Tax Benefit	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.29.01 Member Advisory Group (31/1/13)	Katharine Eberhart			<p>March 2013 Update: The localised scheme was agreed within the required timelines and the potential loss to HDC has been included in the budget.</p> <p>The working group is considering the scheme for 2013/14.</p>
				CRR.29.02 Postponing any change to current policy for a year (31/1/13)	Katharine Eberhart			
CRR30 Potential financial loss due to new government initiative for the localisation of business rates	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.30.1 National updates (31/3/13)	Katharine Eberhart			<p>March 2013 Update: Business rates collection being monitored as part of the budget monitoring process.</p>
				CRR.30.2 County Working Group (31/3/13)	Katharine Eberhart			
CRR31 Potential financial loss due to new government initiative to move towards the Universal Credit.	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.31.1 Review Updates - National Guidelines (31/3/13)	Katharine Eberhart			<p>March 2013 Update: Census and HDC staff met in October to discuss impact of proposed changes. Information from government is limited and we do not have sufficient information to determine a realistic response at this stage.</p>

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR34 Poor performance and/or decision-making following a reduction in the number of directors, increasing work pressures on Directors, Heads of Service and Line Managers	Failure of business objectives	Tom Crowley		CRR.34.1 Regular 1-2-1's with Directors and Heads of Service (Monthly)	Tom Crowley; Natalie Brahma-Pearl; Katharine Eberhart			March 2013 Update: Priorities and pressures are regularly reviewed by the Chief Executive and Directors, and within CMT. In addition high level corporate priorities to support the District Plan for 2013/14 are currently under review with Cabinet. Transformation Programme has been fully resourced to avoid unrealistic demands for additional work on managers. Other areas of service pressure (e.g. Legal and Development Management) are to get additional temporary resources pending further reviews through the Transformation Programme.
				CRR.34.2 Review at CMT (Bi-Monthly)	Tom Crowley, Natalie Brahma-Pearl, Katharine Eberhart			
				CRR.34.3 Review of performance statistics (Monthly)	Tom Crowley, Natalie Brahma-Pearl, Katharine Eberhart			
CRR36 Legislative breach due to failure to update policies, systems and procedures in readiness for the implementation of the Localism Bill	Non compliance with statutory requirements. Damage to reputation	Katharine Eberhart		CRR.36.1 Project Plan detailing actions	Katharine Eberhart			March 2013 Update: Localism Action Plan is being implemented and regularly reviewed by CMT.
				CRR.36.2 Implement Action Plan (30/9/13)	Katharine Eberhart			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR37 The challenge of delivering the day job and projects against a background of business transformation & new initiatives increases pressure on staff and stress-related absences	Disruption of service	Tom Crowley		CRR.37.1 Develop Business Transformation Project Plan (30/6/12)	Tom Crowley			March 2013 Update: See comments in CRR34 above.
				CRR.37.2 Member Advisory Group will set clear priorities (31/7/12)	Tom Crowley			
				CRR.37.3 Monitor performance statistics (Monthly)	Tom Crowley			
CRR38 Failure to implement the Community Infrastructure Levy (CIL) Scheme by April 2014, due to delay in preparing the District Planning Framework	Failure of business objectives, substantial financial loss and damage to reputation	Tom Crowley		CRR.38.1 Raise Member awareness of the impact of further delays to the adoption of the District Planning Framework	Jill Scarfield			March 2013 Update:
				CRR.38.2 Explore options available for condensing the CIL policy implementation timescales (by 31/12/12)	Jill Scarfield			
CRR39 Low morale of workforce & / or withdrawal of goodwill as a result of the terms and conditions review leading to poor performance, reduced level of office cover and reduced willingness to 'go the extra mile' & respond to out of hours emergencies.	Failure of business objectives, non-compliance with statutory requirements, financial business loss, disruption of service & damage to the Council's reputation	Tom Crowley		CRR.39.1 Satisfactory outcomes from negotiations with the Union and timely conclusion of the Ts & Cs.	Tom Crowley			March 2013: New Risk
				CRR.39.2 Regular consultations and meetings	Tom Crowley			

ACTION PLAN 2012 to 2013**APPENDIX 3**

	Action	Responsibility	Target Date	Update
1.	Establish terms of reference and membership of the Risk Management Group.	CMT	10/05/12	Completed.
2.	Set up an Operational Risk Management Group to monitor and report on the effectiveness of risk management, promoting good practice.	Director of Corporate Resources	30/06/12	Completed and ongoing.
3.	Set up a rolling programme of Risk Register health checks for all services and major projects.	Risk Management Group	Quarterly	Completed and ongoing.
4.	Review and rationalise the Risk Management procedure manual.	Chief Internal Auditor	31/01/13	Internal Audit has met with all risk champions, and a small working group met to review the procedures. Procedures are now being updated.
5.	A repository of risks from previous projects will be developed which will be made available to all project managers.	Systems Development Manager	31/01/13	The functionality within Verto will be used for developing a repository of lessons learnt. This will be tested shortly.
6.	Initiate a training programme for key officers within departments, using scenarios which are relevant to the service area.	Chief Internal Auditor	30/03/13	Some training has been provided to Risk Champions.