

## **Rutland County Council**

Catmose, Oakham, Rutland, LE15 6HP

Telephone 01572 722577 Email [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk)

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held Via Zoom - <https://us06web.zoom.us/j/98656219033> on **Tuesday, 1st February, 2022** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Mark Andrews  
**Chief Executive**

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### **A G E N D A**

#### **1. APOLOGIES**

#### **2. MINUTES**

To confirm the minutes of the Audit and Risk Committee held on 30 November 2021.  
(Pages 5 - 10)

#### **3. DECLARATIONS OF INTEREST**

In accordance with the Regulations, Members are invited to declare any disclosable interests under the Code of Conduct and the nature of those interests in respect of items on this Agenda and/or indicate if Section 106 of the Local Government Finance Act 1992 applies to them.

#### **4. PETITIONS, DEPUTATIONS AND QUESTIONS**

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rules 93 and 94.

#### **5. QUESTIONS WITH NOTICE FROM MEMBERS**

To consider any questions received from Members of the Council in accordance with the provisions of Procedure Rule 95.

**6. NOTICES OF MOTION**

To consider any Notices of Motion from Members submitted under Procedure Rule 97.

**7. EXTERNAL AUDIT UPDATE**

To receive a verbal update from Grant Thornton, the Council's external auditors.

**8. RISK MANAGEMENT**

To receive Report No. 24/2022 from the Strategic Director for Resources.  
(Pages 11 - 36)

**9. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) UPDATE**

To receive a verbal update from the Strategic Director for Resources.

**10. INTERNAL AUDIT UPDATE**

To receive Report No. 23/2022 from the Strategic Director of Resources.  
(Pages 37 - 52)

**11. INTERNAL AUDIT PLANNING 2022/23**

To receive Report No. 22/2022 from the Strategic Director for Resources.  
(Pages 53 - 58)

**12. ANY OTHER URGENT BUSINESS**

To receive items of urgent business which have previously been notified to the person presiding.

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**DISTRIBUTION**

**MEMBERS OF THE AUDIT AND RISK COMMITTEE:**

Councillor R Powell (Chairman)

Councillor G Brown (Vice-Chair)

Councillor E Baines

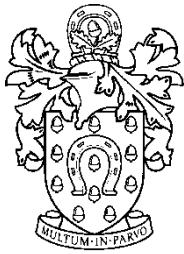
Councillor N Begy

Councillor M Jones

Councillor A MacCartney

Councillor A Walters

**OTHER MEMBERS FOR INFORMATION**



## Rutland County Council

Catmose Oakham Rutland LE15 6HP  
Telephone 01572 722577 Email [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk)

Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held via Zoom on Tuesday, 30th November, 2021 at 7.00 pm

<b>PRESENT:</b>	Councillor R Powell (Chair) Councillor P Ainsley Councillor A MacCartney	Councillor G Brown (Vice-Chair) Councillor N Begy
<b>OFFICERS PRESENT:</b>	Saverio Della Rocca Marie Rosenthal  Rachel Ashley-Caunt Tom Delaney	Strategic Director for Resources and S151 Officer Interim Deputy Director for Corporate Governance and Monitoring Officer Head of Internal Audit Governance Officer
<b>IN ATTENDANCE:</b>	Councillor K Payne	Portfolio Holder for Finance, Governance and Performance, Change and Transformation

### **1 APOLOGIES**

Apologies were received from Councillor E Baines.

### **2 MINUTES**

Consideration was given to the minutes of the meeting held on 28 September 2021. It was noted by the Chair that the Statement of Accounts had been subsequently signed on 14 October 2021 and the option for the future of External Audit endorsed by the Committee had been approved by Council on 8 November 2021.

### **RESOLVED**

That the minutes of the meeting held on 28 September 2021 be **APPROVED**.

### **3 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **4 PETITIONS, DEPUTATIONS AND QUESTIONS**

No petitions, deputations, or questions had been received.

## **5      QUESTIONS WITH NOTICE FROM MEMBERS**

No questions with notice had been received from Members.

## **6      NOTICES OF MOTION**

No notices of motion had been received.

## **7      CONSTITUTION REVIEW**

The Chair informed Members that she intended to alter the order of items and consider the Constitution Review first and this was unanimously agreed.

Report No. 168/2021 was received from the Monitoring Officer, Marie Rosenthal, who presented the report which set out Terms of Reference for a comprehensive review of the Council's Constitution by the Constitutional Review Working Group (CRWG) to ensure it was up to date and fit for purpose. It was highlighted that the proposed review was ambitious and would include a health check against legislative requirements and removing unrequired changes whilst delivering other improvements such as to the Scrutiny function.

Members welcomed the report and review of the Constitution, and in particular the intention to improve indexing and the review of Scrutiny. In response to a concern on whether the review would be deliverable within the timeframe, the Monitoring officer assured Members that she believed the review to be achievable and highlighted that the Constitution Review Working group has expressed a willingness to meet more regularly if required.

The Chair queried the formal role of the Audit and Risk Committee in reviewing the Constitution going forward given that in practice this was always undertaken by the CRWG, the Monitoring officer confirmed she would be considering removing these responsibilities away from the Audit and Risk Committee as part of the review and establishing the CRWG as a Standing Committee of the Council.

Members also welcomed the survey being undertaken with Members for their input into the review and it was requested that the Monitoring Officer write to Members on behalf of the Committee encouraging completion by the deadline of 6 December.

It was moved by Councillor G Brown that the Committee approve the Terms of Reference for a Constitution Review by the CRWG and refer the report to Council for final approval. This was seconded and upon being put to the vote the motion was unanimously carried.

## **RESOLVED**

That the Committee:

- 1) **APPROVES** the Terms of Reference set out in the Report for a Constitution Review by the Constitution Review Working Group.
- 2) **REFERS** the report to Council for approval.

## 8 RISK MANAGEMENT

Report No. 166/2021 was received from the Strategic Director of Resources, Saverio Della Rocca, who presented the report which presented the Strategic Risk Register to the Committee and methods used to address the risks contained within the Register.

In response to questions, it was confirmed that the Resilience Partnership at Risk 3 referred to the Local Resilience Partnership across Leicester, Leicestershire and Rutland. Several concerns were expressed over the closing of Risk 76 when work was still ongoing, however the Strategic Director for Resources gave assurance that the important actions mitigating the risk were underway and this was the reason behind the closing of the risk.

It was also agreed that large proposals such as the new Local Plan would create risks of deliverability for the Council, and the Strategic Director for Resources suggested that these pressures may lead to demands for external resourcing and higher funding in order to ensure sufficient capacity.

### RESOLVED

That the Committee **NOTES** the content of the Strategic Risk Register in Appendices A and B to the report, and the actions underway to address the risks.

The Strategic Director for Resources and Head of Internal Audit, Rachel Ashley-Caunt, then presented the draft Internal Audit Report examining the Council's approach to risk management. It was explained that it was considered appropriate for each directorate to establish and maintain their own risk registers to sit beneath the Strategic Risk Register. It was highlighted that there remained concerns around staff capacity, and it was explained that Internal Audit had been approached to provide 15 audit days of facilitative support to directorates with their risk registers.

It was clarified that Zurich Municipal, the Council's insurers, had agreed to provide support in initially establishing the registers at no cost to the Council, and Internal Audit's role would then be in supporting directorates to facilitate the maintenance and updating of these risk registers from 2022-23 on an ongoing basis.

Members supported the principle of directorates maintaining their own risk registers but expressed a number of concerns regarding the proposed impact on the amount of audit assignments undertaken by Internal Audit having re-directed 15 days away to assisting directorates. It was also noted that the Internal Audit Plan for 2022-23 would be formally agreed by the Committee at a future meeting and this would include setting out areas where assignments would be subsequently unable to go ahead.

In response to these concerns, it was set out by the Strategic Director for Resources and the Head of Internal Audit that supporting the maintenance of risk registers would not detract from Internal Audit's duty to audit the Council and would be as valuable to Internal Audit's work as the audit assignments that may be displaced, through providing an insight into work across all directorates in managing risk.

The Head of Internal Audit also assured members that she had duty to undertake sufficient work to provide an end of year opinion and that providing risk management support would not compromise this obligation.

Concern was also expressed regarding the general impact on staff capacity to maintain the registers even with support from Internal Audit, and the Strategic Director for Resources gave assurance that all Members of the Council's Strategic Management Team had been able to agree and support the creation of risk registers for their directorates and would be able to deliver these.

## **RESOLVED**

That the Committee **NOTES** the Internal Audit risk management draft report at Appendix C and notes the proposed response in 3.3.2 and 3.4.2 of the report and the impact on resources.

The Strategic Director for Resources then provided a brief update on a current CIPFA consultation regarding treasury management, which included proposals to prevent local authorities from borrowing for investment purpose although it was highlighted that the proposals were not final. The Strategic Director for Resources explained that the Council would look to pursue a cautious policy and would not undertake significant borrowing for commercial investment but it was noted that some investments might have both a financial objective alongside a service priority e.g., provision of local services.

## **9 INTERNAL AUDIT UPDATE**

Report No. 167/2021 was received from the Strategic Director of Resources. The Head of Internal Audit, Rachel Ashley-Caunt, presented the report which updated Members on the progress made in delivering the 2021/22 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting. It was highlighted that there was a high successful completion rate with no actions currently outstanding.

The Head of Internal Audit also set out that initial planning was already underway for the Internal Audit Plan for 2022-23, it was confirmed that officers would formally report at the next meeting requesting suggestions from Members on content of the plan, but Members were encouraged to also put forward any suggestions to Internal Audit before the meeting. It was also suggested that an informal meeting could be held for Members to bring their suggestions forward.

A concern was raised at the number of outstanding assignments due to be completed in the final quarter but the Head of Internal Audit explained that this was because several assignments relating to finance would not commence until the final quarter so that sufficient data was available, and extra resource would be brought to work on these and gave assurance that she expected no assignments to be left uncompleted. It was also noted that an audit assignment on asset management could be delayed given that the Council was currently undertaking an overlapping asset review.

## **RESOLVED**

That the Committee **NOTES** the Internal Audit update report.

## **10 INTERNAL AUDIT DELEGATION**

Report No. 169/2021 was received from the Strategic Director of Resources, Saverio Della Rocca, who presented the report which sought the Committee's endorsement for Council to transfer the internal audit delegation agreement from the current hosts to North Northamptonshire Council and to extend the agreement to March 2027.

In response to queries, the Strategic Director for Resources explained that although the proposals could be seen a new agreement, the costs of the new agreement were expected to be on the same basis as the current agreement for a similar if not greater capacity of service. Assurance was also given that should there be significant concerns on the quality of the service provided, then the Council retained the option to leave the agreement ahead of 2027 and seek new arrangements.

It was moved by Councillor N Begy that the Committee endorse the recommendation to Council, to transfer the internal audit delegation agreement from the current hosts to North Northamptonshire Council and to extend the agreement.

### **RESOLVED**

That the Committee **ENDORSES** the recommendation to Council to transfer the internal audit delegation agreement from the existing hosts to North Northamptonshire Council and to extend the agreement for a further five years.

## **11 ANY OTHER URGENT BUSINESS**

There was no urgent business for consideration but the Strategic Director for Resources confirmed that he would be contacting the Chair and then Members regarding two virtual sessions on risk management for Members delivered by the Council's insurers in the new year.

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**The Chair declared the meeting closed at 8.37 pm.**

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## AUDIT AND RISK COMMITTEE

1 February 2022

## RISK MANAGEMENT POLICY

### Report of the Strategic Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A	

### DECISION RECOMMENDATIONS

That the Audit and Risk Committee makes comments on the updated Risk Management Policy prior to its presentation for approval at Cabinet.

## 1 PURPOSE OF THE REPORT

- 1.1 To share the updated Risk Management Policy for comment prior to its presentation for approval at Cabinet.

## 2 BACKGROUND

- 2.1 The updated Risk Management Policy is attached at **Appendix A**.
- 2.2 The Risk Management Policy was last updated in 2016. The Policy has been updated by the Director for Resources mainly to reflect changes made to risk management practice since the last policy update.
- 2.3 Updates can be summarised as follows:
  - The Foreword now reflects the challenging environment within which risk management is being applied;

- Section 5 ‘Risk Appetite’ includes details of how risk appetite is applied in practice including advice that all risks rated as “Red” (per the scoring system at Appendix C) do not meet the risk appetite of the Council and should be managed as far as they can be. Risk Owners are also advised that if they do not have sufficient resources to manage risks to an acceptable level then this should be raised with SMT and Cabinet. The Audit and Risk Committee play an important role here in that they can provide feedback as to whether they believe the risk appetite applied by Risk Owners is consistent with the Council’s overall risk appetite.
- Section 6 ‘Approach’ includes a commitment to produce Directorate risk registers and adds in details of how Internal Audit work contributes to the process. This issue has been debated at previous meetings. Section 8 has also been expanded to explain that there will be ongoing audit of risk registers so that the Committee has a view as to whether controls are effective.
- Section 8 includes further narrative (guidance) on the risk assessment and risk identification process but none of which changes the Council’s approach. Details of how Director’s assurance statements fit into the Annual Governance Statement are also included.
- A new Section 9 on Risk Outcomes has been added.
- Appendix B include a new risk register template although variations of this are allowed as long as core risk information is included.
- Appendix C adds a clarification point that the risk assessment criteria is a guide for scoring but the Council accepts the fact that scoring can be subjective. Officers are advised to introduce an element of challenge into the scoring process and to benchmark scores for different risks to ensure scores look relatively consistent. The Audit and Risk Committee can again add value here by ‘sense checking’ relative scores across risks.
- Appendix E includes a diagrammatic overview of the risk management process.

2.4 Importantly, the Risk Management Policy, in itself, is meaningless if Members and staff do not apply the principles in their daily work. To this end, Zurich Municipal (ZM) have run a number of well attended risk workshops with officers and Members. ZM have remarked on the positive level of engagement and understanding from all concerned. Further workshops are being held specifically focusing on procurement and contract risks.

### **3 CONSULTATION**

3.1 No formal external consultation is necessary, but the Risk Management Policy has been reviewed by Internal Audit and Zurich Municipal with comments taken into account. The purpose of the report is to consult with this Committee prior to seeking formal approval of the policy.

### **4 ALTERNATIVE OPTIONS**

4.1 This report provides an opportunity for the Audit and Risk Committee to review the

Policy therefore there are no alternative options.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no direct financial implications arising from this report, but the Committee should note that the failure to manage risks effectively could have a financial impact on the Council.

## **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 As set out in the terms of reference within the constitution, this Committee has responsibility to provide assurance of the adequacy of the Risk Management framework and control environment. Approval of the Policy sits with Cabinet.
- 6.2 There are no legal implications arising from this report.

## **7 DATA PROTECTION IMPLICATIONS**

- 7.1 A Data Protection Impact Assessment (DPIA) has not been completed because there are no service, policy or organisational changes being proposed.

## **8 EQUALITY IMPACT ASSESSMENT**

- 8.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

## **9 COMMUNITY SAFETY IMPLICATIONS**

- 9.1 There are no community safety implications.

## **10 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications.

## **11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 11.1 The Committee's role is to monitor the effective development and operation of risk management and corporate governance. The Risk Management Policy sets out the framework.

## **12 BACKGROUND PAPERS**

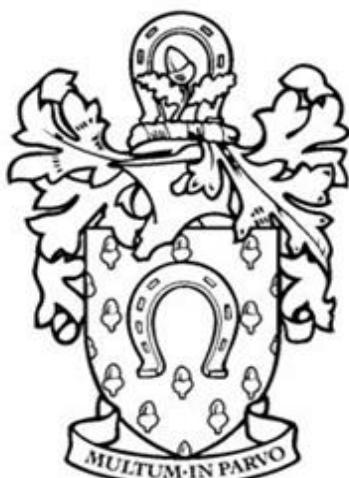
- 12.1 There are no additional background papers.

## **13 APPENDICES**

Appendix A – Risk Management Policy and Framework (Appendix A-E)

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

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# Rutland County Council

## Risk Management Policy and Framework

Version & Policy Number	Version 1.0
Guardian	Director of Resources
Date Produced	14 January 2022
Next Review Date	1 April 2026

## **Summary of document**

This document sets out the Council's policy and approach in relation to risk management. It is intended to demonstrate the commitment to good practice in this important area of governance and provides managers with the tools, techniques and understanding necessary to deliver effective risk management outcomes.

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## 1.0 FOREWORD FROM THE CHIEF EXECUTIVE

- 1.1 As a Unitary Council, Rutland County Council provides a wide range of services that combine to make a real difference to residents' lives on a daily basis. The Council is operating within a challenging climate:
  - i. **Financial** - our funding from central government has reduced over time placing an additional burden on Council tax. The increases in funding (from whatever sources) are not sufficient to meet needs and other cost pressures leaving the Council with an ongoing challenge to set a balanced budget.
  - ii. **Demand/volumes** - we are facing increased demands for services in areas like adult and children's services, we are collecting and disposing of more waste than we ever have, we have more children with special educational needs and receive more applications for financial support. Demand puts pressure on existing resources.
  - iii. **Uncertainty** - the Council operates in a climate where there is significant uncertainty whether this be future around future funding, legislation and demand.
- 1.2 The Council remains focussed on delivering corporate plan priorities delivering value for money and endeavouring to protect front line services as far as possible. As such, we need to be innovative in the way we deliver services to ensure we achieve the most for every Rutland pound spent.
- 1.3 Changes in our approach to delivering services will create opportunities but will also create risks and uncertainty. It is essential that we manage the risks and opportunities associated with the delivery of our outcomes, by adopting good risk management principles. Effective risk management will enable us to have the right level of control in place to prevent identified risks from occurring or to contain the impact if they do.
- 1.4 This policy defines the minimum requirements in relation to risk management and provides guidance on the principles, tools, techniques and support which will enable us to manage the business more effectively and meet the increasing challenges we will face. It is incumbent on all of us to identify and raise concerns that might impact our ability to deliver our intended outcomes and I would encourage regular risk conversations as part of team meetings.

## **2.0 POLICY STATEMENT**

- 2.1 This policy statement formally recognises the Council's responsibility and commitment to manage the strategic and operational risks that it faces in order to meet its intended outcomes. This includes protecting the health, safety and welfare of its employees and the people it serves, protecting its property, assets and other resources and maintaining its reputation and good standing in the community.
- 2.2 Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. As an organisation it can impact in many ways, whether financially, politically, on our reputation, environmentally or to our service delivery. Effective risk management optimises the balance between risk and control, providing sufficient protection from harm, without stifling our development. As an organisation, with a range of different stakeholders, each with differing needs and expectations, this can be a challenge. We must ensure that the decisions we take as a Council reflect a consideration of the potential implications for all our stakeholders. We must decide whether the benefits of taking our actions outweigh the risks.
- 2.3 The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the business, are understood and proactively managed, rather than avoided. Risk management therefore needs to be taken into the heart of the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.
- 2.4 The Council's main aims in relation to risk management are to:
  - i. Ensure that appropriate systems are in place to help identify, evaluate and make a conscious choice about how to deal with the risks that it faces
  - ii. Ensure that mechanisms exist to track and report business risks on an ongoing basis
  - iii. Embed risk management into the culture of the organisation in terms of how it operates and makes decisions
  - iv. Adopt a systematic approach to risk management as an integral element of business planning and performance management
  - v. Raise awareness of the need for risk management by all those connected with delivery of the Council's services (including partners and contractors)

## **3.0 INTRODUCTION**

- 3.1 The effective management of risk is a central part of any organisation's strategic management and an integral part of corporate governance.
- 3.2 The focus of good risk management is the identification, assessment and response to key risks that may impact upon the achievement of the Council's stated aims and objectives. It also seeks to maximise the rewards that can be gained through managing risk effectively.
- 3.3 The Council requires all senior managers to make an annual assurance statement on the effectiveness of risk management and control within their respective areas. These statements form the basis of the Annual Governance Statement made by the Leader of the Council and the Chief Executive and included with the Council's financial statements approved by the Audit and Risk Committee.
- 3.4 Overall responsibility for ensuring that the Council has the appropriate systems in place to manage business risk at a strategic level lies with the Strategic Management Team (SMT) and the Director of Resources will champion the process on their behalf. At an operational level, individual Directors supported by Heads of Service will have responsibility for managing risks.
- 3.5 For the purpose of this document, risks are split into two levels. Directorate risks are those which may prevent individual service or directorate aims and objectives being met. Strategic Risks are those which:
  - i. Relate to the achievement of the long term purpose, priorities and plans of the Council;
  - ii. Impact more than one directorate or which require a response to be co-ordinated across multiple directorates; and
  - iii. Directorate risks which, if they materialised, would have the potential to impact significantly on service delivery and the reputation of the Council.
- 3.6 Risk management is both a 'top down' and a 'bottom up' process. The top down enables the identification and control of strategic risks while the bottom up process enables operational concerns to be escalated through the organisation as appropriate. The bottom up approach also enables the effect of similar concerns across directorates to be aggregated.
- 3.7 The benefits of an effective risk management strategy are as follows:
  - i. To ensure increased knowledge and understanding of exposure to risk and its importance in front line service delivery. This in turn

- allows an early and proportionate response, which should mean fewer incidents and other control failures;
  - ii. Where issues do arise, investigating what went wrong and taking appropriate remedial action creates a learning culture and an environment in which issues do not recur;
  - iii. It provides assurance to members and management on the adequacy of arrangements for the conduct of business and the use of resources; and
  - iv. This in turn protects the reputation of the Council which could otherwise be impacted by service disruptions and litigation.
- 3.8 The strategy will be subject to periodic review to ensure that it remains up-to-date and continues to reflect the Council's approach to risk management.

## 4.0 DEFINITIONS AND SCOPE

- 4.1 **Risk** can be defined as the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies.
- 4.2 **Risk management** is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.
- 4.3 **Controls** are systematic measures implemented to mitigate risks and help an organisation achieve its objectives. Preventive controls are mechanisms established to discourage risks from occurring while detective controls are designed to identify the impact of risks that may have occurred.
- 4.4 This strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and, in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.
- 4.5 Ensuring that there is an understanding of 'risk' and that the Council adopts a consistent approach to identifying, prioritising and reporting risks should lead to conscious choices over the most appropriate method for dealing with each risk i.e. **tolerating, transferring or treating the risk or terminating** the activity which gives rise to it.

## **5.0 RISK APPETITE**

- 5.1 An organisation's risk appetite is the amount of risk it is prepared to accept, tolerate or be exposed to in order to achieve its objectives. This is factored into planning, decision making and delivery.
- 5.2 It is important for the risk appetite to be understood within the organisation so that the appropriate response is made to identified risks. If managers are running the business without sufficient guidance on the amount of risk it is acceptable for them to take, or not seizing important opportunities because of a belief that taking on additional risk is discouraged, performance will not be maximised.
- 5.3 As a local authority, the Council not only has significant statutory responsibilities, but it is also responsible for being a catalyst for change in its local area – place shaping, stimulating the economy and facilitating growth. To be successful in delivering its aims and objectives with finite resources, the Council cannot eliminate risk entirely; rather it sometimes has to take calculated risks. The Council has a difficult balancing act. The Council therefore has a variable risk appetite. When it comes to issues of safeguarding and the welfare of staff and public, it has a low risk appetite which means as far as possible it will try to reduce risks as far as possible. In relation to other duties, the Council accepts and is willing to take more risk taking into account potential gains, stakeholder expectations, available resources and the organisation's capacity to deliver.
- 5.4 In practice, it is the responsibility of Cabinet to set the overall risk appetite. Risk Owners will then apply this in practice. To help Risk Owners, the matrix in Appendix D highlights that risks rated as "Red" would not meet the risk management appetite of the Council and will need to be actively managed as far as possible. Risks in the "Amber" will need to consider further. Risk Owners should "consult" if they are unsure. In the event that Risk Owners do not believe that risks can be managed with the current available resources then this should be raised with SMT and Cabinet.
- 5.5 The Senior Management Team, Internal Audit and the Audit and Risk Management Committee will provide challenge as to whether the Risk Owners have interpreted the Council's risk appetite appropriately e.g. if a Risk Owner has decided to accept a risk which others believe should be managed then this can be discussed.

## **6.0 APPROACH**

- 6.1 We will meet our risk management objectives by undertaking the following actions:
- i. Providing and using a robust and systematic framework for identifying, managing and responding to strategic and operational risks (see section 8);
  - ii. Establishing clear roles, responsibilities and reporting lines for risk management;
  - iii. Demonstrating a commitment to risk management and assurance through the actions and behaviours of the SMT in their decision making. We will also understand our risk appetite and the level of risk we are prepared to accept in different activities and service areas;
  - iv. Reinforcing the value of risk management by integrating it within the Council's (and partnerships') project management, performance management and procurement processes;
  - v. Establishing effective processes for oversight of the Council's risk exposure and monitoring both internal controls and external influences to understand changes in that exposure; and
  - vi. Increasing understanding and expertise in risk management through targeted training and sharing of good practice.
- 6.2 As evidence of the effectiveness of the approach we will expect to see the following (summarised in Appendix E):
- i. The strategic risk register is reviewed and discussed at the appropriate forum of SMT on a quarterly basis;
  - ii. Directorate risk registers are formally reviewed and discussed in Directorate Team meetings on a quarterly basis;
  - iii. The strategic risk register is presented to Members (via Audit and Risk Committee) at least twice annually;
  - iv. Project/programme registers are maintained by Project managers and available for audit and for Members considering project matters;
  - v. Tailored risk registers are maintained for key contracts as required in the Contract Procedure Rules;

- vi. Other risk registers may be developed (e.g. fraud risk register, business grants) at the discretion of Heads of Service/Managers;
- vii. Internal Audit will undertake a periodic review of risk management within the Council to determine the extent to which the framework is being deployed;
- viii. Internal Audit will undertake quarterly testing of risk registers to verify the effectiveness of controls;
- ix. Internal Audit will consider how risks are being managed and whether controls deployed are designed and working effectively as part of individual audit assignments;
- x. Reports to Member meeting in relation to decisions will include consideration of risks; and
- xi. Training will be provided to staff at regular intervals.

## 7.0 ROLES AND RESPONSIBILITIES

7.1 In order to ensure the successful implementation of the strategy, the following roles exist

Group/ Individuals	Role/ Responsibilities
Audit & Risk Committee	<ul style="list-style-type: none"><li>• To provide independent assurance to the Council and the Cabinet of the adequacy of the overall corporate governance and internal control environments including the associated approach to risk management</li><li>• To review the content of the strategic risk register and the adequacy of associated risk management arrangements</li><li>• To review the Statement of Internal Control prior to approval by the Leader and Chief Executive</li></ul>
Senior Management Team (SMT)	<ul style="list-style-type: none"><li>• Identify, manage and monitor strategic risks</li><li>• Ensure that reports to support strategic and/or policy decisions include a risk assessment</li></ul>
Portfolio Holder for Finance	<ul style="list-style-type: none"><li>• The Cabinet Member with specific responsibility for promoting awareness and understanding of risk management</li></ul>
Director for Resources	<ul style="list-style-type: none"><li>• The SMT member with specific responsibility for promoting awareness and understanding of risk management and championing the benefits amongst colleagues</li></ul>
Chief Executive	<ul style="list-style-type: none"><li>• Leads on the wider corporate governance agenda of which risk management is a part</li><li>• Receives assurance statements on internal control from senior managers and signs off the Annual Governance Statement along with the Leader of the Council</li></ul>
Directors	<ul style="list-style-type: none"><li>• Making arrangements to embed risk management throughout their areas of responsibility</li><li>• Identify, manage and monitor operational risks</li><li>• Reporting their directorate risks on a regular basis</li></ul>
Internal Audit	<ul style="list-style-type: none"><li>• Review and report on the risk management process</li><li>• Feed into the annual assurance statements and provide an opinion based on audit work carried out through the year</li></ul>

Group/ Individuals	Role/ Responsibilities
	<ul style="list-style-type: none"> <li>Support facilitation of Directorate risk management registers providing advice and support</li> </ul>
All Members and Officers	<ul style="list-style-type: none"> <li>Understand and act upon key risks that could significantly impact the achievement of service, team or project objectives</li> </ul>

## 8.0 RISK MANAGEMENT PROCESS

- 8.1 The risk management cycle applies to all types of risk and involves a number of key stages which are outlined below.



- 8.2 **Defining objectives** is a critical first step in the risk management cycle because risks should have a clear link to what it is that the organisation is trying to achieve. In broad terms risks are split into various categories:

- Corporate – strategic risks relating to the long-term goals of the Council.
- Directorate – key risks specifically relating to the delivery of services within each directorate
- Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives
- Other – risks relating to any operational activity (fraud, contracts etc)

- 8.3 **Risk identification** is the process of documenting the risks/opportunities that could impact or prevent the achievement of a defined objective. It is the responsibility of all parties associated with an objective to help identify potential risks and report them to the manager responsible. The risk should be described clearly so that it is fully understood and to assist with determining the appropriate response. The risk register should therefore capture the risk together with causes and consequences. Potential risk sources are set out in Appendix A and a risk register format at Appendix B (but this can be varied as long as core risk information is included i.e. risk, controls, inherent and net risk score).
- 8.4 At the point when risks are being identified, the possible triggers and the likely consequences of each risk should be very clearly articulated. A *trigger is an event or condition that causes a risk to occur*. It is something specific that if it happens causes either the risk to crystallise (i.e. impact the Council) and/or a need to re-consider our risk assessment of that area. By identifying the triggers, we are better able to identify any controls or mitigating actions necessary to prevent the risk occurring and to recover quickly should that risk occur.
- 8.5 **Risk assessment** enables a score to be applied to both the likelihood of a risk materialising and the potential consequence/impact and ensures that resources are focused on the most significant concerns.
- 8.6 The consequence is the impact on the Council IF the trigger happens and/or if the issues, mitigations or controls within that area are not effectively managed. Consequences are mostly negative but can be positive, for example if we manage this well we will secure £x additional funding. These are scored.
- 8.7 Likelihood factors can include some elements we do not control and some controls and processes that manage an area of risk. Examples include:
- Budget management and forecasting
  - Pre-employment checks
  - Business Continuity plans
- 8.8 If these controls are robust and work effectively then they reduce the probability of a trigger or other factor causing the documented consequence. If these controls are absent or work ineffectively then the probability increases that the documented consequence will occur and cause greater problems.
- 8.9 The score for an individual risk is the product of impact and likelihood using the criteria set out in Appendix C.
- 8.10 The Council uses a two stage risk assessment approach:

- i. Inherent Risk – the impact and likelihood of the risk without any controls in place – the inherent risk score if no action was taken
- ii. Residual Risk – the impact and likelihood of the risk considering the existing controls in place. Current controls should be evaluated and documented

In some environment, target risk is used. This measures the impact and likelihood desired by the Council. In reality, a target risk score may never be achievable. The risk response (i.e. actions to be taken) should reflect whether the residual risk score is acceptable. If it is then by default the Council has achieved its target risk or accepts the level of residual risk.

8.11 **Risk response** is about taking action which balances cost with the level of risk faced by the Council. Options for responding to the risk are as follows:

- i. Tolerate – this is a conscious decision to take no action either because the risk is within the stated appetite of the Council or because it is expected to be a very low occurrence. The risk should be monitored to ensure its potential does not change
- ii. Treat – procedures and controls are put in place to reduce the likelihood or frequency of a risk materialising or to reduce its impact
- iii. Transfer – the risk is transferred to a third party by mechanisms such as insurance or outsourcing
- iv. Terminate – the activity giving rise to the risk is stopped

8.12 **Risk review and reporting** is required because all risks can change over time and therefore need close monitoring to ensure that current controls remain in place and are effective, and that mitigating actions are achieved within the target timeframe. All changes should be recorded and reviewed in directorate meetings in accordance with the guidance in Appendix D. The strategic risk register is reviewed by SMT on a quarterly basis.

8.13 As part of the Directors Assurance statements to support the Council's Annual Governance Statement the Chief Executive and Directors will provide annual assurance in respect of the development, maintenance and operation of effective control systems for risks under their control.

## **9.0 RISK OUTCOMES**

9.1 Overall success in progressing risk management will be assessed through consideration of the following:

- The Council is able to deliver against Council priorities
- Resources focused against areas of greatest corporate need and published priorities are delivered within the annual work programme
- Enhanced working at Rutland area level with confidence over partnership risk and assurance frameworks
- Risk Management priorities are embedded within both performance reporting and within the corporate assurance framework.

## APPENDIX A - SOURCES OF RISK

	<b>Sources of Risk</b>	<b>Risk Considerations</b>
<b>STRATEGIC</b>	Political	<ul style="list-style-type: none"> <li>• Changes in Government policy</li> <li>• National or local political pressures</li> </ul>
	Economic	<ul style="list-style-type: none"> <li>• Economic downturn – prosperity of local businesses/ local communities</li> <li>• Ability to deliver value for money</li> </ul>
	Social	<ul style="list-style-type: none"> <li>• Demographic changes</li> <li>• Crime and disorder, health inequalities, safeguarding issues</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>• Ability to respond to changing demands</li> <li>• Obsolescence of existing technology</li> </ul>
	Legislation	<ul style="list-style-type: none"> <li>• Changes in legislation</li> <li>• Legal challenges or judicial reviews</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Recycling, green issues, energy efficiency, land use and green belt issues</li> </ul>

	<b>Sources of Risk</b>	<b>Risk Examples</b>
<b>OPERATIONAL</b>	Finance	<ul style="list-style-type: none"> <li>• Budgetary pressures</li> <li>• System/ procedure weaknesses</li> </ul>
	People	<ul style="list-style-type: none"> <li>• Loss of key staff, recruitment, retention &amp; development issues</li> <li>• Communication and consultation during transformation</li> </ul>
	Partnerships and Contracts	<ul style="list-style-type: none"> <li>• Delivery of services to agreed cost and specification</li> <li>• Clarity of roles and relationships</li> </ul>
	Physical Assets	<ul style="list-style-type: none"> <li>• Safety and security of land, buildings and equipment</li> <li>• Control of IT hardware</li> </ul>
	Process	<ul style="list-style-type: none"> <li>• Poor quality/ reduced service delivery</li> <li>• Confidentiality, integrity and availability of information</li> </ul>
	Resilience	<ul style="list-style-type: none"> <li>• Emergency preparedness/ business continuity</li> </ul>

## APPENDIX B - RISK REGISTER EXAMPLE TEMPLATE

Risk ID: 77	Risk Title: Changes to LLR Health system may reduce our ability to shape services to meet needs			
Owner: Director - People	<p>Actions</p> <ul style="list-style-type: none"> <li>• Develop a Rutland Health Plan in partnership with CCG, PCN and other Stakeholders <ul style="list-style-type: none"> <li>○ Added January 21</li> <li>○ Due for completion: End June 2021</li> <li>○ Revised date: March 2022</li> <li>○ This is now in draft and has gone to both Scrutiny and Health and Wellbeing Board. To be finalised in January 2022.</li> </ul> </li> </ul>	<p>Controls</p> <ul style="list-style-type: none"> <li>• Excellent relations with CCG/Community Health and GP's.</li> <li>• Delivering strong integrated health and social care offers with partners via BCF.</li> <li>• Significant integration already achieved proven by data.</li> <li>• Rutland integrated service is a nationally recognised success.</li> <li>• Services continue to develop such as with the Primary Care Network consolidating the Rutland approach.</li> </ul>		
Inherent Score: <span style="color: orange;">8</span>				
Residual Score: <span style="color: green;">6</span>				
Date Risk Added: October 2019				
Last Review Date: October 2021				
<b>PREVIOUS ACTIONS (REMOVED OR CLOSED)</b>				
None				
<b>Comments:</b>				
None				

## APPENDIX C - RISK ASSESSMENT CRITERIA

The following tables should be used as a guide to assess and prioritise risks to ensure that resources are focused accordingly accepting the fact that scoring can be subjective. Officers are advised to introduce an element of challenge into the scoring process. For example, owners should score risk themselves but then all risk scores should be independently verified by SMT or DMT as appropriate.

### LIKELIHOOD MEASURES

	Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
<b>Probability</b>	<b>Less than 10% chance of circumstances arising</b>	<b>11% to 30% chance of circumstances arising</b>	<b>31% to 50% chance of circumstances arising</b>	<b>51% to 70% chance of circumstances arising</b>	<b>71% to 90% chance of circumstances arising</b>	<b>More than 90% chance of circumstances arising</b>
<b>Timescale</b>	<b>It is unlikely to occur</b>	<b>Possible in the next 5 years</b>	<b>Possible in the next 3-5 years</b>	<b>Possible in the next 1-2 years</b>	<b>Likely to occur in the next 6-12 months</b>	<b>Occurred in the past month or is very likely to occur in the next month</b>

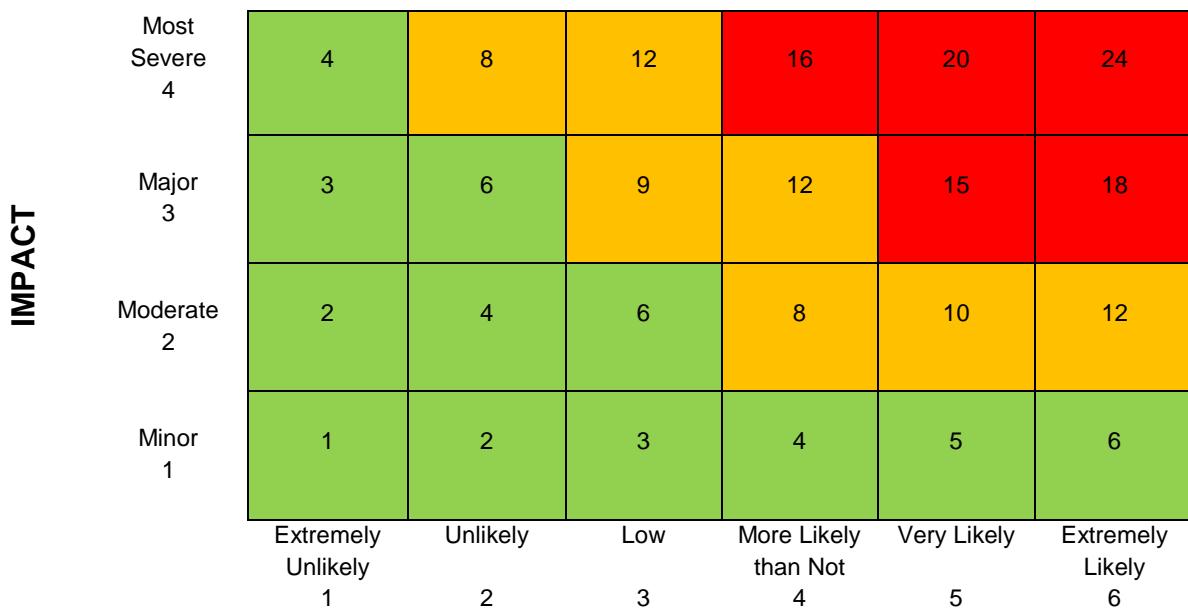
30

### IMPACT MEASURES

	Minor 1	Moderate 2	Major 3	Most Severe/Extreme 4
<b>Financial</b>	Financial revenue loss up to £500k over MTFP	Financial loss £500k – 750k over MTFP	Financial loss £750k to £2m	Financial loss over £2m
<b>Reputation</b>	A few minor complaints and/or minimal local media attention	A number of complaints and adverse local media attention	Some national media attention and sustained local media attention	Ministerial intervention and/or public enquiry with sustained national media attention
<b>Service Delivery</b>	Limited disruption to services	Disruption to services that do not directly affect vulnerable groups	Significant disruption to services directly affecting vulnerable groups	Loss of services directly affecting vulnerable groups
<b>Health &amp; Safety</b>	Low level of foreseeable minor injuries	High level of foreseeable minor injuries/ low level of foreseeable serious injuries	High level of foreseeable serious injuries	Foreseeable long-term injury, illness or fatality

## APPENDIX D - RISK ESCALATION CRITERIA

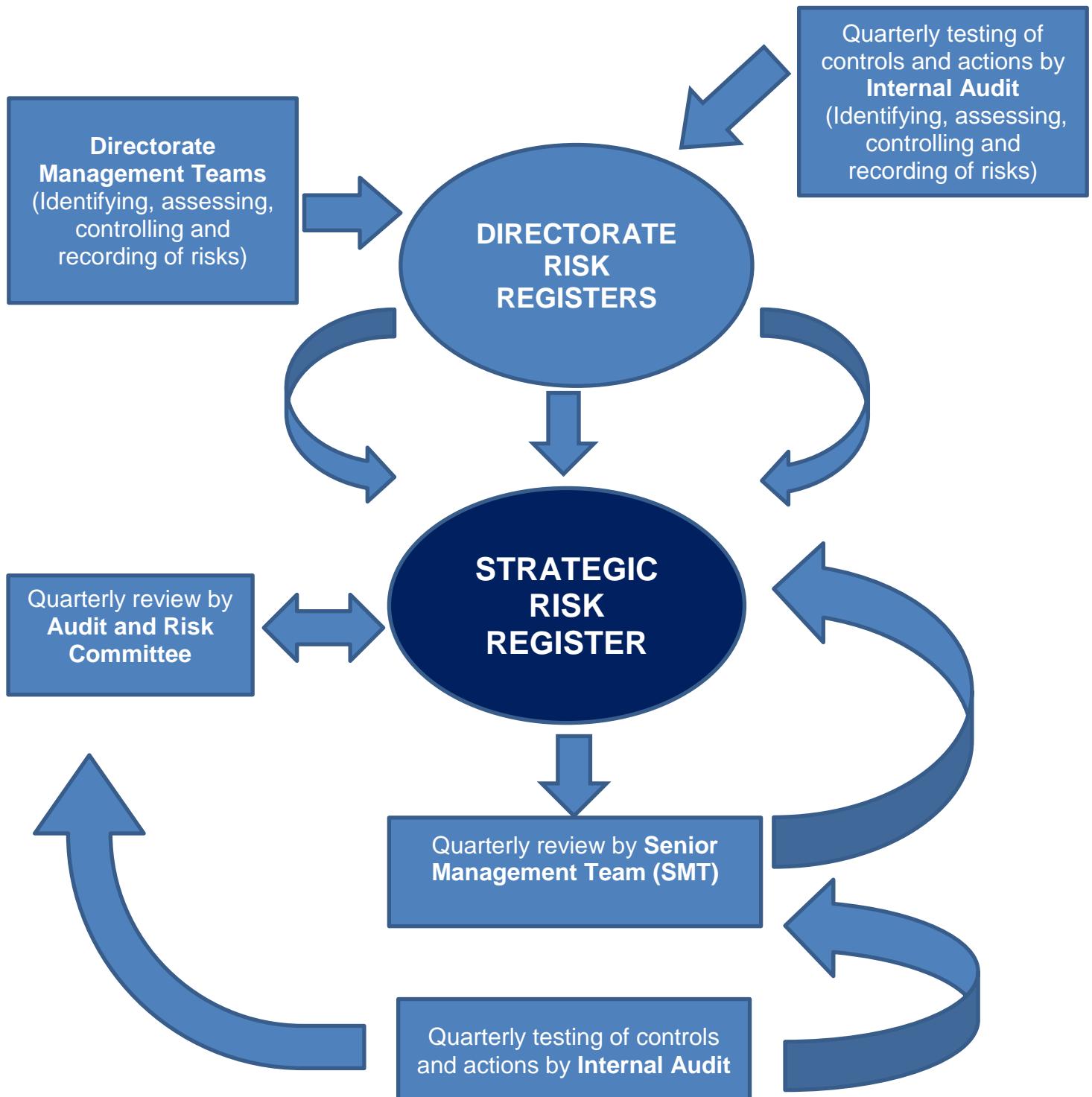
The results of the assessment determine the escalation criteria and frequency of review as follows. For the purposes of risk appetite, risks assessed as “Red” do not meet the Council’s risk appetite and will need to be managed accordingly.



## LIKELIHOOD

Current Risk Level & Score	Frequency and level of Risk Review
High 15-24	These are significant risks which may have a serious impact on the Council and its objectives if not managed. They should therefore be visible to Directors and <b>reviewed on at least a monthly basis</b> and considered for escalation to the strategic risk register.
Medium 8-12	These are risks which have the capability to cause some disruption to the Council if not managed appropriately. They should be visible to Directors and <b>reviewed on at least a quarterly basis</b> .
Low 1-6	These risks may not require further action at this point in time but need to be monitored to ensure that there are no changes in circumstances which would lead to the risk score changing. They should be visible to Directors and <b>reviewed on at least a 6-monthly basis</b> .

## **APPENDIX E RISK MANAGEMENT PROCESS OVERVIEW**



**A large print version of this document is available  
on request**



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## AUDIT AND RISK COMMITTEE

1 February 2022

### INTERNAL AUDIT UPDATE

#### Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 <a href="mailto:rashley-caunt@rutland.gov.uk">rashley-caunt@rutland.gov.uk</a>
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Committee

1. Notes the Internal Audit update report (Appendix A).

## 1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2021/22 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### Update on Delivery of Internal Audit Plan

- 2.1 The progress made to date in delivering the 2021/22 audit plan is set out in Appendix A.

### Implementation of Recommendations

- 2.2 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.3 There are currently no actions rated as 'Medium' or 'High' priority which are overdue

for implementation.

- 2.4 It is standard practice for any audit reports receiving lower than Satisfactory Assurance opinions to be presented to the Audit and Risk Committee in full. To date, no such reports have been finalised from the 2021/22 Audit Plan.

### **3 CONSULTATION**

- 3.1 No formal consultation is required.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Committee is asked to note the report but may wish to receive an earlier update on any limited assurance reports.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report.

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual report and satisfying itself that the conclusions reached are reasonable in light of the work undertaken. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.

- 6.2 There are no legal implications arising from this report.

### **7 DATA PROTECTION IMPLICATIONS**

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

### **8 EQUALITY IMPACT ASSESSMENT**

- 8.1 There are no equality implications.

### **9 COMMUNITY SAFETY IMPLICATIONS**

- 9.1 There are no community safety implications.

### **10 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications.

### **11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 11.1 The latest update report, provided in Appendix A, details the findings of recent Internal Audit work and any weaknesses in the control environment highlighted by these reviews, and provides an overview of the performance of the Internal Audit team and the implementation of actions by management. The Committee plays an important role in the oversight of Internal Audit work.

### **12 BACKGROUND PAPERS**

12.1 There are no additional background papers to the report

**13 APPENDICES**

13.1 Appendix A: Internal Audit Update Report

13.2 Appendix B: Implementation of Audit Recommendations

13.3 Appendix C: Customer satisfaction statistics

13.4 Appendix D: Limitations and responsibilities

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577

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**Appendix A**



**Rutland County Council**

**Internal Audit Update**

**February 2022**

## **Introduction**

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2021/22 annual audit plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Risk Committee to scrutinise the performance of the internal audit team and – of equal significance – to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with the information, on progress in delivering planned work and on performance of the Internal Audit service, which it requires to engage in effective scrutiny.

## **Performance**

### **2.1 Will the Internal Audit Plan for 2021/22 be delivered?**

Internal Audit is set the objective of delivering at least 90% of the plan to draft report stage by the end of March 2022. At the time of reporting, 82% of the audit plan is either complete or in progress. The remaining three assignments are currently in planning stages. Internal Audit is on target to meet the 90% target.

### **2.2 Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 360 days budget. Any overruns on individual assignments are typically managed within the overall budget.

### **2.3 Is the Internal Audit team achieving the expected level of productivity?**

The most recent information available shows that the Internal Audit team are spending 94% of time on chargeable activities against a target of 90%.

### **2.4 Are clients satisfied with the quality of the Internal Audit assignments?**

Customer satisfaction questionnaires are issued on completion of audits. Scores given by audit clients during the year to date are shown in Appendix C and all have been rated as ‘Good’ or ‘Outstanding’.

### **2.5 Based upon recent Internal Audit work, are there any emerging issues that impact on the Internal Audit opinion of the Council’s Control Framework?**

Since the last committee meeting, reports on **Risk Management**, **Covid-19 Recovery** and **Service requests** have been finalised and no significant areas of weakness have been identified which would impact upon the Internal Audit opinion.

The status of each planned assignment is provided in Table 1.

### **2.6 Are clients progressing audit recommendations with appropriate urgency?**

At the date of reporting, there is one audit action which remains overdue for implementation – the action is of a ‘low priority’ rating and has been overdue less than one month. See Appendix B for further details.

## **2.7 Are any amendments to the Audit Plan required?**

Following the last meeting of the Audit & Risk Committee, it was agreed to postpone the planned review of Case Management arrangements in Adult Social Care and to prioritise an audit of Adult Safeguarding.

Case management arrangements are currently under review and expected to be amended within this period and, as such, a review of current processes would deliver limited value. Whereas, managing the risks associated with safeguarding vulnerable adults is noted as a key priority for the Council and recent national cases have highlighted the importance of robust controls in this area. This amendment was approved by the Chair of the Audit & Risk Committee and s151 Officer, under approved delegations, and the Adult Safeguarding audit is now underway and a review of case management will be incorporated into audit planning for 2022/23.

**Table 1: Progressing the annual audit plan**

KEY	
Current status of assignments is shown by	●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
<b>Key Corporate Controls and Policies</b>												
Creditors	15	0.5		●								
Payroll	12	2			●							
Local taxation	15	14				●						
Contract Procedure Rules Compliance	10	1			●							
Contract management	15	15						●	Good	Good	Minor	
Health and safety	12	12						●	Good	Satisfactory	Minor	
Cyber security	15	6		●								
Service requests (consultancy review)	10	10						●	<b>Consultancy</b>			
<b>Corporate Governance and Counter Fraud</b>												
Risk management	10	10						●	Satisfactory	Good	Minor	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Sustainable growth												
Waste contract procurement	15	1		●								
Development management	12	12						●	Good	Good	Minor	
Planning income	10	8			●							
Corporate Objective: Safeguarding and Health and Wellbeing												
Adult safeguarding	15	1			●							
Integrated LD (Learning Disability) and ASD (Autistic Spectrum Disorders) Lifetime Offer	15	15					●					Awaiting report sign off at March 2022 Joint DMT
Payments to Early Years providers	12	12						●	Good	Good	Minor	
Corporate Objective: Sound financial and workforce planning												
Asset management	12	-		●								
Corporate Objective: Reaching our potential												
COVID-19 Recovery	15	15						●	Substantial	Good	Minor	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Other Assurances												
Grant Claims	40	30			●				N/A – certification			
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	24										
Contingency	30	9										
Internal Audit Management & Development	35	22										
<b>TOTAL</b>	<b>360</b>	<b>220</b>										

## Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended and no, or only minor, errors have been detected.
<b>Good</b> ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
<b>Satisfactory</b> ○	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b> ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
<b>No</b> ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definition</b>
<b>Major</b> ●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b> ○	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b> ●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

#### **Category of Recommendations**

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

<b>Priority</b>	<b>Impact &amp; Timescale</b>
<b>High</b> ●	Action is imperative to ensure that the objectives for the area under review are met.
<b>Medium</b> ○	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Low</b> ●	Action recommended to enhance control or improve operational efficiency.

## ***Appendix B: Implementation of Audit Recommendations***

	High priority recommendations		Medium priority recommendations		Low priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and <b>implemented</b> since last Committee meeting	-	-	1	100%	1	50%	2	<b>67%</b>
Actions due within last 3 months, but <u>not implemented</u>	-	-	-	-	1	50%	1	<b>33%</b>
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	-	-	-	-	-	-	-	-
Totals	-	-	1	100%	2	100%	3	100%

## **Appendix C: Customer Satisfaction**

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The three responses received during the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	1	4	-	-
Communication during Assignments	-	3	2	-	-
Quality of Reporting	-	1	4	-	-
Quality of Recommendations	1	2	2	-	-
<b>Total</b>	<b>1</b>	<b>7</b>	<b>12</b>	-	-

## **Appendix D: Limitations and responsibilities**

### ***Limitations inherent to the internal auditor's work***

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit & Risk Committee subject to the limitations outlined below.

#### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the consortium's attention. As a consequence, the Audit & Risk Committee should be aware that the audit opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

#### ***Internal control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

#### ***Future periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- the degree of compliance with policies and procedures may deteriorate.

#### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

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## AUDIT AND RISK COMMITTEE

1 February 2022

### INTERNAL AUDIT PLANNING 2022/23

#### Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Committee:

1. Notes the initial areas highlighted for potential coverage in the Internal Audit Plan 2022/23 and advise on any areas which the committee would prioritise for coverage.
2. Approves delegation to the Strategic Director of Resources, in consultation with the Chair of the Audit and Risk Committee, to approve an interim 2022/23 Internal Audit plan pending approval by the Committee in April 2022.
3. Notes that the Audit Plan is flexible and will be kept under review to ensure it remains focused on key areas.

## 1 PURPOSE OF THE REPORT

- 1.1 To advise Members on progress being made in developing the Internal Audit Plan for 2022/23 and some initial areas proposed for inclusion in the Plan, subject to risk assessment and prioritisation.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### 2.1 Internal Audit Plan

The Internal Audit Plan sets out the assignments that will be delivered by the Internal

Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and developed with input from senior management and the Audit Committee.

- 2.2 In December 2021 the Committee was initially consulted on areas for consideration.
- 2.3 In the process to date, a number of potential audit assignments have been identified and will be prioritised and refined based on risk and added value. A list of areas highlighted during the planning process to date has been provided in Appendix A.
- 2.5 The draft Audit Plan will be presented to the Audit and Risk Committee in April 2022 for final refinement and formal approval. The Plan will then remain open to ongoing review and amendment throughout the financial year to respond to any changes in risk and emerging issues. To enable the Internal Audit team to commence work on the audit assignments on 1<sup>st</sup> April 2022, it is recommended that a delegation be given to the Council's Strategic Director and the Chair of the Audit and Risk Committee to approve an interim audit plan pending formal approval at the April meeting.

### **3 CONSULTATION**

- 3.1 The Council's senior management are being consulted on the contents of the Audit Plan for 2022/23 and this report provides an opportunity for consultation with the Audit and Risk Committee. No public consultation is required.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Committee could contact the Head of Internal Audit directly following the meeting with any further areas of assurance which may arise before March 2022 and these can be included in the audit planning process.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report. The Audit Plan will be based upon the number of days commissioned by the Council on an annual basis.

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual Audit Plan and satisfying itself that the plan provides assurance over the Council's control framework and key risks. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.
- 6.2 There are no legal implications arising from this report.

### **7 EQUALITY IMPACT ASSESSMENT**

- 7.1 There are no equality implications.

### **8 COMMUNITY SAFETY IMPLICATIONS**

- 8.1 There are no community safety implications.

### **9 HEALTH AND WELLBEING IMPLICATIONS**

9.1 There are no health and wellbeing implications.

## **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

10.1 The Audit Plan for 2022/23 is being developed using a risk based approach, with input from senior management and the Audit and Risk Committee. The initial potential areas for coverage highlighted during the audit planning process to date will be refined and prioritised based on risk and value added. The draft Audit Plan will be presented to the Committee in April 2022 for final refinement and formal approval. The Plan will remain open to ongoing review and amendment throughout the financial year to reflect and respond to changes in risks and emerging issues.

## **11 BACKGROUND PAPERS**

11.1 There are no additional background papers to the report.

## **12 APPENDICES**

12.1 Appendix A: Initial areas identified during Audit Planning 2022/23 to date

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

## Appendix A. Internal Audit Plan 2022/23 – Initial Areas Highlighted

<b>Topic</b>	<b>Assurance provided</b>
<b>Corporate / Cross Cutting</b>	
Key Financial Systems	Annual testing on key financial controls (Debtors, Creditors, Payroll, Main Accounting, Local Taxation, Benefits). A cyclical approach will be adopted to this audit coverage.
Treasury Management	To provide assurance over the Council's compliance with the Treasury Management strategy and procedures.
Grant verification	To sign off on various annual grants including highways expenditure, homelessness prevention and troubled families.
Contract Procedure Rules compliance	To provide assurance over compliance with rules in relation to procurement of goods and services. This is an annual review to provide assurance over value for money and counter fraud and corruption controls.
Performance management	To provide assurance over the accuracy and effectiveness of performance reporting and management across the Council, in supporting delivery of corporate priorities and objectives.
Covid-19 grant monies	To provide assurance over use of grant monies received to support response and recovery phases.
Risk management – facilitation / real time assurance	To provide support on maintenance of the Council's risk registers and quarterly testing on a sample of controls within the registers to inform real time assurances to the committee on the assumptions underpinning the risk scoring.
<b>Counter Fraud</b>	
Fraud Risk Register	To provide assurance over the management of the fraud risk register, including the identification and management of risks, and to review a sample of the risks identified to confirm that appropriate actions are being taken to mitigate risks and pro-actively prevent, detect and report attempted frauds.
Grant fraud support	Potential ongoing advice/support on business grants and post payment checks.
<b>Service Specific</b>	
Taxi licensing	To provide assurance over the consistent compliance with key controls in the awarding of taxi/private hire licenses – including safeguarding and right to work checks on drivers and operators.
Waste contract procurement (consultancy support)	To engage with this key procurement process and provide ongoing, independent, real time audit support during 2022/23.

<b>Topic</b>	<b>Assurance provided</b>
Street works co-ordination	To provide assurance over the effective co-ordination of works and recovery of monies due in relation to Traffic Regulation Orders. There is an intention to move to a permit scheme and an audit of current processes may assist in informing planning for this.
Home to School Transport	To provide assurance over the commissioning of home to school transport provision in order to maximise value for money, whilst also ensuring due diligence in relation to safeguarding checks and controls.
Highways maintenance contract	To follow up on effective embedding of improved controls, following implementation of audit recommendations from 2016/17 audit work. To provide assurance that this contract is being managed robustly.
Reactive Highways Maintenance	To provide assurance over the processes followed for commissioning of reactive repairs and maintenance of Highways assets and controls in place to ensure value for money and consistent prioritisation.
Highways Transport Working Group	To provide assurance over the effectiveness of this working group and efficiency of associated processes for handling community requests for measures/improvements, following a full year since implementation and in light of current backlogs. This may include some comparison with processes adopted at other local authorities.
Grounds maintenance	To provide assurance over the effective management of this service to ensure performance standards and value for money. It is noted that this service is due to be re-procured and, as such, timing of work would need to be suitably co-ordinated in order to deliver value.
Children's services development planning	Assurance to be sought over the governance of the service development, including any actions arising from the focused Ofsted inspection activity in January 2022. To provide assurance that any matters arising and areas to strengthen in relation to safeguarding children are being suitably addressed and overseen.
Schools thematic review	To provide assurance over compliance with key controls in relation to a specific area – suggested as Safer Recruitment for 2022/23. Local independent/academy schools will be invited to participate for a small fee, to cover costs.
Care assessments	To provide assurance over the assessment process in adults social care. Some controls have been revised to better streamline processes and assurance would be sought that this is resulting in maximising of efficiencies whilst maintaining a proportionate control environment.

<b>Topic</b>	<b>Assurance provided</b>
Adult Social Care reforms	To provide pro-active support and assurance over the design phase for implementation of the care cap and charging regimes arising from the reforms.
Social care debt recovery	To provide assurance over the handling of social care debts owed to the Council to ensure effective and timely recovery of these monies, in line with approved policy.
Corporate Parenting	To provide assurance over the understanding, and effective discharging, of corporate parent principles and responsibilities for children looked after by the Council (as set out in section 1 of the Children and Social Work Act 2017).
Special Educational Needs and Disabilities (SEND)	To provide assurance over the processes for handling referrals for Education, Health and Care Plans.
Children missing from care reporting	To provide assurance over mechanisms for recording and tracking children missing from care.
Equalities, diversity and inclusion	To provide assurance over the Council's arrangements for supporting and delivering upon strategies and policies for equalities, diversity and inclusion.
Readiness for CQC inspections regimes in Adult Social Care	To provide real time assurances over the Council's readiness and preparation for the new inspection regimes, expected to be implemented from April 2023. To include a review of infrastructure and preparation in relation to data extraction and analysis.
My Care services	To review the processes applied and resilience of these services (including enablement, urgent response and 'safety net' services) and inform service development in this area.
<b>IT</b>	
IT Asset management	To provide assurances over the effective management and recording of hardware issued to staff and Members, particularly following the issuing of high number of assets to facilitate home working.