



Leicester
City Council

MEETING OF THE AUDIT AND RISK COMMITTEE

DATE: WEDNESDAY, 19 MARCH 2014

TIME: 5:00 pm

PLACE: THE OAK ROOM, GROUND FLOOR, TOWN HALL, TOWN HALL SQUARE, LEICESTER.

Members of the Committee

Councillor Westley (Chair)

Councillor Naylor (Vice-Chair)

Councillors Alfonso, Desai, Dr Chowdhury, Grant, Meghani and Dr. Moore

1 Non-Grouped Member Vacancy

Members of the Committee are summoned to attend the above meeting to consider the items of business listed overleaf.

for Monitoring Officer

Officer contact: Angie Smith
Democratic Support, Democratic Services
Leicester City Council
Town Hall, Town Hall Square, Leicester LE1 9BG
Tel. 0116 454 6354
Email. Angie.Smith@Leicester.gov.uk

INFORMATION FOR MEMBERS OF THE PUBLIC

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There are certain occasions when the Council's meetings may need to discuss issues in private session. The reasons for dealing with matters in private session are set down in law.

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General Enquiries - if you have any queries about any of the above or the business to be discussed, please contact Angie Smith, Democratic Support on 0116 454 6354 or email Angie.Smith@leicester.gov.uk or call in at the Town Hall.

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PUBLIC SESSION

AGENDA

**1. TRAINING SESSION PRIOR TO MAIN MEETING -
PUBLIC HEALTH**

The Divisional Director of Public Health will deliver a presentation.

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

Members are asked to declare any interests they may have in the business on the agenda.

4. MINUTES OF THE PREVIOUS MEETING

Appendix A

The minutes of the meeting of the Audit and Risk Committee held on 14th November 2013 are attached and the Committee is asked to confirm them as a correct record.

5. PRIVATE SESSION

AGENDA

MEMBERS OF THE PUBLIC TO NOTE

Under the law, the Committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.

The Committee is recommended to consider the following reports in private on the grounds that they contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently that the Sub-Committee makes the following resolution:-

“that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is

considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

Paragraph 3

Information relating to the financial or business affairs of any particular person (INCLUDING THE authority holding that information)

INTERNAL AUDIT UPDATE REPORT – 2013-14 QUARTER 3 (OCTOBER 2013 – DECEMBER 2013) Appendix B1

6. INTERNAL AUDIT UPDATE REPORT 2013-14 QUARTER 3 (OCTOBER 2013 - DECEMBER 2013) Appendix B1

The Director of Finance submits a report to the Audit & Risk Committee to provide an overview of audit work planned and completed, significant issues identified by audit work, and management progress in implementing agreed recommendations. The Committee is asked to receive the report and note the key issues identified.

7. PUBLIC SESSION

8. ANNUAL REPORT - CERTIFICATION OF GRANTS AND RETURNS 2012/13 Appendix B

The External Auditor submits an Annual Report for the Certification of Grants and Returns. The Committee are asked to note the report.

9. EXTERNAL AUDIT PLAN FOR 2013-14 Appendix C

The External Auditor submits a document that sets out how they will deliver their financial statements audit work for Leicester City Council, and the approach to value for money (VFM) work for 2013/14. The Committee are asked to note the report.

10. AUDIT COMMISSION - PROTECTING THE PUBLIC PURSE 2013

The External Auditor will deliver a presentation from the Audit Commission on *Protecting the Public Purse (PPP) 2013* report.

11. COUNTER-FRAUD UPDATE REPORT FOR THE FIRST HALF OF 2013-14 Appendix D

A joint report of the Director of Finance, the Director of Environmental Services and the Director of Housing is submitted to Audit & Risk Committee, which provides information on counter-fraud activities between 1 April 2013 and 31 December 2013. The Committee are asked to note the report.

12. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT INCLUDING JANUARY RISK REGISTER UPDATE [Appendix E](#)

The Director of Finance submits a report that provides Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities.

The Committee is recommended to receive the report and note its contents, and make any recommendations or comments it sees fit either to the Executive or Director of Finance.

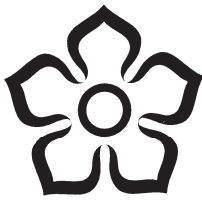
13. INTERNAL AUDIT - 4TH QUARTER OPERATIONAL PLAN 2013-14 [Appendix F](#)

The Director of Finance presents to Committee the detailed operational audit plan for the fourth quarter for the financial year 2013-14. The Committee is asked to note the report.

14. 2014-15 AUDIT AND RISK COMMITTEE PLANNED AGENDAS AND MEETING DATES [Appendix G](#)

The Director of Finance submits a proposed schedule of meetings and their agendas for the Financial Year 2014-15. The Committee is recommended to note and accept the proposed plan content, and raise any issues or questions with the report author or the Director of Finance.

15. ANY OTHER URGENT BUSINESS



Leicester
City Council

Appendix A

Minutes of the Meeting of the AUDIT AND RISK COMMITTEE

Held: THURSDAY, 14 NOVEMBER 2013 at 5.00pm

Councillor Westley – Chair

Councillor Alfonso
Councillor Desai
Councillor Dr. Moore

Councillor Dr. Chowdhury
Councillor Grant
Councillor Naylor

* * * * *

42. BRIEFING SESSION PRIOR TO MAIN MEETING - FRAUD: REVENUES AND BENEFITS PROCESS INCLUDING PROSECUTIONS

The Investigations Manager and Principal Solicitor (Regulatory & Property) for Leicester City Council delivered a presentation on fraud awareness to the Audit & Risk Committee Members, a copy of which is attached to the minutes for information.

43. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Meghani.

44. DECLARATIONS OF INTEREST

Members were asked to declare any interests they may have in the business on the agenda.

Councillor Grant declared an interest that he was a school governor at Overdale Infant School.

In accordance with the Council's Code of Conduct, the interest was not considered so significant that it was likely to prejudice Councillor Grant's judgement of the public interest. Councillor Grant was not therefore required to withdraw from the meeting during consideration and discussion on the items.

45. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Audit and Risk Committee held on 24th October 2013 had been circulated, and Members were asked to confirm them

as a correct record.

RESOLVED:

that the minutes of the meeting of the Audit and Risk Committee held on 24th October 2013 be approved as a correct record.

46. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2012-13

Neil Bellamy, External Auditor, gave details of the Annual Audit Letter, which summarised the external audit of Leicester City Council for the financial year 2012/13.

The letter reported that KPMG as the Council's external auditor:

- Had issued an unqualified value for money (VFM) conclusion for 2012/13 on 27th September 2013;
- Were satisfied that Leicester City Council had proper arrangements for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

The External Auditor said that to arrive at their conclusion, they looked at the Council's financial governance, financial planning and financial control processes, as well as how the Council were prioritising resources and improving efficiency and productivity.

He referred to the certification of grants and returns, and said the grants work was still ongoing. The fee would be confirmed through a report on the Certification of Grants and Returns 2012/13 which would be issued in February 2014. He added the final fee was the same as the planned fee communicated to the Audit and Risk Committee in August 2012.

The Director of Finance informed the Audit and Risk Committee that Neil had come to the end of a seven-year cycle of auditing the Council, and that it was his last meeting. She thanked Neil from everyone for his work over past years.

RESOLVED:

1. that the report be noted.

Neil Bellamy and Adrian Benselin, KPMG, left the meeting at this point.

47. INDEPENDENT REVIEW OF BCM ARRANGEMENTS AT LCC

The Director of Finance submitted a report to advise the Audit and Risk Committee of the conclusions and recommendations arising from a twelve-week project looking at the effectiveness and embeddedness of the Council's Business Continuity Management (BCM). The Head of Internal Audit and Risk Management presented the report.

The Head of Internal Audit and Risk Management informed Members the project, run between 3rd June and 24th August 2013, was carried out by a De Montfort University post-graduate student, who had looked at Business

Continuity Plans across the Council.

The Head of Internal Audit and Risk Management said the Council's BCM had to be consistent with International Standard ISO22301. He said a pro-forma Business Continuity Plan was produced for business areas to use in 2011, accompanied by training sessions for officers. A self-certification process was introduced in 2012 for Directors to ensure each of their service areas had an effective plan in place. A summary in the form of a graph of gap analysis results which highlighted where each plan had scored against the standard was circulated to those present at the meeting.

Interviews were undertaken with the Chief Operating Officer, Divisional Directors and Heads of Service and/or key team members named within the activities business continuity plans. The plans showing as red on the graph reflected that the actions the officers questioned said would happen within their business areas in the event of a significant disruption, were not accurately reflected within the plans submitted to Risk Management and Insurance Services. The Head of Internal Audit and Risk Management said the results were disappointing, as people responding to an emergency would be relying on the plans to recover the service. He added that updated proforma would be sent out with further instruction on how to complete the document.

The project report concluded with eight recommendations summarised in the report, and to support the process and the actions that the Risk Management and Insurance Services team would take, which included delivering three additional Business Continuity training sessions in 2014.

Members said it had been reported to Committee in the past that the Business Continuity Plans for services were fine and asked why they had those reports. They asked if Directors had been falsely reporting or falsely reported to. They said it was serious that the Business Continuity Plan in Social Care Children's Services had failed to attain the required level, given what had been reported recently in other cities, and the protection of vulnerable children was at risk. They recommended that a system be put in place to bring everything up to standard, as self-certification had been proven as something Members could not trust. They added Directors should be made to explain before Committee why their plans were not up to date if they were not so by January 2014. Members said a proposal should be put to the city mayor for additional resources to be made available for Internal Audit and Risk Management to assist in bringing the plans around the Council up to standard.

The Head of Internal Audit and Risk Management said he had spoken to the majority of the Heads of Service with failed plans, and said they thought their plans were up to standard. He said the project was a useful exercise to find out what was wrong with the plans. He added the plans should be brought up to standard by the end of December 2013, and an update would be brought to the next meeting of the Audit and Risk Committee, and copies of the pro-forma, Corporate Plan and slides from the training session would be attached to the minutes of the meeting. The Chair asked the next meeting to commence at 5.30pm to enable all Committee Members to attend.

Members asked if the plans were tested. The Head of Internal Audit and Risk Management said Housing had asked for their plan to be tested, and they would do so in the New Year. He added there would be two De Montfort University post-graduates in Risk Management and Insurance Services who would be available to test the plans in 2014.

The Head of Internal Audit and Risk Management said that the Business Continuity Management Plan was stored in different locations and in different formats, including electronic and hard copy, and via secure internet access.

RESOLVED:

1. that the report be received and the recommendations agreed as laid out in the report.

48. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE

The Director of Finance submitted a report to update the Audit and Risk Committee on progress made on the National Fraud Initiative (NFI) 2012/13, and to advise them about the NFI 2013/14 Data Matching exercise for Council Tax Single Person Discount fraud. The report was presented by the Investigations Manager, Revenues and Benefits.

Members were informed that participation in the NFI was mandatory under the Audit Commission Act 1998, Part 2(A), and the data matching exercise had produced 2,739 cases to be looked through, which were shared with the relevant sections and considered for investigation. The Investigations Manager added that people could appeal overpayment decisions where they felt it was due to official errors by the authority.

RESOLVED:

that the report be noted.

49. PRIVATE SESSION

RESOLVED:

“that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

Paragraph 3

Information relating to the financial or business affairs of any particular person (INCLUDING THE authority holding that information)

B1) INTERNAL AUDIT UPDATE REPORT: FIRST AND SECOND QUARTERS 2013-14

50. INTERNAL AUDIT UPDATE REPORT: FIRST AND SECOND QUARTERS 2013-14

The Director of Finance submitted a report which summarised Internal Audit's work completed the first and second quarters of 2013-14 and was presented by the Audit Manager.

The report provided the Committee with an overview of:

- audit work planned and completed
- significant issues identified by audit work
- management progress in implementing agreed recommendations.

Members were informed that the plan was responsive and flexible due to changing risks, and that 77% of the work planned had been completed within the period. Charts in the report showed a general trend to higher levels of audit assurance during the period.

The Audit Manager outlined three particular audit reports issued during the period, two of which had conclusions of little or no assurance and one that gave partial assurance but was of concern for other reasons, and these were discussed with the Audit and Risk Committee Members. He said Internal Audit would be monitoring the implementation of recommendations made and would report back in due course.

The Chair thanked officers for the update and asked the Committee to note the report.

RESOLVED:

1. that the report be received.
2. that the key issues identified be noted
3. that the progress made in implementing the recommendations in the three specific audit reports be brought to a future meeting of the Audit and Risk Committee.

51. CLOSE OF MEETING

The meeting closed at 7.28pm.

Appendix B1

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted



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Certification of grants and returns 2012/13

Leicester City Council

February 2014

Appendix B



The contacts at KPMG in connection with this report are:

Neil Bellamy

Director

Tel: 0116 256 6082

Neil.bellamy@kpmg.co.uk

Adrian Benselin

Manager

Tel: 0116 256 6089

adrian.benselin@kpmg.co.uk

Vikash Patel

Assistant Manager

Tel: 0116 256 6069

vikash.patel@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2012/13 we certified: <ul style="list-style-type: none"> – 1 claim (housing and council tax benefits) with a total value of £170m; and – 3 returns (pooling of housing capital receipts; national non-domestic rates; teachers pensions) with a total value of £125m. 	<p>-</p>
Certification results	<p>We issued unqualified certificates for two grants and returns. Qualifications were necessary in two cases.</p> <ul style="list-style-type: none"> ■ A qualification was required in relation to the certification of the Housing and Council Tax Benefits Scheme. Benefit was overpaid, and subsidy overclaimed, due to a number of recurring errors, mainly the inclusion of incorrect earnings and tax credits in benefit entitlement calculations. In accordance with the certification instruction a qualification was mandated as a result of identifying errors of this nature. ■ The pooling of housing capital receipts return was qualified as you continue to use an incorrect threshold for pooling. This is not a significant matter; nevertheless a qualification was mandated. <p>These results are in line with the results for 2011/12 where similar errors were identified.</p>	<p>Page 4</p>
Audit adjustments	<p>Adjustments were necessary to three of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Minor amendments were made to the housing and council tax benefits claim, and to the teachers pensions return. This is in line with the results for 2011/12 where minor amendments were required. ■ Significant amendments were required to the Pooling of Housing Capital Receipts return. 	<p>Pages 5 – 6</p>
The Council's arrangements	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work.</p> <ul style="list-style-type: none"> ■ grants and returns were submitted on a timely basis and had been correctly identified as requiring certification in line with the Certification Instruction Index issued by the Audit Commission. ■ Much of the testing on non-housing benefit claims and returns has been undertaken by your Internal Audit section. We have re-performed elements of their work. The work was to a good standard and the conclusions well evidenced, allowing us to place reliance on their work. ■ The records kept in relation to grants and returns were accurate and sufficient. Officers provided information to address the omissions in the pooling of Housing Capital Receipts return without undue problems. 	<p>-</p>

Fees	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £78,450. Our estimated fee for the certification of grants and returns was £83,534.</p> <ul style="list-style-type: none">■ We identified more errors in the Housing & Council Tax Benefits claim and under the Commission's HBCOUNT approach, we consequently carried out more detailed testing of benefit cases.■ Of the above fee £5,328 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as 'estimated' rather than final.	Page 7
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Overall, we certified four grants and returns:

- two were unqualified with no amendment or with a minor amendment; and
- two required a qualification to our audit certificate and also required some amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2012/13 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefits	1	●		●	
Pooling of Housing Capital Receipts	2	●	●		
National Non Domestic Rates return					●
Teachers' Pensions return				●	●

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing & Council Tax Benefits</p> <p>The Council claims subsidy from central government in respect of benefits paid to claimants. Unlike the arrangements for other claims and returns, auditors are not allowed by DWP to reduce testing by relying on the control environment. We have qualified this claim for a number of years in succession. The complexity of the housing benefits regulations and the diverse claimant mix within Leicester City play a part in the number and types of errors found during audit testing. This underlines the importance of continued training for assessors so that they understand the subsidy implications of their actions, particularly when making adjustments to claimants' benefit.</p> <p>Testing involves a 'discovery sample' of 20 cases for each benefit type (total 80 cases), with further testing of each cell affected by errors found either in the current year's discovery testing or in previous years testing (due to the timing of testing, errors discovered in one year are likely to recur in the following year even if action is taken promptly). The total number of cases tested this year is 1,672 (201/12 1,826). We focussed on errors specific to each cell.</p> <p>We have identified a number of issues that have been reported for a number of years, including the following:</p> <ul style="list-style-type: none"> ▪ Misclassification of overpayments, in all benefit types; ▪ Insufficient evidence obtained to support claims resulting in uncertainty over elements of the claims including: <ul style="list-style-type: none"> ▪ Income; ▪ Rent; ▪ Non-dependents; and ▪ Pensions. ▪ Income being incorrectly calculated, particularly earnings and tax credits; and ▪ Changes in circumstances, such as rent increase, claimant starting work, or change in income being applied from the wrong date. <p>Most of the errors recur each year. The more these errors continue to be made, the more time your quality assurance officers are spending checking subsidy entitlement, which diverts them from their day to day job of checking benefit calculations and correcting errors. In the longer term, reducing errors should also help to reduce the amount of subsidy clawback.</p> <p>As last year, subsidy was overclaimed as the first week of 2013/14 HRA subsidy was incorrectly included in the 2012/13 claim. The amount was £991,088. Other small amendments as a result of our certification work has taken the net adjustment to £991,801.</p>	<p>- £991,801</p>

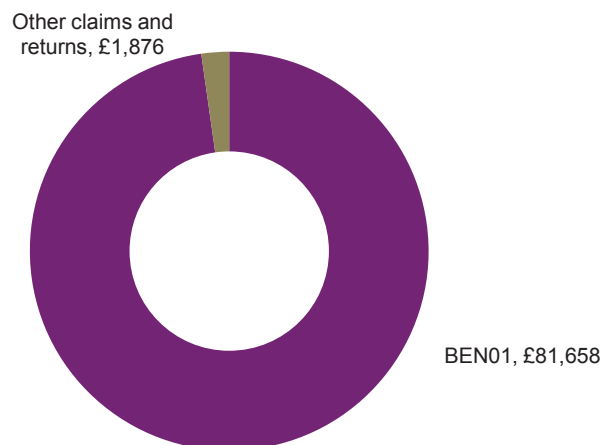
This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> A change to the regulations this year allows authorities to recycle non-Right To Buy capital receipts into their own affordable housing and regeneration projects rather than pool them. The format of the return was amended to reflect this change by including capital allowances (the authority's past or planned expenditure on such projects). The return presented for certification did not include any information relating to capital allowances. We agreed amendments with officers before certifying the return. 	<p>Capital allowances in excess of £180 million</p> <p>No impact on amount pooled.</p>

Our overall fee for the certification of grants and returns is higher than the original estimate.

The highly technical nature of the certification work on housing and council tax benefits, and the amount of testing involved, makes it difficult to predict the amount of work required.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£) estimated	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	81,658	153,328
CFB06 – Pooling of Housing Capital Receipts	942	434
LA01 – National Non Domestic Rates return	352	352
PEN05 – Teachers’ Pensions return	582	316
Other claims no longer required to be certified	0	3,328
Annual report	0	2,197
Total fee	83,534	159,955

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £78,450. Based on the actual work we carried out the actual fee we charged was higher than the indicative fee. The main reasons for the fee exceeding the indicative fee were:

- we identified more errors in the Housing & Council Tax Benefits claim and under the Commission’s HBCOUNT approach, we consequently carried out more detailed testing of benefit cases;
- additional work being required to address errors in the Pooling of Housing Capital Receipts return.

Of the above fee £5,328 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as ‘estimated’ rather than final.

We were not required to certify the School Centred Initial Teacher Training return that was included in the indicative fee.

This year we have not charged a separate fee for producing this annual report.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.



Priority rating for recommendations

<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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Issue	Implication	Recommendation	Priority	Officer comments
Housing and council tax benefits				
<p>The approach to testing is mandated by the Audit Commission and DWP. This requires additional testing to be carried out where errors were discovered in prior years, on the basis that they may recur in the current year. Discovery tests are exposing fewer errors than before and it is a consequence of the volume of testing that errors are repeatedly found. Due to the number of errors discovered in previous years, the Council is locked in to testing a large volume of cases each year. Action is being taken to address the causes, for example through training of assessors, but officers cannot devote as much time as is required to putting things right. Action has been taken in response to recommendations made in prior years but requires a continuous commitment to training and quality to minimise the number of recurring errors. We acknowledge that the Quality Assurance team have been proactive in correcting the errors that they discover.</p>	<p>A high level of errors contributes to the amount of subsidy clawback each year. By taking action to eliminate errors, the Council could reduce the amount of subsidy clawed back.</p>	<p>No new issues have arisen this year. Recommendations in respect of prior year issues are set out on the next page of this report.</p>	<p>1</p>	<p>The QA Team, despite the continued high demand of resources being concentrated on the subsidy audit, have continued in their pro-active work on the current subsidy claim. This has been helped by obtaining more detailed drill down reports of potential error cases in the system using the information discovered from the audit checks. Therefore we can maximize the limited time we have to do proactive checks on the error cases that are found and which can be corrected before the current year subsidy claim is submitted. This should result in fewer errors overall in the submitted claim.</p>

Prior year recommendations

Last year we reported progress on four prior year recommendations that had not been fully actioned. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at February 2014	Management comments
Housing and Council Tax Benefits			
1 Take prompt action to address matters in our housing benefits qualification letters, to reduce the level of errors being repeated in subsequent years.		Ongoing.	We have continued with prompt responses to any areas of error that we have found, as they have been discovered in the audit testing and even before being reported in the qualification letter. For example this year an issue of applying incorrect child care costs to claims resulted in immediate changes to current working practices and the introduction of a new document that claimants need to complete to ensure we have more accurate and up to date information on child care costs to ensure entitlement awarded is correct.
2 Resume regular reporting to the Audit & Risk Committee on progress being made in response to the review of the benefits service in August 2009.		This matter is still outstanding and is to be completed.	Although a number of measures have been put into place that have improved standards, a formal action plan has not been drawn up and is to be done this year. Reporting to the Audit & Risk Committee also still needs to be resumed.



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External Audit Plan 2013/14

Leicester City Council
February 2014

The contacts at KPMG in connection with this report are:

John Cornett

Director
KPMG LLP (UK)

Tel: 0116 256 6064
John.Cornett@kpmg.co.uk

Adrian Benselin

Manager
KPMG LLP (UK)

Tel: 0116 256 6089
Adrian.Benselin@kpmg.co.uk

Vikash Patel

Assistant Manager
KPMG LLP (UK)

Tel: 0116 256 6069
Vikash.Patel@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.audit-commission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

This document describes how we will deliver our audit work for Leicester City Council.

Scope of this report

This document supplements our *Audit Fee Letter 2013/14* sent to the Chief Operating Officer in April 2013. It describes how we will deliver our financial statements audit work for Leicester City Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2013/14.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements and Value for Money audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 sets out other audit issues that we will address.
- Section 6 explains our approach to VFM work.
- Section 7 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

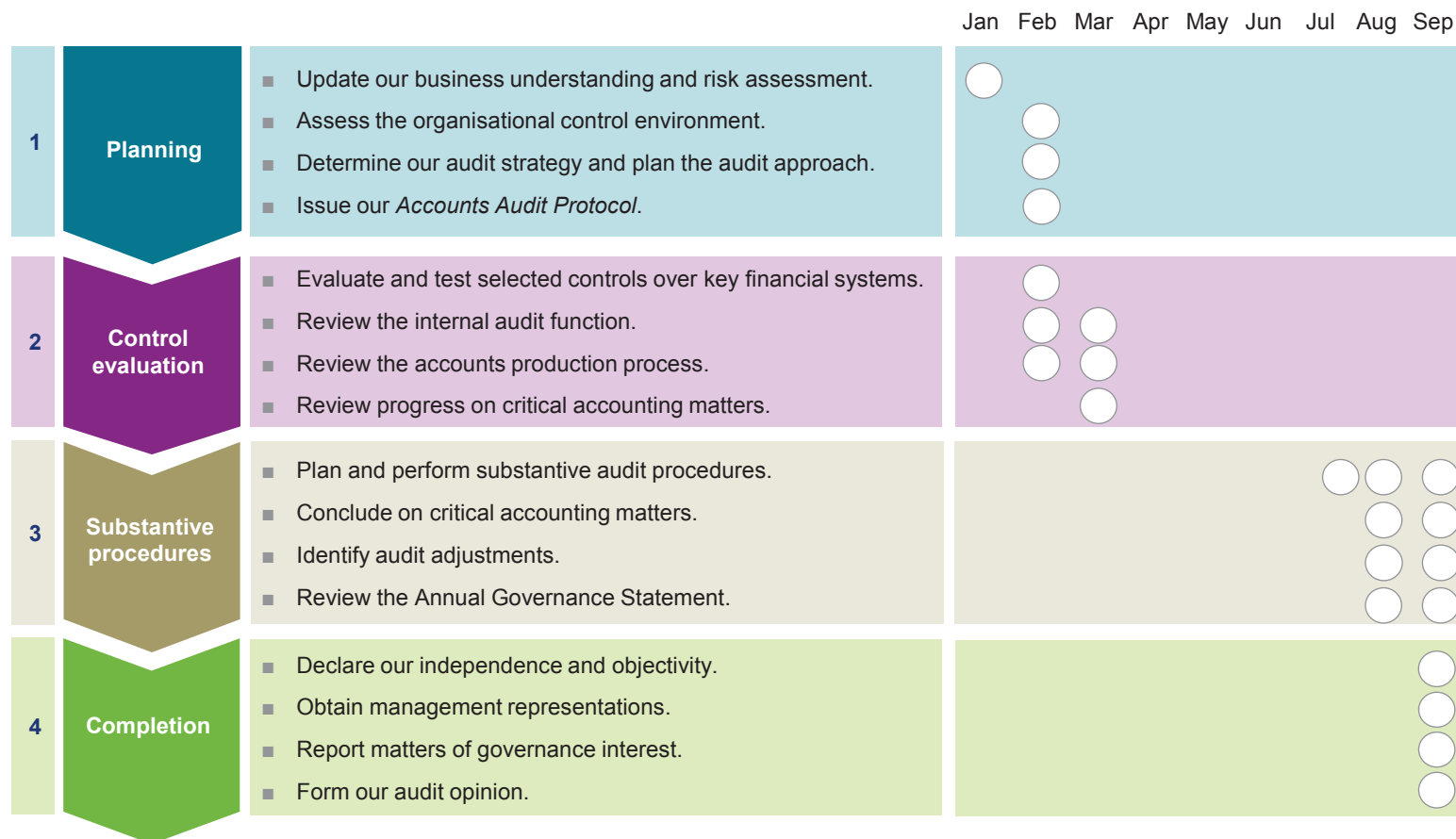
Audit approach	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Director of Finance.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
Key financial statements audit risks	<p>We have completed our initial risk assessment for the financial statements audit and have identified the following significant risk:</p> <ul style="list-style-type: none"> ■ The IAS 19 entries in the financial statements will be based on the output of the triennial valuation carried out by the pension fund actuary. This valuation is based on information provided to the actuary, primarily from Leicestershire County Council who administer the scheme. The Authority would need to ensure that this information is accurate as it provides the basis of significant entries in the financial statements for 2013/14, 2014/15 and 2015/16. <p>This is described in more detail on page 10. We will assess the Authority's progress in addressing this risk as part of our interim work and conclude this work at year end.</p>
Other audit issues	<p>In addition to the significant risks reported above we are required by auditing standards to consider two other standard risks. Neither issue has an impact on our audit methodology.</p>
VFM audit approach	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage.</p>
Audit team, deliverables and timeline	<p>We have refreshed our audit team this year by the introduction of John Cornett as the new Engagement Lead. The Audit manager and In-charge remain the same as last year. The Audit Manager has been associated with the Authority for a number of years.</p> <p>Our main year end audit is currently planned to commence on 11 August 2014. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p>
Audit fees	<p>The planned fee for the 2013/14 audit is £194,400. This is unchanged from the position set out in our <i>Audit Fee Letter 2013/14</i>.</p>

Section three Our audit approach

We undertake our work on your financial statements in four key stages during 2014:

- **Planning** (January to February).
- **Control Evaluation** (February to March).
- **Substantive Procedures** (August to September).
- **Completion** (September)

We have summarised the four key stages of our financial statements audit process for you below:



During January and February 2014 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

We will issue our *Accounts Audit Protocol* following completion of our planning work.

Our planning work takes place in January and February 2014. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document.

At this stage we are also aware of the likely material impact of the PFI scheme relating to Building Schools for the Future Phase 2. As this scheme will follow a similar model to that used for Phase 1 we have not identified a significant risk associated with this project.

Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the Senior Management Board from time to time, and with the Director of Finance on a bi-monthly basis, to discuss issues.

We also hold a planning meeting with the finance team to consider how these issues are addressed during the year end closedown and accounts preparation process.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. The materiality level is a matter of judgement and is set by the engagement lead.

Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We have discussed with the Principal Accountant – Corporate Accountancy mutual learning points from the 2012/13 audit. These will be incorporated into our work plan for 2013/14. We revisit progress against areas identified for development as the audit progresses.

During February to March 2014 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2013/14. We work with your internal audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

Our interim visit on site will be completed during February and March. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work internal audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and have met with the Head of Internal Audit and Risk Management to discuss the principles and timetables for the managed audit process for 2013/14.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Audit and Risk Committee in September 2014.

During August 2014 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit and Risk Committee* in September 2014.

Our final accounts visit on site has been provisionally scheduled for the period 11 August 2014 to 28 August 2014. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Principal Accountant – Corporate Accountancy in August 2014, prior to reporting to the Audit and Risk Committee in September 2014.

Audit adjustments

During our on site work, we will notify the corporate finance team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit and Risk Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in September 2014.

In addition to auditing the financial statements, we review the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and issue of our opinion on the pack have not yet been confirmed.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Principal Accountant – Corporate Accountancy and the Audit and Risk Committee. Our deliverables are included on page 16.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Risk Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place which, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

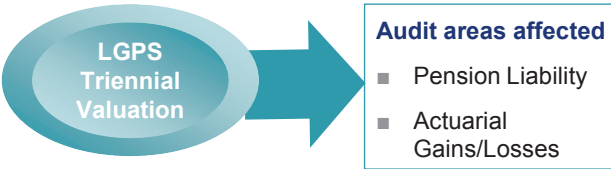
We confirm that as of the date of this report in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.

For each key risk area we have outlined the impact on our audit plan.

The table below sets out the significant risks we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Pension Liability ■ Actuarial Gains/Losses 	<p>Risk</p> <p>During the year, the Local Government Pension Scheme for Leicestershire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council, who administer the Pension Fund..</p> <p>Our audit work</p> <p>As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data.</p> <p>We will liaise with PwC, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.</p>

In addition to the significant risks reported above we are required to consider two other standard risks. Our audit methodology already addresses these issues.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; information from the Audit Commission's VFM profile tool and financial ratios tool; evidence gained from previous audit work, including the response to that work; and the work of other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Your audit team has been drawn from our specialist public sector assurance department. There is a new Director this year, as required by the Audit Commission's rotation policy. The Manager has been involved in the audit for a number of years.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



John Cornett
Director

"My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit and Risk Committee."



Adrian Benselin
Manager

"I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will work closely with Neil to ensure we add value. I will liaise with the Director of Finance and the Head of Internal Audit and Risk Management."



Vikash Patel
Assistant Manager

"I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants."

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report as appropriate with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures. 	March 2014
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details the resolution of control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements. 	September 2014
Completion		
Auditor's Report	<ul style="list-style-type: none"> ■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2014
Whole of Government Accounts	<ul style="list-style-type: none"> ■ Provide our opinion on the Authority's WGA pack submission. 	September 2014
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2014 (provisional)

We will be in continuous dialogue with you throughout the audit.

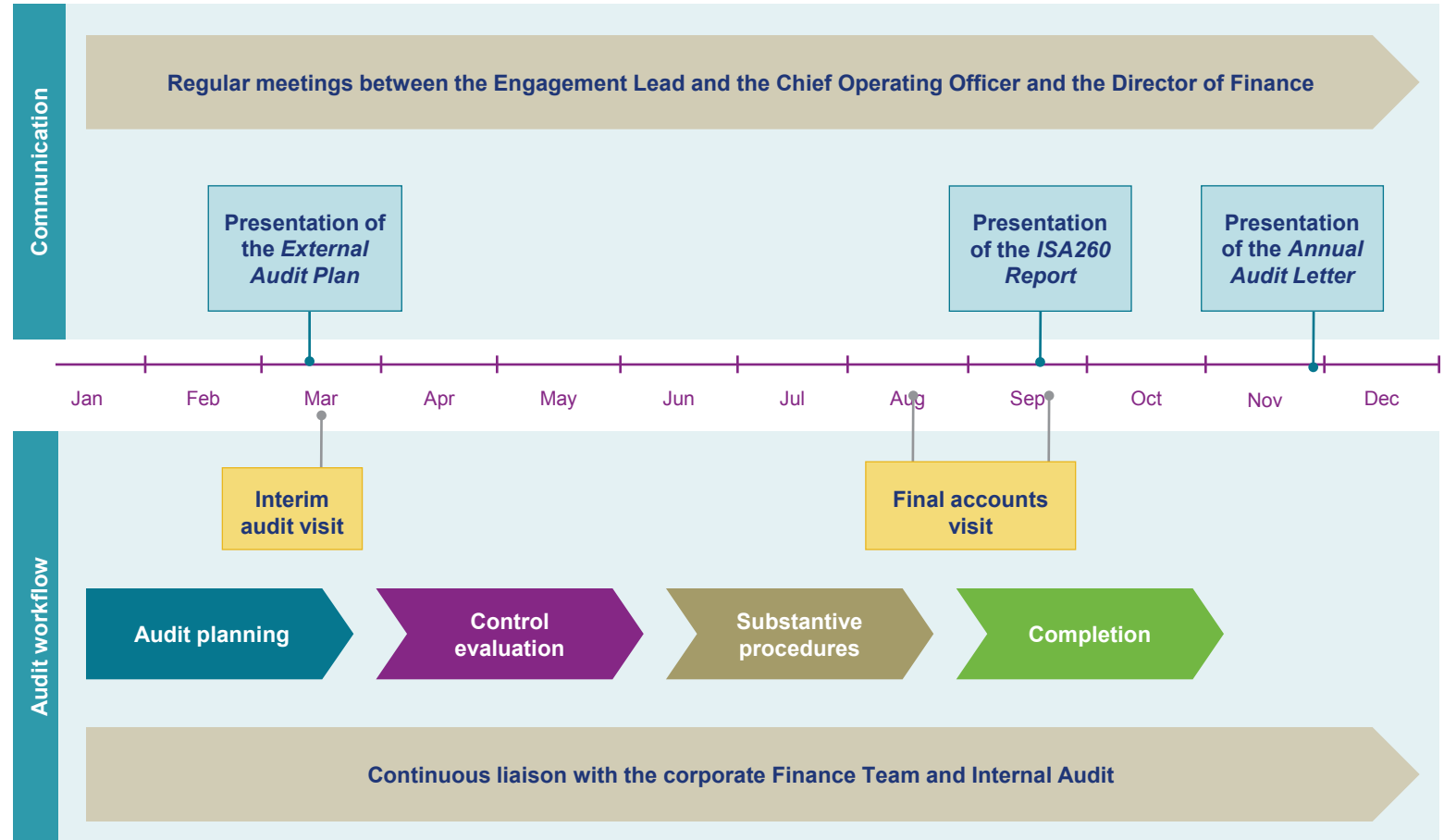
Key formal interactions with the Audit and Risk Committee are:

- March – External Audit Plan;
- September – ISA 260 Report;
- November (provisional) – Annual Audit Letter.

We work with the corporate finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visit during February and March.
- Final accounts audit during August and September.



Key: ● Audit and Risk Committee meetings.

The fee for the 2013/14 audit of the Authority is £194,400. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2013/14* sent to the Chief Executive in April 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2013/14 is £194,400. This is the same as the final 2012/13 audit fee.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;
 - requested information will be provided within the agreed timescales;

- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process, including timely production of all agreed working papers, which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Finance.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up-to-the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

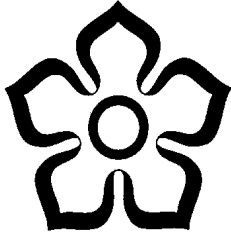
The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.



cutting through complexity™

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Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Audit and Risk Committee **12 March 2014**

Counter-Fraud Update Report 2013

Joint Report of the Director of Finance, the Director of Environmental Services and the Director of Housing

1. Purpose of the Report

- 1.1. Internal Audit, whilst not directly responsible for the investigation of suspected financial irregularities, have a role in preventing fraud by recommending improvements to systems and procedures where appropriate.
- 1.2. Responsibility for the City Council's counter-fraud work is shared between the Corporate Counter-Fraud Team and the Revenues & Benefits Investigations Team both within Financial Services, the Trading Standards Team within Environmental Services and the Tenancy Fraud Team within Housing Services.
- 1.3. The report, which is attached, provides information on counter-fraud activities between 1 April 2013 and 31 December 2013.

2. Recommendations

The Committee is recommended to:

- 2.1. Receive the report
- 2.2. Make any recommendations it sees fit either to the Executive, the Director of Finance, the Director of Environmental Services or the Director of Housing.

3. Summary

- 3.1. This report includes information on reports issued, the main influences on the level and standard of performance between 1 April 2013 and 31 December 2013 and the key priorities for the remainder of the year.
- 3.2. New and emerging threats by increasingly sophisticated fraudsters and the opportunity for on line fraud require a sophisticated and vigilant response

from the Authority. In addition, support from all parts of the Council is essential in ensuring the effectiveness of counter fraud work.

- 3.3. As part of its work, the Corporate Counter-Fraud Team investigates suspected financial irregularities and makes recommendations to reduce the risk of further losses and improve performance, efficiency, effectiveness and economy in the use of resources by the Council. The team also delivers fraud awareness training and raises awareness of new threats by posting information on Interface and the schools Extranet.
- 3.4. The Revenues & Benefits Investigation Team specifically investigates suspected Housing Benefit and Council Tax Fraud and when appropriate works with the Department for Work and Pensions to sanction offenders through prosecution, financial penalties and cautions.
- 3.5. The Trading Standards Service is responsible for fair trading, consumer credit, product safety, weights & measures and age restricted products.
- 3.6. The role of the Tenancy Fraud Team is to pursue civil litigation to recover possession of the property and bring it back into proper use. This is a landlord action that is separate to any potential criminal actions for fraud. However, the Tenancy Fraud Team works closely with the Revenues and Benefits Investigations Team in cases where there is suspected Housing Benefit and tenancy fraud. An enforcement policy to enable prosecutions in respect of tenancy fraud under the provisions of the recently enacted Prevention of Social Housing Fraud Act 2013 is currently under consideration.

4. Report

- 4.1 See the Counter-Fraud update report 2012-13, attached.

5. Financial, Legal and Other Implications

5.1. Financial Implications

Fraud can cause the Council significant loss and activity to prevent and detect fraud is a clear financial investment.

Colin Sharpe, Head of Finance.

5.2. Legal Implications

The Authority has a duty to protect the public purse and effective counter fraud work is one way in which the authority does this. Counter fraud measures should mean that fraud is prevented but also that where it does occur it is detected and the authority can take appropriate action.

Sarah Khawaja, Principal Solicitor (Regulatory and Property).

5.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Chloe Hardisty, Senior Environmental Consultant, Environment Team, Property.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	This report is concerned with fraud and corruption, both of which are criminal offences.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	This report is concerned with the prevention, detection and sanctioning of fraud. Fraud is one of the risks faced by the Council.

7. Background papers

7.1. Files held by Revenues and Benefits, Trading Standards and Housing Services

Leicester City Council's Anti-Fraud and Corruption Policy and Strategy

Leicester City Council's Finance Procedure Rules

Leicester City Council's Constitution

Leicester City Council's Code of Conduct for Behaviour at Work

Leicester City Council's Information Security Policy Statement

Leicester City Council's Prosecutions Policy

Leicester City Council's Investigators Code of Conduct

Public Bodies Corrupt Practices Act 1889

8. Consultations

None

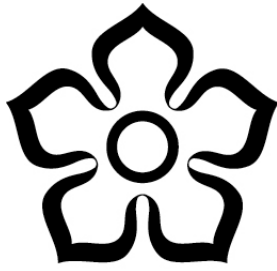
9. Report Authors

Caroline Jackson, Head of Revenues and Benefits, ext 372501

Ron Ruddock, Trading Standards Manager, Environmental Services, ext 373222

Mike Watson, Income Collection Manager, Housing Services, ext 395550

Alison Greenhill,
Director of Finance



Leicester
City Council

**COUNTER-FRAUD
UPDATE
April – December 2013**

COUNTER-FRAUD PERFORMANCE REVIEW - APRIL TO DECEMBER 2013

1. Introduction

- 1.1. This is a report to the Audit & Risk Committee on the work delivered by Leicester City Council's Corporate Counter-Fraud Team, Revenues & Benefits Investigations Team, Trading Standards Service and Tenancy Fraud Team during the first nine months of 2013.
- 1.2. The Corporate Counter-Fraud Team (CCFT) is an independent appraisal function, established by the Council to investigate suspected financial irregularities involving matters other than Housing Benefit and Council Tax Reduction, conduct proactive fraud-searching exercises and improve fraud awareness amongst employees.
- 1.3. The Revenues & Benefits Investigations Team provides direct support for the investigation, detection, deterrence and prosecution of fraud related to Housing Benefit and Council Tax Reduction.
- 1.4. The Trading Standards Service is responsible for fair trading, consumer credit, product safety, food standards, weights & measures and age-restricted products. According to Government statistics there were at least 9705 businesses active in the City in 2011.
- 1.5. The Tenancy Fraud Team investigates suspected illegal sublets with a view to returning Council properties back to the Authority. The Prevention of Social Housing Fraud Act 2012 came into force on 15 October 2013 and the Council will now seek to prosecute offenders.

2. The first nine months in summary

Corporate Counter-Fraud Team

- 2.1. The team comprises a part time Principal Investigations Officer (PIO) (30 hours per week) supported by one full time, permanent Counter-Fraud Officer, one temporary, part time Accounting Technician (26 hours) and two part time clerical support officers whose total hours equate to 33 hours per week. A full time Counter Fraud Officer was employed between April and September on a fixed term basis to assist with a backlog of cases that had arisen due to the ill health retirement of a former Counter Fraud Officer.
- 2.2. Referrals are received from a variety of sources, including whistleblowing disclosures made under the Council's Disclosure Policy.
- 2.3. The team liaises closely with the Council's legal services section, in particular to pursue civil recovery where appropriate.
- 2.4. On completion of an investigation a report or memo is usually produced for management outlining the circumstances of the investigation and drawing conclusions based on the findings of the investigation. Recommendations for improvements are also made.

- 2.5. The Head of Revenues and Benefits also discusses ways to improve processes with other senior managers including the Head of Procurement and Head of Internal Audit & Risk Management.
- 2.6. Fraud awareness training has been delivered to fifty three managers, including newly appointed employees, Leisure Centre Managers and Duty Officers and Children's Services Managers.
- 2.7. The Corporate Counter Fraud Team has now relocated to Wellington House and is managed by the Head of Revenue and Benefits pending a review of the Council's Fraud Service.

Revenues & Benefits Investigations Team

- 2.8. The team consists of an Investigations Manager and 8.56 full time equivalent (FTE) Investigation Officers. The team has experienced a number of resource issues during this period. One part time Investigations Officer left the authority in June 2013 and one of the full time investigators works two days each week on union duties. In addition to this the team has experienced periods of staff absence equivalent to 387 resource hours. Despite this the Revenues & Benefits Investigations Team has performed very well during the first nine months of the financial year. The sanctions target for the first nine months of the year is 180 and 151 sanctions have already been achieved. 71 cases are currently with Solicitors pending outcomes from prosecutions. The team remain confident that they will achieve their annual target of 240 sanctions in the remaining three months.
- 2.9. Following the successful prosecution of a false insurance claim made against the authority, the team continue to support the work of the Risk Management Team by assisting with cases of suspected fraud. There are currently three cases of this nature being investigated as there is a suspicion that the claims are either false or have been exaggerated. The work of the teams in this area has resulted in a nomination for the LGC Recognising Innovation awards 2014.
- 2.10. The team are also undertaking investigations into suspected Council Tax Discount Fraud. These cases involve potentially false claims for Single Person Discount (SPD). Single Person Discount is a 25% reduction in Council Tax when an individual lives alone or if the second adult in the household falls to be disregarded, for example a student. The Revenues & Benefits council tax teams now undertake a real time case load exercise to identify possible SPD fraud cases. 100 cases have been identified for further investigation as there is suspicion of a fraudulent claim.
- 2.11. The introduction of Universal Credits, to replace working age benefits, including Housing Benefit, casts some doubt over the future of the Revenues & Benefits Investigations Team. Decisions on the level of staffing required will be made ahead of 2015, the proposed date for the introduction of Universal Credits.

- 2.12. In May 2013 the team received training from an external provider on the new Council Tax Reduction Scheme and associated fraud offences.
- 2.13. During the period 1st April 2013 to 30th December 2013 £129,267.00 of the £571,012.50 of fraudulently claimed Housing Benefit and Council Tax Benefit has been recovered. The authority will pursue the remaining debt through various means including recovery from on-going benefit entitlement, arrangements to pay and court orders.
- 2.14. Some case studies of the work undertaken by the Revenues and Benefits Investigation Team are included at Appendix 1.

Trading Standards Service

- 2.15. The service has re-organised and now comprises a single investigation team, consisting of 8 Trading Standards Officers and one manager. The focus of the team is on investigation and enforcement of fair trading issues in a broad sense.
- 2.16. During the past nine months of the year the Trading Standards Service has been involved in nine major operations. These operations were supported by the police and HMRC where their assistance was required.
- 2.17. One Magistrates Warrant was obtained and executed at a residential address. This investigation is continuing.
- 2.18. The execution of a warrant normally involves the seizure and forensic examination of computers and mobile phones and the logging of intelligence onto a bespoke intelligence database. Timelines and association charts are produced and analysis of the data gathered assists with the investigation.
- 2.19. In addition to the major operations, a wide range of other frauds were and continue to be under investigation. Local car dealers continue to feature highly in the complaints received. Three are currently under investigation and we are working with a number of others in order to ensure compliance with the law. More than twenty cars that have had their mileage reduced before being sold on have been identified.
- 2.20. A number of builders/home improvement contractors are under investigation for apparently overcharging customers and/or seeking payment for unnecessary work. Legal services are currently processing two prosecution reports.
- 2.21. Not all complaints and tip-offs result in an investigation and not all investigations result in prosecution. Whilst we are able to rely on specific trading standards legislation for some cases we are increasingly using the Fraud Act as the most appropriate piece of legislation. We are also able to enforce against non-compliant traders by means of civil law under the Enterprise Act 2002.

- 2.22. The Trading Standards Service works closely with other neighbouring local authorities to share intelligence and good practice. They are active members of the regional forum Trading Standards East Midlands which affords the Trading Standards Service the ability to obtain operational support for large and complex investigations. They are also part of the National Trading Standards Policy Board (NTSB), an organisation that shares information across the country and may be able to provide funding and/or support for major operations. Lessons learned and intelligence from such operations is then shared nationally.
- 2.23. Trading Standards also host an Accredited Financial Investigator (AFI) who is able to undertake financial investigations under the Proceeds of Crime Act 2002 (POCA) into both Money Laundering and Confiscation matters. This is specifically aimed at depriving offenders of the proceeds resulting from their criminal conduct, including fraud related offences. The AFI is currently undertaking financial investigation on behalf of several other sections within the City Council in addition to Trading Standards and has successfully obtained Court Orders as a result of the confiscation investigations undertaken.
- 2.24. Where a Court Order is successfully obtained, the City Council can receive up to a third of the recovered amount back by way of an incentivisation payment for progressing the POCA investigation and recovering the criminal property. It must however be used for the sole purpose of furthering the fight against crime and is independently audited. Compensation orders can also be obtained to help reimburse victims for their losses, payable from the confiscation amount recovered. This also includes the City Council where it has itself been a victim (e.g. where it has been defrauded resulting in benefit payments being made as a result of a fraudulent application). In a very recent case this was exactly what had occurred and after successfully obtaining a confiscation order a compensation payment was then ordered to be made to the City Council for an amount in excess of £36,000.
- 2.25. Some case studies of the work undertaken by the Trading Standards Team are included at Appendix 2.

Tenancy Fraud Team

- 2.26. As a result of staff shortages the team currently comprises one full time and one part time officer. Funding secured from the Department for Communities and Local Government (DCLG) will be used to recruit two temporary officers for two years.
- 2.27. Referrals are made to The Tenancy Fraud Team by estate management officers, repairs operatives and members of the public.
- 2.28. The Tenancy Fraud Team continues to work closely with the Revenue and Benefits Investigations Team to identify benefit fraud cases and more recently has identified a number of suspected fraudulent Right to Buy applications.

2.29. Plans are underway for the team to start undertaking enquiries on behalf of Oadby and Wigston Borough Council and other social landlords within Leicestershire to identify tenancy fraud and bring about criminal proceedings under The Prevention of Social Housing Fraud Act 2013. It is anticipated that this work will be cost neutral.

2.30. The team has also worked with a number of area offices and has assisted in investigating suspected fraudulent mutual exchange and succession applications. In order for a succession application to succeed the applicant must have lived in the property for at least twelve months. There have been a number of applications where this has not been the case.

2.31. Some case studies highlighting the Tenancy Fraud Team’s work can be found at Appendix 3.

3. Review of Performance

Corporate Counter-Fraud Team

3.1. The Corporate Counter-Fraud Team considers all cases of non-Housing Benefit suspected fraud and irregularity referred to it. Consideration is given to a number of factors including the potential level of loss, whether the referrer is reliable and whether the allegation may result in a referral to the police for consideration of criminal action. In some cases an investigation is undertaken, in others, managers are given advice and assistance to enable them to take appropriate action, not only to deal with the matter of concern but also to help prevent recurrences.

Table 1: Caseload between 1 April 2013 and 31 December 2013

Referrals Received	Not investigated	Advice and Assistance (A&A) Given	Investigated	Closed	Carried Forward (incl A&A)
67	13	28	26	86	28

3.2. Twenty six of the closed cases have been proven and one is still under investigation by the DWP. A number of the proven cases have been or are being investigated by management under the Council’s disciplinary procedure.

3.3. Where it has not been possible to prove fraud or misuse of Council facilities but weaknesses in systems have been identified advice is given to management to enable them to reduce the risk of fraud. The Corporate Counter Fraud Team check with management after three months to ensure that recommendations for change have been implemented.

3.4. The team work closely with management and regular dialogue ensures that issues arising as a result of the investigation are often addressed before the investigation is concluded. Management are more actively involved in

managing the fraud risks on their own teams and the Counter Fraud Team is therefore able to deal with more cases.

Revenues & Benefits Investigations Team

3.5. The Revenues and Benefits Investigations Team works closely with the Department for Work and Pensions and investigates Social Security Benefit Fraud. In addition they also provide criminal investigation support in respect of tenancy and insurance frauds.

3.6. The team secured a total of 151 sanctions during the first nine months of the year. The sanctions, against those found to have committed benefit fraud offences, consisted of 20 Formal Cautions (Warnings), 55 Administrative Penalties (Fines) and 76 Prosecutions.

Table 2: Summary of Revenues & Benefits Investigations Activity between 1 April 2013 and 31 December 2013

Benefit Caseload	42,300
Total number of referrals received	898
Cases allocated for full investigation	433
Referrals passed for a visit from R&B staff	422
Referrals passed to DWP to investigate	23
Cases closed with no fraud proven	291
Ongoing caseload	327
Formal Cautions issued (warnings)	20
Administrative penalties issued (fines)	55
Prosecutions secured	76
Total Sanctions	151
Investigations closed	442
Sanctions per '000 caseload	3.56
% of investigations sanctioned	34.1%

Trading Standards Service

3.7 In the last nine months the Trading Standards Service has received 638 referrals from Citizens Advice Consumer Service (Formerly Consumer Direct), these are prioritised for appropriate action. In some cases no action is required but most will require a response or an investigation. Some will result in a full investigation. The investigation team currently has twenty nine

full investigations at various stages in the process. Six of these are already with legal services. .

3.8. Reviews are undertaken fortnightly to ensure that cases are progressed and properly prioritised.

3.9. The work of the section, particularly in the investigation team, is expanding and becoming more complex. We have had a number of cases recently where it is has been necessary to have two officers investigating one case full time.

Tenancy Fraud Team

3.10. The team consider and prioritise all referrals. The number of cases awaiting investigation has increased as a result of unexpected staff shortages. Plans are underway to recruit more officers to assist with investigations.

Caseload from 1 April 2013 to 31 December 2013

Referrals Received	Properties Recovered	Right To Buys stopped	Ongoing Investigations	Awaiting Investigation
87	22	2	26	67

4. The next three months

4.1 Major objectives for the Corporate Counter Fraud-Team for the remainder of 2013-14 are:

- To manage the caseload within the resources available.
- To provide advice and assistance to managers.
- To support the Council in its efforts to deal with fraud and irregularity whether internally focused or from customers or other third parties against the Council. In particular working with managers to increase fraud awareness and ensure that appropriate safeguards are in place to prevent, deter and detect fraud.
- To support the Director of Finance and the Audit and Risk Team by identifying high fraud risk areas and working with management to mitigate those risks.
- To manage the 2012/13 National Fraud Initiative exercise, ensuring that all data sets are considered and appropriate action taken where irregularities have occurred.
- To consider ways of measuring fraud as requested by the Chair of the Audit and Risk Committee at the meeting on 16 July 2013.

4.2 Major objectives for the Revenues & Benefits Investigations Team for the remainder of 2013-14 are:

- To continue to uncover and take action against those found to be committing benefit fraud.
- To ensure that appropriate sanctions are imposed in line with the Council's Prosecution Policy.
- To continue to provide criminal investigation support in respect of social housing tenancy and insurance fraud.
- To implement a Tenancy Fraud Enforcement Policy.
- To build upon the good working practices already established with the DWP fraud service by continuing to attend regular liaison meetings to address and resolve any issues.
- To look into the suitability and availability of refresher training for the Investigators to reinforce their accredited professional qualification.
- To participate in the NFI exercise in relation to benefit matches and raise investigations on appropriate cases.
- To identify, through the use of data matching, potential fraudulent claims for Single Person Discount, investigate accordingly and prosecute where appropriate.
- To continue to work in conjunction with Housing Services to review the Authority's housing stock of approximately 22,000 properties in an effort to identify potential tenancy fraud.
- To take all necessary steps ahead of the implementation of the Single Fraud Investigation Service.

4.3 Major objectives for the Trading Standards Service for the remainder of 2013-14 continue to be tackling the following:

- Doorstep crime targeting vulnerable citizens.
- Counterfeiting, in particular, the supply of illicit tobacco and counterfeit goods with significant health & safety risks.
- Sale of tobacco and alcohol to children.
- Illegal money lending.
- Car safety and related fraud.

Additional priorities include:

- Implementing local tier arrangements as set out in the Integrated Operating Model established by the National Trading Standards Board.
- Introducing an IT case management system that can accommodate complex investigations and facilitate the production of case files/bundles for Legal Services.
- Establishing referral and joint working arrangements with the Police for regional/national level frauds operating from Leicester City.
- Establishing referral arrangements with Action Fraud Intelligence.

4.4 Major objectives for the Tenancy Fraud Team for 2013-14 are:

- To recruit two temporary staff for two years to undertake investigations into suspected tenancy fraud.
- To identify and recover as many unlawfully let Council properties as possible.
- To refer cases to the Revenues and Benefits Investigations Team for consideration of prosecution using the powers available in the Prevention of Social Housing Fraud Act 2013.
- To commence joint working with Oadby and Wigston Borough Council.
- To develop and improve the case management system.

5. Acknowledgment

5.1 The Director of Finance acknowledges the efforts of all members of the Corporate Counter-Fraud Team, Revenues & Benefits Investigations Team, Trading Standards Service and Tenancy Fraud Team and the help, co-operation and support of Members and officers of the City Council.

Caroline Jackson
Head of Revenues and Benefits

Ron Ruddock
Trading Standards Manager

Mike Watson
Income Collection Manager

List of Appendices

Appendix 1: Case Studies for Revenues & Benefits Investigations Team

Appendix 2: Case Studies for Trading Standards Service

Appendix 3: Case Studies for Tenancy Fraud Team

Case Study 1

A Leicester woman claiming Housing Benefit and Council Tax Benefit for her rented house failed to declare that she owned another property. She was interviewed under caution and denied knowledge of the property. When shown the land registry document she stated that she did not realise that she owned the property. As a result of the investigation it was established that she had falsely claimed in excess of £22,000 in Housing Benefit and Council Tax Benefit. She was convicted at Leicester Magistrates Court under the Social Security Administration Act 1992 and sentenced to 100 hours Community Punishment Order. She has now moved to her previously undeclared property.

Case Study 2

A Leicester woman claimed Housing Benefit and Council Tax Benefit but stated that she was not related to her landlord. An investigation revealed that her son was the owner of the property and that the tenancy was not commercial. Further enquiries revealed that her two sons had moved into each other's properties in an attempt to create rental liabilities. They were in effect trying to use the benefits system to pay the mortgages on their own properties. The woman had claimed almost £10,000 that she was not entitled to. She was prosecuted under the Fraud Act 2006, fined £100 and ordered to pay £500 towards the council's costs.

Case Study 3

A Leicester man claimed Housing Benefit and Council Tax Benefit from the authority for his rented accommodation in the city. He failed to declare that he subsequently moved to Birmingham and continued to receive Housing Benefit and Council Tax Benefit to which he was not entitled. He was overpaid in excess of £1,500 and accepted an Administrative Penalty of £876.96 as an alternative to prosecution.

Case Study 4

A Leicester man claimed Housing Benefit to help pay his rent but failed to declare when he started work. He was overpaid in excess of £600 and admitted the offence at an Interview Under Caution. He was offered and accepted a Formal Caution as an alternative to prosecution.

Appendix 2 Case Studies –Trading Standards Team

Case Study 1

Operation Callaghan commenced following complaints from a business owner that the sale of counterfeit DVD's in the vicinity of his shop was harming his business.

Following a number of successful test purchase operations a warrant was obtained to enter the premises. Three suspects were arrested and interviewed under caution. All suspects are on bail whilst investigations continue.

Case Study 2

This operation targeted licensed premises who sell illicit cigarettes.

Test purchases carried out on the target premises indicated that illicit tobacco was being kept and sold from these shops.

Involved in this operation were six Trading Standards Officers, two HMRC Officers and a detector dog and handler from Wagtail Ltd.

The following illicit tobacco and alcohol was seized from 3 premises visited following detection by the dog concealed in various locations, the till in one shop, another in a rucksack in a vegetable stand and another hidden in an outside yard in a black bag.;

5 packs of Golden Marlboro original (20) = 100 cigarettes found in the till.
48 packs of Marlboro Gold (20) = 960 cigarettes
19 packs of L & M Blue (20) = 380 cigarettes
12 packs Marlboro Gold (20) = 240 cigarettes
5 packs of L & M Blue (20) = 100 cigarettes

The following were found guilty in the Magistrates Court:

Amad Yateem t/a Central International Supermarket 76-80 Humberstone Gate Leicester pleaded guilty and was fined £675, costs 250 & £68 victim surcharge on 7 January 2014.

Ahmed Rasouli t/a Euro Food 242 Narborough Road Leicester pleaded not guilty, was found guilty and was fined £750, £510 costs and £75 victim surcharge on 9 January 2014.

Kasraw Abdulla Said t/a Baltic 128A Narborough Road Leicester pleaded guilty and was fined £400, £300 costs and £40 victim surcharge

Intelligence from HMRC is that the shops keep very small quantities on the premises and restock very quickly after a raid so that their losses are minimized.

Case Study 3

A warrant was obtained in October 2013 to enter a house being used to supply counterfeit dvd's nationally. A quantity of high quality counterfeit dvds, and a number of computers and telephones were seized for analysis and one arrest was made. The investigation is continuing.

Appendix 2 Case Studies –Trading Standards Team

Case Study 4

This was an operation involving all of the officers in the service. The team visited 20 traders and undertook a compliance inspection, providing the traders with general compliance advice. The operation took place during National Consumer week in November and it formed part of our strategy to address problems that we have identified with some sectors of the motor trade in Leicester. A number of businesses are generating significant numbers of complaints but regularly change ownership so that it is difficult to obtain redress. This also causes problems for other parts of the Council, for example businesses are changing hands without paying their business rates. The information that we obtained as a result of this exercise will inform continuing motor trader investigations

Appendix 3 Case Studies –Tenancy Fraud Team

Case Study 1

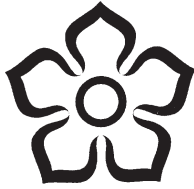
A referral from a member of staff alleged that the tenant of a three bedroom property was living elsewhere with her partner and allowing her two young adult daughters to live in the property. An active Right to Buy Application was also in progress. Investigations were carried out, a Notice to Quit was served and the Right to Buy put on hold. The tenant was interviewed regarding the situation and later terminated her tenancy. The Right to Buy application was also stopped.

Case Study 2

Reports were received that the tenant of a two bedroom house was not living there and was allowing her mother and brother to occupy the property. Investigations took place and it was found that the tenant was in fact living in Rotherham and had been for quite some time. Possession proceedings were commenced and were successful. The keys were handed in a week later.

Case Study 3

We were informed by the police that they had arrested one of our tenants at a different address. When they searched her two bedroom flat they found a male living at the property. He gave a statement saying that he was renting the property from our tenant for £300 per calendar month. The tenant had in fact been living with her boyfriend at another council property. Possession proceedings commenced. The tenant terminated her tenancy just before the hearing commenced and this was reflected in the court order given in court. This tenant had been claiming Housing Benefit so we worked closely with the Housing Benefit Investigations Team and they are looking at possible further action.



Leicester
City Council

WARDS AFFECTED: ALL

Audit and Risk Committee

19 March 2014

Risk Management and Insurance Services Update Report

Report of the Director of Finance

1. Purpose of Report

To provide the Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities.

2. Summary

The Committee has agreed a reporting schedule to keep it informed of:-

- Risk management activity within the Council;
- Information about the work of the Council's Risk Management and Insurance Services (RMIS) team; and,
- Information about other on-going initiatives in the Council to control risks it faces in the delivery of its services.

3. Recommendations

The Committee is recommended to:

- 3.1 Receive the Report and note its contents.
- 3.2 Make any recommendations or comments it sees fit either to the Executive or Director of Finance.

4. Report

4.1 The Risk Management and Insurance Services team have responsibility for three critical functions:

- Risk Management Support and Advice;
- Insurance; and
- Business Continuity Support and Advice.

- 4.2 This report provides an update, in the previously agreed format, on work carried out by the RMIS team since the last meeting, reporting to you progress made against their objectives. It assures you, where possible, that risks within the business continue to be managed effectively.

4.2.1 Risk Management Support and Advice

The Council's 2014 Risk Management Strategy, containing the Risk Management Policy, was presented to this Committee for discussion on 24 October 2013. The revised version was then taken to Strategic Management Board for agreement on 12 November 2013; Operational Board for noting on 4 December 2013 and to the City Mayor and Executive for approval and issue on 14 January 2014. The final version is presented here at Appendix 1 for the Committee to note.

The Council maintains a Strategic Risk Register and an Operational Risk Register. These registers contain the most significant unmitigated risks which the Council is managing and they are owned by Strategic and Divisional Directors respectively. Whilst there are other key risks, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers.

To allow the Committee to better understand these registers, attached as Appendix 2 is the current risk assessment scoring guide and matrix. The Risk Registers as at the 31 January 2014 are attached - Appendix 3 (Operational Risk Register) and Appendix 4 (Strategic Risk Register).

The 2014 RMIS training programme, the aim of which is helping staff to understand and manage their risks more effectively, was launched to the business in October 2013. The training sessions continue to be supported by the business areas, although falling attendances have been brought to the attention of the Strategic and Divisional Directors by the Head of Internal Audit and Risk Management.

4.2.2 Insurance and Claims

A summary report of claims against the Council received in the period 1 April 2013 to 31 December 2013 is attached - Appendix 5. This appendix shows both successful and repudiated claims, breaking these down into business areas and type of claim i.e. slips and trips, potholes etc. Members should remember that one claim may be reported in more than one policy category – for example a Motor claim may also have a Personal Injury or Public Liability claim too, and that for new claims a value may not have been applied whilst initial investigations conclude.

The figures in brackets represent claims in those areas in the same period last year. The year on year figures continue to show the benefits of handling these claims in-house as fewer are being paid and those that are paid are being settled, on the whole, at lower levels and much quicker – hence avoiding inflated Legal fees.

Since the last report to the Committee, the Council has had one case go to Court. Regrettably, this case was lost resulting in an award to the claimant of £1,992 and costs of £23,000 against an original reserve of £25,000. At the pre-case hearing the claimant and his legal team were not able to specify where the alleged fall had taken place. Ordinarily, this would be a significant enough omission for the case to be found in our favour. Regrettably, the judge in this case took a different view.

One other case had proceedings issued to agree ‘quantum’ (the amount of damages to be paid). The Council had accepted liability but felt the claimants claim was excessive at £4,000 – we had offered £1,000 prior to the hearing. In this case the judge agreed, and awarded £1,000 and decided that, as we had offered that amount, the claimant should meet their lawyer’s costs (around £15,000). Our reserve had been £19,500 (mostly for legal costs) so we were able to return £18,500 to reserves.

Loss Reduction Fund – So far this Financial Year (1 April 2013 to 31 January 2014) RMIS received 51 bids for assistance from the fund for a total of £334,168. Of these bids, 37 applications were approved and the fund provided an amount of £224,314 to business areas. In addition, there are 4 bids currently held awaiting further information.

4.2.3 Business Continuity/Emergency Planning updates

The Council’s 2014 Business Continuity Management Strategy, containing the Business Continuity Management Policy, was presented to this Committee for discussion on 24 October 2013. The revised version was then taken to Strategic Management Board for agreement on 12 November 2013; Operational Board for noting on 4 December 2013 and to the City Mayor and Executive for approval and issue on 14 January 2014. The final version is presented here at Appendix 6 for the Committee to note.

There have been no events since the last meeting affecting the Council that required the intervention or use of a business continuity plan.

4.2.4 Key Risk Issues arising within the Business

The key significant risk issues arising within the business have not altered since the last meeting of this Committee. They remain those surrounding the trade unions' potential for, and actual, industrial action across areas of the public sector.

The two main teaching unions (NUT and NASUWT), who had been encouraging their members to 'work to rule' since September 2012, finally escalated their members response to 'action short of a strike' on 1 and 17 October 2013, following which a letter was sent by the unions to the Secretary of State. The NUT has now announced that their members will strike on 26 March. The Department for Education has issued advice to schools to enable them to stay open. The Council's response to this disruption (and future such stoppages) will be managed by the relevant Operational Directors, supported by the Head of Internal Audit and Risk Management (who remains the LRF contact point). The earlier activities did not cause any significant disruption to the Council.

The Fire Brigades Union held a series of strikes between 25 September and 4 January. These were a mixture of discontinuous actions and full strike action. The Head of Internal Audit and Risk Management is the City Council's lead officer on this and is providing Directors and Heads of Service with updates from the Fire Service as they are received. Currently we await the next call for action, but LRF colleagues from the Fire Service advise that talks continue and remain positive.

The Head of Internal Audit and Risk Management continues to Chair meetings of the Local Resilience Forum (LRF) Business Continuity Practitioners Group where the risks for LRF members arising from any strike action, and the LRF member's response to deal with these incidents, are reviewed. If any further strike action is confirmed he shall, again, co-ordinate the Council's response with the support of the Chief Operating Officer.

Critical areas considered most at risk of disruption remain – schools – because of the impact on LRF partners and their staffs if they fail to open; highways – emergency repairs and response to adverse weather conditions; and, housing – emergency repairs and maintenance.

4.2.5 Horizon Scanning – events in other Public Sector agencies and the Private sector that may impact upon the Council.

On 30 October North East Lincolnshire Council was fined £80,000 by the Information Commissioner's Office (ICO) after losing a memory stick containing sensitive data about 286

children with special needs. The memory stick (which was not encrypted) had been left in a laptop in the Council's offices and was never recovered. Although the Council had introduced a policy in April 2011 that all new memory sticks would be encrypted, they never issued any instructions about existing, unencrypted devices. Leicester City Council's policy is that only encrypted and password protected devices should be used.

According to a survey issued at the London Market Claims Conference, 29% of risk managers lack confidence in their insurers. Underlying reasons for this stem from convoluted communication chains – not being able to speak to the right person. Leicester City Council have avoided this situation as we deal direct with the relevant staff in the Insurance Companies we deal with. Through our quarterly management meetings with our client manager we ensure that our contact lists remain up to date – as well as using these meetings to flag any concerns we have with their staff or teams.

A Chartered Institute of Internal Audit survey released in November found that only 85% of audit plans and 68% of Audit charters were approved by the Audit and Risk Committee. This Committee approves both of these documents, annually, at Leicester City Council. The survey also found that there was limited engagement between Committees and the External Auditors. Again, this Committee's annual planned agenda includes relevant reports from the external auditor throughout the year and there is (almost always) an external audit presence at each Committee meeting.

The Information Commissioner's Office (ICO highlighted in a report issued 10 February the challenge independent fostering and adoption agencies are facing looking after sensitive personal information. The ICO found a number of common problems, arising from 10 advisory visits, which put security of sensitive personal information at risk. These included insecure transfers between local authorities, carers and agencies; general lack of appropriate staff training; insufficient guidance for carers; and, a failure to encrypt sensitive personal data held on mobile devices and memory sticks. The latter point will be familiar to this Committee and advice to staff on all of these issues is included within the Council's policies and guidance's issued to and used by staff.

The Head of Internal Audit and Risk Management will continue to send to and/or discuss with relevant managers and directors any issues and the potential impacts they may have on the Council.

5. Financial, Legal Implications

There are no direct financial or additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Risk Management	Yes	All of the paper.

7. Report Author/Officer to contact:

Tony Edeson, Head of Internal Audit and Risk Management, Financial Services - Ext 37 1621

21 February 2014

Appendix 1 - 2014 Corporate Risk Management Policy Statement and Strategy

Corporate Risk Management Policy

Our approach to the management of risk

Risk management is all about managing the Council's threats and opportunities. By managing the Council's threats effectively we will be in a stronger position to deliver the Council's objectives. It is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. The Council accepts the need to take proportionate risk to achieve its strategic obligations, but expects that these are properly identified and managed. By managing these opportunities in a structured process the Council will be in a better position to provide improved services and better value for money.

The Council will undertake to:-

1. Identify, manage and act on opportunities as well as threats to enable the Council to achieve its objectives and integrate risk management into the culture and day to day working of the Council.
2. Manage risk in accordance with best practice and comply with statutory requirements.
3. Ensure that a systemic approach to risk management is adopted as part of Divisional Planning and Performance Management.
4. Anticipate and respond to changing social, environmental and legislative requirements.
5. Keep up to date and develop our processes for the identification/management of risk.
6. Have in place a defined outline of individual roles and responsibilities.
7. Raise awareness of the need for risk management to those involved in developing the Council's policies and delivering services.
8. Demonstrate the benefits of effective risk management through:-
 - Cohesive leadership and improved management controls;
 - Improved resource management – people, time, and assets;
 - Improved efficiency and effectiveness in service and project delivery;
 - Better protection of employees, residents and others from harm;
 - Reduction in losses leading to lower insurance premiums; and,
 - Improved reputation for the Council;
9. Ensure risk assessments (identification of, and plans to manage, risk) are an integral part of all plans and proposals to the Executive; Operational and Strategic Boards.
10. Recognise that it is not always possible, nor desirable, to eliminate risk entirely, and so have a comprehensive insurance programme that protects the Council from significant financial loss following damage or loss of its assets.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

Risk Management Strategy 2014

INTRODUCTION

1. This Risk Management Strategy is a high level document that seeks to promote identification, assessment and response to key risks that may adversely impact the achievement of the Council's aims and objectives. This strategy builds on, and replaces, the 2013 Risk Management Strategy. Through the continued development of these strategies, the maturity of the Council's risk management will be reflected in a more enabled and proactive culture of embracing innovative opportunities and managing risks.

AIMS and OBJECTIVES

2. The aims and objectives of Leicester City Council's Risk Management Strategy are:-
 - To provide the Executive, Members and senior officers with risk management reports that give a comprehensive picture of the Council's risk profile;
 - To assist the Council and its partners to adopt a "fit for purpose" methodology towards identification, evaluation and control of risks and to help ensure those risks are reduced to an acceptable level – the 'risk appetite';
 - To ensure that transparent and robust systems are in place to track and report upon existing and emerging risks which potentially could cause damage to the Council;
 - To help further integrate risk management into the culture and day to day working of the Council and ensure a cross divisional/operational approach is applied;
 - To provide reliable information on which to base the annual strategic and operational risk and governance assurance statements.

ROLES and RESPONSIBILITIES

3. Given the diversity of services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear. No one person or group should perform risk management. Commitment and involvement of staff at every level is needed to effectively carry out risk management, although different staff/managers will have specific duties to assist in this process and it is important that they all know their role.

RISK APPETITE

4. When discussing risk management it is easy to give the impression that all risks must be reduced or eliminated. However, risk is a part of every day life and may also be a source of success, if managed properly. Risk appetite is the amount of risk an organisation is prepared to accept, tolerate or be exposed to at any point in time. Appendix A (below) attempts to demonstrate, graphically, the Council's risk appetite. In the diagram, all of the risks that sit below the black line, the Council is prepared to tolerate. This does not mean that we do not plan for their occurrence, but that we should have considered their occurrence, and where appropriate, given some thought to what we would do if that risk materialises. An example of this

would be total loss of a building by fire. This is a typical 'high impact' but 'low likelihood' risk that cannot realistically be managed day to day, beyond normal management responsibilities; but which (should it occur) would be dealt with through the activation of a Business Continuity Plan.

5. Risk appetite needs to be considered at all levels of the organisation – from strategic decision makers to operational deliverers. The Authority's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the Authority's risk appetite provides the strategic guidance necessary for decision-making. The Authority's risk appetite is determined by individual circumstances. In general terms, the Authority's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to decisions being considered or proposed.
6. Decisions on whether to proceed with such proposals are part of the challenge process and are only taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits. As such, risk appetite should be considered for every proposal and risk rather than an over-arching concept for the entire Authority. There will be areas where a higher level of risk will be taken in supporting innovation in service delivery. These will be offset by areas where it maintains a lower than cautious appetite for example, in matters of compliance with law and public confidence in the Authority. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members.
7. However, in all circumstances:
 - The Authority would wish to manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and
 - The Authority would wish to secure the legal integrity of its actions at all times.

Despite this, at times the Authority may be forced to take risks beyond its choosing to comply with central government directives or to satisfy public expectations of improved services.

8. Local Authorities are, historically, risk averse. The aim of most local authorities is that key strategic and operational risks are well controlled, minimising the likelihood of an occurrence. However, it is recognised that there are costs involved in being too risk averse and avoiding risk, both in terms of bureaucracy and opportunity costs.
9. Leicester City Council's approach is to be risk aware rather than risk averse, and to manage risk rather than seek to eliminate risk altogether. As set out in its Risk Management Policy Statement, it is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. Directors and Members are not opposed to risk, however they are committed to taking risk with full awareness of the potential implications of those risks and in the knowledge that a robust plan is to be implemented to manage them. The Council's risk management process allows this 'positive risk taking' to be evidenced.

10. 'Positive risk taking' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks involved, and developing plans and controls that reflect the positive potentials and stated priorities of the Council. It then involves using available resources and support to achieve desired outcomes, and to minimise any potential 'harmful' impacts. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances.
11. However, having an effective risk management framework does not mean that mistakes and losses will not occur. Effective risk management means that unacceptable risks are highlighted, allowing appropriate action to be taken to minimise the risk of potential loss. The principle is simple, but this relies upon a number of individuals acting in unity, applying the same methodology to reach a soundly based conclusion. However, it is recognised that risk management is judgemental, and is not infallible. Incidents will still happen, but the Council will be in a better position to recover from these incidents with effective risk/business continuity management processes in place.

RISK FINANCING

12. Risk Financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal reserves (such as the Insurance Fund) or from the purchase of 'external' insurance (such as the catastrophe cover provided by the Council's external insurers).
13. Leicester City Council's strategy for Risk Financing is to maintain an insurance fund and only externally insure for catastrophe cover. The Council's strategy is to review the balance between external/internal cover on an annual basis in the light of market conditions and claims experience. This balance will be influenced by the effectiveness of the risk management process embedded at the Council and the process is managed by the Risk Management and Insurance Services team on behalf of the Director of Finance.

RISK MANAGEMENT PROCESS

14. There are four main steps in the risk management process. These stages are covered in greater detail in the Risk Management Toolkit – a step-by-step guide to risk management - which is available to all members, managers and staff via the Intranet and is issued to all that attend the 'Identifying and Assessing Operational Risk' training courses:-
 - Identify - Management identify risks through discussion as a group, or discussion with their staff. The Head of Internal Audit and Risk Management is available to support this process either by attending or facilitating risk 'workshops' or delivering risk identification and mitigation training to managers and their business teams in advance of their own sessions;
 - Analyse - Management assess the likelihood of such risks occurring and the impact on the Council. Once again, the Head of Internal Audit and

Risk Management is available to support management and their business teams in this process;

- **Manage** - Management determine the best way to manage their risks e.g. terminate, treat, transfer, tolerate or take the opportunity (see 17 below and the Risk Management Toolkit for more detail);
- **Review** - Management ensure identified risks are regularly reviewed. This will normally be managed by means of a Risk Register (see sections 18 – 24 below for more detail).

15. The Strategic and Operational objectives of the Council and individual Divisions provide the starting point for the management of risk. Managers should not think about risk in the abstract, but consider events that might affect the Council's achievement of its objectives. Strategic risks linked to Strategic objectives and Operational risks linked to Divisional service objectives and plans need, as a minimum, to be identified and monitored. This is best done by the effective use of Risk Assessments/Registers.
16. Risk Management is driven both top down and bottom up, to ensure risks are appropriately considered. To do this, all managers need to encourage participation in the process, through regular discussions/review with their staff. The Risk Management process seeks to work with and support the business and **not** add a layer of bureaucracy.

MANAGE THE RISKS

17. Once risks have been identified and assessed by management, those managers should determine how their identified risks are to be dealt with – a process commonly known as the five T's:-
 - **Terminate** or avoid the activity or circumstance that gives rise to the risk e.g. stop doing something or find a different way of doing it;
 - **Treat** the risk e.g. take actions to reduce the likelihood that the risk event will materialise or controlling the consequences if it does;
 - **Transfer** the risk, e.g. pass the risk to another party through insurance or by contracting it out. This reduces the impact if a risk event occurs;
 - **Tolerate** the risk. By taking an informed decision to retain risks, monitor the situation and bear losses out of normal operating costs. Typically this method will be used when the cost of treating the risk is a lot more than the cost arising should the risk occur;
 - **Take** the Opportunity. This option is not an alternative to the above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two considerations here:
 - Consider whether or not at the same time as mitigating a threat, an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls good enough to justify increasing the sum at stake to gain even greater advantage?;
 - Consider also, whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resource which may be able to be redeployed.

REVIEWING THE RISKS

18. It is important that those risks that have been identified as needing action are subject to periodic review, to assess whether the risk of an event or occurrence still remains acceptable. If not, appropriate action(s) should be determined and noted. The frequency of reviews to be decided by management, depending on the type and value of the risks identified (see also 20 below). Currently at Leicester City Council, the significant Strategic and Operational Risks are reviewed and reported upon on a quarterly basis.

RISK EXPOSURE AND TRACKING

19. After evaluating the measures already in existence to mitigate and control risk, there may still be some remaining exposure to risk (residual risk). It is important to stress that such exposure is not necessarily wrong, what is important is that the Council knows what its key business risks are; what controls are in place to manage (mitigate) these risks; and, what the potential impact of any residual risk exposure is. It is also important that the Council can demonstrate that risk management actions (the mitigating controls identified by managers as being needed) in the operational and service areas are implemented, remain appropriate and are working effectively.
20. Significant operational risks should continue to be logged and monitored using the operational risk registers. It is the responsibility of each Divisional Director to ensure that operational risks are recorded and monitored via a risk register. The Risk Management and Insurance Services (RMIS) team produce a pro-forma risk register that should be used by all business areas. These registers and the risks identified are aligned to the Council's operating structure. The process for reviewing and reporting Operational Risks at Leicester City Council should be:
 - At least quarterly (during January, April, July and October) Divisional Directors should review and agree risks during their 121 with each of their Heads of Service. Whilst it is up to each individual Director to decide whether their Heads of Service should report these risks to them verbally, or by use of a risk register, it would be prudent for a register to exist for those service areas that are either a business critical activity; are 'stand-alone' business units; or are responsible for significant operational risks. All Heads of Service need to have in place a mechanism allowing their direct reports to flag risk issues with them and must decide whether they too should compile a risk register. It is the recommendation of the Head of Internal Audit and Risk Management that most Heads of Service should have a risk register to allow this process to function properly;
 - Divisional Directors will take the most significant of their service area risks (if any) and add them to their Divisional Operational Risk Register (DORR). The complete DORR should then be agreed by their DMT;
 - Divisional Directors should, as appropriate, review and discuss their DORRs during their 121 with their Strategic Director at least quarterly (see 22 below);
 - Once agreed, the DORRs are then submitted to the Head of Internal Audit and Risk Management on (or before) the first working day of February, May, August and November;

- The Head of Internal Audit and Risk Management will then review (for obvious errors) all of the Divisional Operational Risk Registers and compile the Council's Operational Risk Register with the most significant of these risks;
 - The Head of Internal Audit and Risk Management will then submit the Council's Operational Risk Register to the Operational Board for agreement; to the Strategic Management Board for final approval; and to the Audit and Risk Committee for noting.
21. These most significant risks identified by the Divisional Directors feed into the Council's Operational Risk Register which is managed by the Operational Board (the group of divisional directors chaired by the Chief Operating Officer). The Operational Board is accountable for ensuring that all operational risks are identified against service delivery objectives; that plans are implemented to control these exposures; and that key risks are included within individual service plans.
 22. The Strategic Management Board has created and is managing and monitoring a Strategic Risk Register for those risks which may affect achievement of the Council's strategic programme and objectives. The most significant of these risks, those that may threaten the Council's overall strategic aims, form this register which is reviewed and updated by the individual members of the Strategic Management Board each quarter. Responsibility for these risks rests with named Strategic Management Board members. As part of the overall process of escalation, each Strategic Director should also have risk on their 121 agenda with their Divisional Directors at least quarterly as one of the significant Strategic Risks is a serious failing of the management of Operational Risks by their Divisional Directors.
 23. The Head of Internal Audit and Risk Management facilitates and support this process and will continue to maintain the Operational and Strategic Risk Registers, using the input from each Divisional Operational Risk Register and the Strategic Risk Register. These registers will be reported quarterly to the Strategic Management Board, the Operational Board and the Audit and Risk Committee. As part of this process, bespoke training needs may be identified and the Head of Internal Audit and Risk Management will provide training and support upon request.
 24. All risks identified, both operational and strategic, will need to be tracked and monitored by regular, quarterly reviews of the risk registers (at the quarterly 121's mentioned above). This will ensure that any changes in risks are identified for action; there is an effective audit trail; and, the necessary information for ongoing monitoring and reports exists.

PARTNERSHIP RISK

25. It is recognised that Partnership Working is a key (and growing) area where associated risk needs to be identified and controlled. Best practice states that local authorities must meet two key responsibilities for each partnership they have. They must:-
 - Provide assurance that the risks associated with working in partnership with another organisation/person have been identified and prioritised and are appropriately managed;

- Ensure that the partnership has effective risk management procedures in place, **for all parties**.
26. To help mitigate the risks associated with partnership working the Head of Internal Audit and Risk Management developed a guidance tool to identify where the risks lie (i.e. with the Council or our partners). This guide recommends a generic partnership risk register for use in all Council partnerships. The guide is now owned and maintained by the Delivery, Communications and Political Governance Division, and was delivered to the business by the Head of Partnerships, Planning and Performance in July 2011. This allowed the Council to establish a register of partnership arrangements and record the key elements of those agreements. This register will identify committed Council resources in terms of Officer's time; finance; activities; and, liabilities. Governance, delivery and performance measures are also covered in some detail as they also need to be clarified and understood.

RISK MANAGEMENT TRAINING

27. Since January 2010, risk management training has been delivered by Risk Management and Insurance Services (RMIS) management and staff to explain risk management methodologies. An annual programme of training (covering risk, insurance and business continuity planning) remains available to all staff, managers and Members. However, Directors and managers should still identify those staff that need this training through the staff appraisal process (existing staff) and through the jobs specification process (new staff). Appropriate training will be provided by the RMIS team, within the resources available.

REVIEW OF RISK MANAGEMENT STRATEGY AND POLICY

28. This Risk Management Strategy and the associated Policy Statement are intended to assist in the development/integration of risk management from now until December 2014.
29. All such documents and processes will remain subject to periodic review. The next planned review to occur in Quarter 4 2014. This allows any changes in process to be aligned to the Council's financial year end.

RISK MANAGEMENT AT LEICESTER CITY COUNCIL

30. Continuing robust risk management processes need to be applied to all our activities during the next 12 months and beyond. To achieve this we need to identify our priority exposures, address these, incorporate appropriate risk management strategies and risk improvements into our service delivery in line with the Council's priorities, monitoring and reviewing emerging risk to account for changes in our operations and to enable us to make well-informed decisions. Risk must be considered as an integral part of Divisional planning, performance management, financial planning and strategic policy-making processes. The cultural perception of risk management has to continue changing from a 'have-to-do' to a 'need-to-do'.
31. The Head of Internal Audit and Risk Management will continue to maintain a central copy of both Strategic and Operational Risk Registers, as well as the Divisional Operational Risk Registers. Internal Audit will continue to utilise these registers to

produce a programme of 'process audits', which will test the maturity and embedding of the risk strategy in the business areas – subject to resource being available. So, the Council's Risk Strategy and Policy will help Director's to report appropriately upon their risk and their risk registers will be used pro-actively to inform the Internal Audit work programme which, in turn, allows assurance to be given to both the Boards (officers) and the Audit and Risk Committee (members) that risk is being properly identified and managed at Leicester City Council in line with the Council's Strategy and Policy.

32. Ideally, the management of risk should be included in job descriptions for all operational service area managers with responsibility and accountability for risks, and be included in every director/manager's objectives and performance appraisal discussion.
33. Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation of risk related issues. Risk management is most successful when it is explicitly linked to operational performance.

Appendix A - RISK APPETITE

LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable/ Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical/ Catastrophic 5
IMPACT (B)						

Appendix 2 – Risk Assessment Scoring Guide and Matrix 2014

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA	CRITICAL/ CATASTROPHIC	5	<ul style="list-style-type: none"> • Multiple deaths of employees or those in the Council's care • Inability to function effectively, Council-wide • Will lead to resignation of Chief Executive and/or Leader of the Council • Corporate Manslaughter charges • Service delivery has to be taken over by Central Government • Front page news story in National Press (e.g. Baby P) • Financial loss over £10m
	MAJOR	4	<ul style="list-style-type: none"> • Suspicious death in Council's care • Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure) • Noticeable impact in achieving strategic objectives • Will lead to resignation of Strategic Director and/ or Cabinet Member • Adverse coverage in National Press/Front page news locally • Financial loss £5m - £10m
	MODERATE	3	<ul style="list-style-type: none"> • Serious Injury to employees or those in the Council's care • Disruption to one critical Council Service for more than 48hrs • Will lead to resignation of Divisional Director/ Project Director • Adverse coverage in local press • Financial loss £1m - £5m
	MINOR	2	<ul style="list-style-type: none"> • Minor Injury to employees or those in the Council's care • Manageable disruption to internal services • Disciplinary action against employee • Financial loss £100k to £1m
	INSIGNIFICANT/ NEGLIGIBLE	1	<ul style="list-style-type: none"> • Day-to-day operational problems • Financial loss less than £100k

LIKELIHOOD	SCORE	EXPECTED FREQUENCY
ALMOST CERTAIN	5	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.
PROBABLE/LIKELY	4	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.
POSSIBLE	3	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.
UNLIKELY	2	Event NOT EXPECTED . Do not expect it to happen/recur, but it is possible it may do so.
VERY UNLIKELY/RARE	1	EXCEPTIONAL event. This will probably never happen/recur.

Appendix 2 – Risk Assessment Scoring Guide and Matrix 2014

LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable/Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		<i>Insignificant/ Negligible</i> 1	<i>Minor</i> 2	<i>Moderate</i> 3	<i>Major</i> 4	Critical/ Catastrophic 5
IMPACT (B)						

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p>1. Financial challenges - the Council fails to respond adequately to the cuts in public sector funding over the coming 2 - 3 years and fails to deliver the required budget savings for 2013/14.</p>	<p>Council is placed in severe financial crisis. Reputational damage to the Council. Significant job losses leading to potential to destabilise the Council and difficult industrial relations. Mismatch between service demand and budget availability may lead to an increase in financial instability in some instances. Pressure may be created between 'demand led services' (social care) and other priorities.</p>	<p>Budget for 2013/14 agreed as part of three year budget for 2012/15. Robust monitoring by SMB. Regular reporting to the City Mayor and elected members. Longer-term spending review programme agreed and review work commenced.</p>	5	4	20	<p>Continued development of savings proposals for future years beyond the three year strategy, reflecting the Council's strategic service priorities and on-going modelling of the Council's potential future income and cost streams, recognising the significant reviews of Local Government funding and service delivery responsibilities at national level.</p>	5	2	10		<p>Andy Keeling Alison Greenhill</p>	<p>31.03.2014 and Ongoing</p>

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
2. Organisational flux - the level of changes needed to deliver the budget savings in particular the reductions in staffing destabilises the Council	As a result of organisational change there is a requirement for completely new skill sets that underpin a transformed business model, such as supplier management. Staff morale severely impacted and results in a drop in productivity. Not able to deliver priority outcomes and targets. Reputational damage to the Council	Council wide recruitment strategy in place to support budget delivery. Programme in place to seek volunteers for redundancy on an annual basis. Established and developing programme of engagement and communications with staff including question time events, is in place. Initial discussions with SMB regarding strategic workforce planning are starting to take place and work is underway to take this forward.	4	4	16	Implement regular monitoring of progress and impact by SMB. Continue to deliver and further develop cascade communications to staff. HR to continue to develop a more robust and strategic approach to workforce planning. Approach to workforce development to be fundamentally reviewed in the light of this	4	3	12		Andy Keeling	Mar-14

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p>3. Partner relationships - LCC fails to further develop and improve the way it works in Partnership(s). Tensions and strained relationships with key partners and stakeholders including the voluntary and community sector due to financial and other pressures. Continuing a productive partnership relationship with LC CCG is particularly important in light of the importance for Adult Social Care of the Integration Transformation Fund (ITF).</p>	<p>Failure of local agreements and partnership arrangements to deliver agreed levels of performance, the impacts of which may reflect negatively on the Council adversely affecting its reputation. Potential litigation where it impacts on formal contractual relationships. Financial risk if ITF plans are inadequate or not agreed</p>	<p>Mechanisms in place for regular dialogue including formal partnerships via the City Partnership Board and Strategic Theme Groups including the new Health and Wellbeing Board. Review of support to the VCS and to engagement via the VCS is underway.</p>	4	4	16	<p>Close involvement of Elected Mayor and Members in key partnerships. Regular review and evaluation of the current position by SMB. Complete VCS review and implement findings</p>	4	3	12		<p>Miranda Cannon All Strategic Directors</p>	<p>March 2014 or when themed discussion at SMB around partnerships (with the VCS in particular) has taken place.</p>

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
3. Partner relationships (continued)	<p>Partnership working will be an expensive bureaucracy and fail to add value to improving outcomes for the citizens of Leicester. Reputational damage to the Council from the perspective of partners. Partnership working fails to take into account the needs of all communities. There is no common vision or consensus across key partners in the city and therefore the work of individual organisations pulls in different and potentially conflicting directions.</p>	<p>Partnership working arrangements in the city were further reviewed following the election of the City Mayor and adoption of new governance arrangements. The City Partnership Board has been established and is meeting quarterly focusing on major themes for the city. Partnership sub-structure has been reviewed and found generally to be fit for purpose. Cllr Sood now has partnership working within her portfolio. Work underway to redevelop mechanisms for engaging at strategic level with the VCS</p>				Keep arrangements under review. Continue to develop and embed the approach to working strategically with the VCS						

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
4. Crisis recovery - Inadequate emergency or business continuity response to a major event adversely affecting the Council, its employees, the people in its care or the citizens of Leicester.	Insufficiently prepared management leads to disorder in the rapid restoration of business critical activities and the control of the emergency plan. The emerging risk environment increasingly makes 'resilience' a significant focus for all organisations. Budget cuts and rationalisation may also challenge the ability of Category 1 responders (which LCC are) to fulfil their statutory duty.	All members of the Senior Management Team have roles in either a Corporate BCM Team or act as Emergency Controllers. LCC been actively engaged in reviewing the role of the Resilience Partnership and agreeing a 3 year funding strategy and approach for the partnership. LCC currently participating in a fitness for purpose review of the LRF	5	3	15	Further embedding of business continuity management approach. Executive and SMB to have presentations in January / February 2014 to update them on emergency management arrangements including the role of the LRF and Resilience Partnership.	5	2	10		Andy Keeling	31.03.2014 and Ongoing
5. Operational Risks - Significant Operational risks may seriously impair delivery of priority outcomes and targets and impact on the financial position of the Council	Less than optimal services provided to the citizens of Leicester. Operational issues may require resource 'earmarked' for strategic projects or programmes, leading to these being delayed or cancelled.	Operational Board identify, monitor and manage significant Operational risks.	4	3	12	Operational Board to identify, monitor and manage significant Operational risks. Chief Operating Officer and Strategic Directors to discuss significant Divisional Risks with individual Divisional Directors (at least quarterly) in their regular 121 meetings.	3	2	6		Andy Keeling / Elaine McHale / Frank Jordan / Deb Watson	31.03.2014 and Ongoing

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
6. ASCT Programme - The Council fails to transform and modernise social care in line with statutory requirements and the future cost of social care cannot be contained within the Council's budget.	Impacts on quality of care and choice provided to service users and carers. Impacts on outcomes relating to vulnerable adults and older people including the safety of these service users. Failure to meet Government defined targets. Planned efficiencies are not secured which impacts on Council budgets. Unable to manage the additional demands made on the service.	Following the recent quality assurance review of the programme the governance arrangements have been changed to create an internal board to ensure individual projects are progressed. An external steering group has also been created to enable users, carers and other stakeholders to have an input into the programme.	4	4	16	Monitor closely the progress of the programme.	4	3	12		Deb Watson	31.03.2014 and Ongoing
7. Accommodation - Council fails to respond adequately to the structural issues relating to New Walk Centre	Significant risk to health and safety of employees and others. Major disruption to services when vacation of NWC is required. Major reputational damage. Significant financial implications	Accommodation programme in place to take forward the required work. Detailed plans agreed for relocation and programme being progressed to manage the transition. Demolition strategy in place for NWC site.	5	3	15	Close monitoring of the programme. Engagement of staff teams in detailed planning work. Change management process and implementation being led by COO.	5	2	10		Frank Jordan	Jun-14

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
8. Community tensions - Council fails to identify tensions arising in the city (particularly as the financial challenges impact on communities) leading to unrest in specific communities / areas of the city.	Impacts on reputation of the city and Council. Places a strain on resources and services to manage.	The Council/ Police have now arranged a Community Gold meeting which meets approx once a month and includes LPU commanders, the BCU commander and council officers from LASBU, youth services, community services. This tracks and agrees joint actions to address any known tensions in communities. This is supported by a shared system between front line officers from the police and the council to track community tension. Community joint management group now in place which creates a regular conduit for engagement with community leaders.	5	3	15	. Now need to fully embed CTM within the Council.	5	2	10		Frank Jordan	31.03.2014 and Ongoing

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
9. Information Security - the Council fails to adequately secure confidential and sensitive data that it holds	Major loss of public confidence in the organisation. Potential litigation and financial loss to the Council. Reputational damage to the Council. With data held in a vast array of places and being transferred between supply chain partners, data becomes susceptible to loss; protection and privacy risks.	Clear policies and protocols in place.	5	4	20	Clear and ongoing communications to staff to reinforce policies and protocols. Regular review and monitoring of arrangements across services by Service Managers supported by Information Security / Governance Teams	5	2	10		Andy Keeling	31.03.2014 and Ongoing
10. Breaches in standards / corporate policies and procedures - Local management use discretion to apply inconsistent processes and misinterpret Corporate policies & procedures, perpetuating varying standards across business units.	Places the organisation at risk eg fraud, data loss etc. Potential financial losses / inefficient use of resources.	Regular reporting from Internal Audit to SMB and Operational Board. Approach to the annual corporate governance review revised and a more effective process established	4	3	12	Continue to reinforce key standards and policies via regular communication. Ensure Managers are appropriately trained and requirements are clearly set out in JDs and reinforced via appraisals. Ensure Internal Audit findings are acted on in a timely manner.	4	2	8		Kamal Adatia	31.03.2014 and Ongoing

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
11. Project / programme delivery - project and programme controls fail to deliver	Major infrastructure transformation initiatives, process re-engineering and organisational change programme projects may be challenged by cost over-runs and failure to meet expectations by not completing on time or with significant budget overspend. Failure to co-ordinate projects and project resource leads to scope creep. Impacts on ability to drive improved outcomes and targets for the citizens of Leicester.	CPMO in place with monthly reporting on the portfolio. Support for Project and Programme Managers in place eg training, Project Managers Network. Formal programme of assurance reviews in place. Capital advisory board now established to ensure robust gateway reviews are in place for capital projects	4	3	12	Continued embedding of arrangements to ensure robust management and delivery of the overall portfolio of programmes and projects.	4	2	8		Andy Keeling All Strategic Directors	31.03.2014 and Ongoing
12. Safeguarding - the Council fails to adequately safeguard vulnerable groups eg children and young people, elderly, those with physical and learning disabilities	Death or serious injury. Serious case reviews initiated. Reputational damage to the Council. Citizens lose confidence in the Council. Negatively impacts on relationships with stakeholders. Impacts severely on staff morale.	Safeguarding Adults and Children's Boards in place. Regular reviews of procedures and close supervision of staff. Range of quality assurance processes exist within the Divisions. Range of developments exist within the Divisions to manage, support recruit and retain staff.	5	3	15	1. Board performance and framework development. 2. Chair of Board has direct accountability through Chief Operating Officer 3. Regular bi-monthly meetings with Mayor and Adults and Childrens Lead Members	5	2	10		Deb Watson/ Elaine McHale	31.03.2014 and Ongoing

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
13. Breach of Health and Safety Regulations - City Council fails to respond effectively to the requirements of HSE/Government proposals and/or legislation which places health and safety responsibilities on local authorities.	Possibility of serious injury or death of member of staff or service user/members of the public. Failure to meet statutory responsibilities. Reputational damage to the Council.	Day to day management of Health and Safety responsibility rests with the Operational Directors and their Heads of Service. Corporate Health and Safety team available to assist. Risk is reported and controlled through the Divisional Directors Operational Risk Registers (presented to Operations and Strategic Management Boards each quarter) and these are underpinned by registers at Heads of Service level that are reviewed and discussed at Divisional Management Teams each quarter. Regular inspections and reports by the Corporate Health and Safety team with all actions being followed up within a reasonable time.	5	3	15	Strategic monitoring and reporting in relation to H&S to be reviewed to raise profile and ensure responsibilities are reinforced from the top.	5	2	10		All SMB Members.	Mar-14

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p>14. Impact of Climate Change - City Council fails to respond effectively to the requirements of Government proposals and/or legislation which places climate change responsibilities on local authorities.</p>	<p>An increase in inclement weather patterns (flood, heat, waves, drought, windstorm, increased snow fall etc) building the right infrastructure and new statutory flood and water risk management duties. Having sufficient financial resources and flexibility to address these challenges becomes increasingly difficult.</p>	<p>Corporate Management of this is outlined in the carbon action plan which covers all areas of management activity across the Council and its partners to reduce carbon. Implementation is monitored through a carbon management board. Day to day management of climate change responsibility rests with the Operational Directors and their Heads of Service. Risk is reported and controlled through the Divisional Directors Operational Risk Registers (presented to Operations and Strategic Management Boards each quarter) and these are underpinned through regular reviews as part of the revised EMAS system.</p>	5	3	15	<p>Public engagement and city wide flood defence programmes are being developed jointly with the Environment Agency. This provides a two - pronged approach to manage the risk of severe flooding arising from climate change</p>	5	2	10		All SMB Members.	Mar-14

Appendix 3 - LCC Strategic Risk Register

Risk Owner: Andy Keeling, COO

Date completed: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with (See Scoring			Further management actions/controls required	Target Score controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
15. Employee Development and Management - Lack of future workforce planning and appropriate development of managers and employees leaving the Council exposed to service failure in the future. The Council loses knowledge, experience and skills through staff leaving the Council as posts are made redundant and deleted.	The Council does not have the right skills, behaviours and competencies in terms of the workforce to deliver the city's vision and priorities. The Council fails to maximise the potential of its key resource. Staff become demotivated which impacts on productivity and delivery across the Council. Disruption to service delivery. Impacts on continuity of services. Creates risks in delivery because information on processes / procedures etc is lost	HR review has built in capacity for longer-term workforce planning and a more strategic approach. SMB now engaged in discussions regarding strategic workforce planning and initial work is underway	4	4	16	Continue to develop the Council's workforce planning approach and fundamentally review how workforce development will support this in future	4	2	8		Stephanie Holloway	Apr-14
16. Voluntary and Community Sector (VCS) - Council fails to engage / commission appropriately from the VCS. LCC is at risk of judicial challenge if we fail to manage the contractual relationships effectively and in line with statute	Reputational damage from the perspective of the sector. The Council does not get maximum benefit from a thriving VCS in the city. The resilience and viability of the VCS is damaged. Risk of formal challenge e.g. judicial review from not engaging and consulting effectively with the sector.	Cllr Sood and Miranda Cannon working with the VCS and Public Sector Strategy Group to refocus how it operates and maximise its impact. VCS Engagement Manager now in post. Review underway to look at how the Council supports and engages the VCS	4	3	12	Undertake the review and implement outcomes. VCS Engagement Manager to review overall approach to working with the VCS.	4	2	8		Miranda Cannon	31/03/2014 and Ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
1. Adult Social Care & Safeguarding - Integration agenda. Risks associated with large programme of change in challenging financial context.	Failure against national commitments on integration. Services are not aligned; Financial risk; Conflict between priorities of organisations; Transformation programme targets are not met.	High visibility at partnership forums; Support to frontline staff to maintain operational relationship management; Communication strategy for transformation in context of integration includes partners.	4	4	16	Establish clear partnership arrangement to agree and deliver Integrated Care in Leicester; maximise BCF opportunity.	3	3	9		Ruth Lake	BCF plan 14-02-2014; implementaion planning through 2014/15
2. Adult Social Care & Safeguarding - Meet H&S expectations in regulated provision. Fail to maintain safe water systems in all units; Failure to maintain essential health and safety in intermediate care provision.	Ill health or death to residents and/or staff or visitors from water borne infections or poor H&S practices.	Water hygiene monitoring practice in place	5	3	15	Ensure all registered managers go on required training and fully understand the requirements for temperature checking, flushing regimes, tap cleaning etc and can closely monitor those carrying out these tasks.	5	2	10		Ruth Lake	31 March 2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
3. Adult Social Care & Safeguarding - Failure to deliver satisfactory Intermediate care capacity. Ineffective partnership working with Leicester City NHS results in failure to impement new IC unit.	Failure to deliver intermediate care priorities and make efficiency targets; capital/reputational /political risks.	Strategy and redesign work to establish cross-economy commitment to intermediate care models	4	4	16	Engage with H&WB as it establishes; establish programme board with CCG input	3	3	9		Ruth Lake	Work will be ongoing throughout 2014 to 2016
4. Information & Customer Access - Failure to complete move of corporate data centre in a timely manner and Project costs exceeding budget	Risk Is: Migration of Infrastrucrture and Server hardware over a 2 to 3 month period. Failure of Hardware component during migration. System misconfiguration at new DC and time contingency for the move has been severely eaten into and cannot be	Professional suppliers to be utilised to carry out Hardware transportation. Detailed, documented and interlocking team and service plans to be prepared for migration and acceptance testing at every stage	5	4	20	Advance warning to users when their service is likely to be impacted. Comprehensive and documented user Acceptance Testing . a) UAT from Suppliers for handover of DC b) UAT from Infrastructure for handover to Server Team c) UAT from Server Team for Core Services d) UAT from users when	5	3	15		Jill Craig	Apr-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
5. Information & Customer Access - Managing delivery of continuing levels of service with vacancies resulting from increasing retention & recruitment difficulties and staff churn. Difficulties within the recruitment internal and external pools to find suitable resources. Staff departures due to ever increasing budget pressures.	<ul style="list-style-type: none"> • Staff departure Single Points of (Human) Failure Unable to recruit to posts/loss of key staff • General and/or major degradation of council ability to function Failure to deliver key service improvement projects. Inability to meet resourcing needs for major site moves including NWC and DC as well as deliver Lync etc. 	1. Internal promotions and developmental opportunities 2. Explore Graduate recruitment 3. Extend recruitment search 4. Agencies	4	4	16	Work closely with HR to achieve more effective recruitment e.g. targetted advertising. Actively utilise new corporate processes within current recruitment freeze	4	2	8		Jill Craig	Mar-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
6. Information & Customer Access - Failure of MS Lync. implementation (Voice services migration) in part or totally exacerbated by narrowing time envelope	Risk is: • Council ceases to function totally or in part through loss of voice services • Alternative voice solution not in place ahead of NWC move causing delays within moves • major cost over-runs are experienced in delivering an alternative solution • Cost benefits of MS migration are lost • Ability to exploit new ways of working is seriously compromised.	Director and Project Steering Group actively monitor/manage delivery Thorough pilot of Lync. Proof of Concept solution within Information & Customer Access followed by initial pilot with small remote office BCP planning for implementation being tested Lync experienced Project Manager in place and co-ordinating activity with other MS projects in hand corporately	5	4	20	• Project Communication • Detail lessons learnt process to incrementally improve processes • Prioritisation of resource to Project	4	2	8		Jill Craig	Mar-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
7. Human Resources & Workforce Development - Efficiencies arising from the HR Review lead to capacity pressures on service and delays in progressing vital casework	Risk to wider organisation of its ability to implement significant organisational change, linked to budget setting proposals.	Regular monitoring of casework undertaken. Resource allocation to casework monitored by Senior HR Manager - Operations, including greater independence of managers in HR matters where considered appropriate.	4	4	16	Management development programmes to be reviewed to ensure that managers are able to become more self sufficient in HR matters. On-going management of resource allocation and increased prioritisation of HR involvement in key areas.	3	3	9		Steph Holloway	01/03/2014
8. Property - Schools Capital. Raising educational achievement.	Discontinuation of PCP (reduction in capital investment) and the continuing need to accommodate pupil increases. Statutory duty not met.	Established working group to assess options. Other funding sources being explored including bids to PSBP Property Health Surveys on all Primary schools to be completed by end April 2013	4	4	16	Develop long term strategy across the primary school estate	4	2	8	Staff time	Mark Lloyd	30/04/2014 and then ongoing, subject to 6 monthly reviews.

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
9. Property - Schools Capital. Raising educational acheivement.	Reduction in capital investment in schools with ageing school stock and deteriorating condition. Potential to not meet statutory building requirements. Reputational damage to the council	Assessing a range of construction options (e.g. modular, pre-fab) to reduce build costs - to be completed by May 2013.	4	4	16	Develop long term strategy across the primary school estate	4	2	8	Staff time	Mark Lloyd	30/04/2014 and then ongoing, subject to 6 monthly reviews.

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
10. Property - Securing adequate HR impacts on all strategic priorities	Failure to attract candidates with requisite skill sets due to single status grade resulting in vacant positions or poor appointments. Affects all delivery resulting in poor efficiency and effectiveness and possible reputational damage to the council through adverse press coverage	Review in place on completion recruitment may be needed	4	4	16	Work with DMT to identify alternate project and programme management process such as cluster management	4	2	8	Staff time	Mark Lloyd	30/04/2014 and then ongoing, subject to 6 monthly reviews.
11. Property - Maintaining Income (Capital and Revenue) on behalf of the Council	Economic downturn affecting budget	Monthly on voids and financial implications thereof to DMT and Mayors Property Briefing.	4	4	16	Send rent demands, reviews and renewals on time - collect rent on time.	3	4	12	Staff time	Mark Lloyd	30/04/2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
12. Property - BCM re Asbestos	Closure of buildings	1. Findings of asbestos action plan being implemented. 2. Asbestos monitoring returns to be reported to DivMT and Heads of Property monthly. To OB and SMB if cause for concern. 3. Action plan works now completed, signed off by H&S and now being monitored.	5	3	15	1. Ensure 100% compliance with asbestos returns with accurate data by holding BROs to account. 2.Ensure all buildings have an asbestos register	3	2	6	Staff time	Mark Lloyd	30/04/2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
13. Property - BCM re Water Hygiene	Closure of buildings	1. Implementation of control regime comprising ongoing regular monitoring, reports, risk assessment reviews and maintenance with allocated budgets. 2. Water hygiene monitoring returns to be reported to DivMT and Heads of Property monthly. To OB and SMB if cause for concern. 3. Spend of allocated capital budget for water hygiene and production of ongoing prioritised schedule of works ongoing. 4. Water hygiene responsibilities in non-op estate have been confirmed and necessary action taken.	5	3	15	1. Seek 100% compliance with water hygiene returns with accurate data. 2. Further budget for 13/14 works approved in capital programme. 3. More rigorous audit of BRO monitoring to be undertaken.	3	2	6	Staff time	Mark Lloyd	30/04/2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
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14. Care Services & Commissioning (ASC) - Financial Risk – A methodology has been developed to base the fees uplift for the independent residential providers to prevent possible JR. Issue is review of the fees paid to the residential providers for 2014/15	External professional support has been sought to assist with the process	Specialist professional support and legal advice has supported the process. The Executive is fully informed	4	4	16	External professional and legal advice is being sought as a means of limiting a possible JR challenge	3	1	3	A JR legal challenge could cost the authority several millions if the methodology used by the Council is not robust	Tracie Rees	Legal Counsel is being sought to validate the methodology and consultation approach.
15. Care Services & Commissioning (ASC) - Quality of care provision in the council's residential homes falls below required standards.	Detriment (harm) to individuals, groups or the Council (financial or reputational)	Management audits of practice and development of plans to promote improvements	5	3	15	Audit processes in places via ASC contracts and assurance team. This is in addition to CQC inspections.	5	2	10		Tracie Rees	31 March 2014 and ongoing
16. Care Services & Commissioning (ASC) - Failure to maintain quality, safe services	Reduced quality, safeguarding, staff sickness	Reed opening up the market, developing induction days and tools, benchmarking training and using the Swedish Derogation rule for consistency.	4	4	16	Monitor and engage with Reed to ensure development measures are undertaken. Monitor quality of agency staff (Reed replaced Addecco wef 21/10/2013).	2	3	6		Tracie Rees	31 March 2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
17. Care Services & Commissioning (ASC) - Failure to carry out effective statutory consultation will result in financial and reputational damage to the council as the delivery of LD day services uses large percentage of agency staff.	Council could face legal challenge through judicial review	Consultations being run as a dedicated project overseen by a senior manager with some temporary additional resource	5	4	20	A lean sign off process needs to be developed and agreed to avoid creating last minute changes and pressures	5	1	5	A JR legal challenge could cost the authority several millions if the methodology used by the Council is not robust	Tracie Rees	31 March 2014 and ongoing

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
18. Care Services & Commissioning (ASC) - Future of the Councils 8 Elderly Persons Homes - High risk politically, however failure to implement carries high financial risks in terms of deteriorating buildings and reducing occupancy levels.	An Executive decision was made (15.10.2013) to close 4 of the homes and sell 4 to achieve budget savings and address falling numbers	A Progamme Board which will report to the CPMO has been established to implement the Executive decision over 3 years	5	4	20	To provide factual information and support to staff that may be impacted on by any proposed changes via Trade Unison, HR, and Amica. Care managment teams to support and inform residents and carers. The CPMO approach is underpinned by a Communication plan, Risk register of its own and a Quality Assurance framework that supports this work.	4	3	12	There are budget savings of £3.5m associated with the future of the homes	Tracie Rees	2015/16 based on a phased approach.
19. Care Services & Commissioning (ASC) - Future of the Council's Day Care services. High risk politically.	A report was presented to the Executive on 7th Jan 2014, seeking approval to close the service.	Any changes will be overseen by the ASC Transformation Progamme Board, which reports into the CPMO.	5	4	20	Approval has been given to roll out a Community Inclusion service, which will support people to access community based services.	4	3	12	There are budget savings of £900k associated with the future of the day care services.	Tracie Rees	28/02/2014 (on-going if decision made)

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
20. Delivery, Communications and Political Governance Fail to have a fit for purpose constitution and underpinning processes to support effective governance and decision-making	Lack of transparency and clarity in decision-making. Burdensome appropriate. Decisions not taken in a timely manner. Potential for unlawful processes.	Decision making processes reviewed and embedded in place. Ongoing process of briefing senior mgrs and others as required. Further work completed on the constitution and agreed by Council in Sept 2013. A short guide to the Constitution has been developed and published along with improved guidance for the public on decision making.	5	4	20	Continue to communicate and embed processes across the Council. Keep the Council's Constitution under review as necessary.	3	2	6		Miranda Cannon	31 March 2014 and ongoing
21. Delivery, Communications and Political Governance Divisional resources not aligned to the structures and needs of the Council	Impacts on ability to deliver the Divisional work-plan and core business. Division fails to meet expectations of services	A number of reviews completed and transition successfully managed. Review of corporate admin almost complete.	4	4	16	Plan and implement reviews of other key areas as required.	3	3	9		Miranda Cannon	Apr-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
22. Delivery, Communications and Political Governance Council fails to engage / commission appropriately from the VCS. LCC is at risk of judicial challenge if we fail to manage the contractual relationships effectively and in line with statute.	Reputational damage from the perspective of the sector. The Council does not get maximum benefit from a thriving VCS in the city. The resilience and viability of the VCS is damaged. Risk of formal challenge e.g. judicial review from not engaging and consulting effectively with the sector.	VCS Engagement Manager appointed and focused on ensuring a co-ordinated and joined up approach to relationships with the VCS. Review now underway in relation to infrastructure support for the VCS and community engagement through the VCS.	4	4	16	Embed new post. Complete the VCS review	4	2	8		Miranda Cannon	Jun-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
23. Delivery, Communications and Political Governance Failure to provide a managed and coherent response to support the effective delivery of the Boundary Commission review of ward boundaries in the city. Failure to effectively support the process	Review is delayed causing reputational damage. Negative perceptions by elected members and MPs and the media which impacts on reputation and causes significant distraction for the organisation. Electoral processes are impacted unnecessarily	Regular engagement with the Boundary Commission to understand the process. Input provided where requested into warding pattern submissions.	4	4	16	Continue engagement with the Commission and assess implications once recommendations start to emerge.	4	3	12		Miranda Cannon	Nov-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

Risk What is the issue: <i>whats is the root cause/ problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures (See Scoring Table Below)			Further management actions/controls required	Target Score with further management actions/controls required (See Scoring Tables Below)			Cost	Risk Owner	Target Date
			Impact	Probability	Risk		Impact	Probability	Risk			
24. Delivery, Communications and Political Governance Failure to accurately capture key data and information needed to accurately monitor operational performance and to complete relevant statutory returns and feed into inspections.	Government intervention. Gaps in data lead to incorrect service interventions and potential service failure.	Work underway with Departments on reviewing longer-term data capture requirements. Within social care the move from Carefirst to Liquid Logic will include a focus on data capture and data quality. Internal Audit to help support this.	4	4	16	Establish a programme of data quality activity to review and address weaknesses in approach	4	3	12		Miranda Cannon	Apr-14

Appendix 4- Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 January 2014

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			Impact	Probability	Risk		Impact	Probability	Risk			
25. Housing - Loss of rental income will adversely affect the HRA as a result of the impact of the Welfare reforms.	Universal Credit (UC) is to be fully implemented in 2017 . Under UC, claimants will receive all their benefits, including housing costs element, directly themselves, monthly in arrears. They will have to pay their FULL rent out of this. The biggest risk to the HRA will be to collect the full rent from those working age claimants whose housing costs are no longer paid directly to the Landlord (LCC) as now.	Promote setting up of Credit Union Bank Accounts with tenants., Focus STAR team support on those affected. maximise the number of tenants claiming DHP for bedroom tax affected cases. Identified tenants who are over-occupying in order to help with down-sizing. Promotion/awareness to tenants of Discretionary Housing Payments (DHP). Income Management team strengthened.	4	4	16	develop IT system to support paperless direct debits. Consider amending tenancy agreement for all new tenants to make it a requirement that they pay rent either by direct debit or CUBA account.	4	3	12		Ann Branson	31.03.2014 and Ongoing

Appendix 4- Leicester City Council Operational Risk Register

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26. Housing - Failure to adequate protect people from fire in multi-occupancy dwellings.	Death, major or minor injury, litigation, poor publicity adverse affect on LCC reputation.	Risk assessments undertaken. Roles and responsibilities to meet regulatory framework have been agreed. Fire alarms systems installed. Fire doors installed. Signage in communal areas. Information given to new tenants. Letters sent to all tenants giving advice about belongings in communal areas. Any obstructions identified upon inspection	5	3	15	Training of new Estate Management Officer posts to undertake fire inspections on-going. Implementation of fire risk strategy is on-going.	5	2	10		Ann Branson	31.03.2014 and Ongoing
27. Learning Services - Schools in Ofsted categories or below floor standard converted to academies by order of the secretary of state.	Schools no longer LA schools; impact on overall schools budget and reputation of authority	School improvement strategy. S2S partnership are in place.	4	5	20	Targeted support packages in place for schools in scope for conversion. Half termly progress progress checks	4	4	16		Margaret Libreri	From July 2013

Appendix 5 - Insurance Claims Data

LEICESTER CITY COUNCIL - Insurance Claims Received 1 April 2013 - 31 December 2013.

Claims received and being dealt with

Total Claims	Repudiated	In Progress	Paid	Amount Paid
799 (428)	253 (72)	257 (306)	109 (32)	£323778 (£66,691)

Breakdown by Area and Type of Claim											
Division		Responsible Director			Claim Type					Total Number	£ Value
					Employers Liability	Public Liability	Professional Indemnity	Personal Injury	Motor		
Env & Enforcement Services		Adrian Russell			5	40		15	73	133 (54)	52378
Plan, Trsport & Economic Dev.		Andrew L Smith			2	172	2	78	78	332 (158)	40580
Child Soc Care & Safeguarding		Andy Smith								0 (1)	28274
Housing		Ann Branson			7	125		39	92	263 (193)	187435
Human Resources & W/Fce Dev		Miranda Cannon/Alison Greenhill				1		1		2 (1)	
Adult Soc Care & Safeguarding		Ruth Lake			1			1		2 (3)	
Del, Comms & Pol Governance		Miranda Cannon							1	1 (0)	
Information & Cust Access		Jill Craig							1	1 (0)	
Property		Mark Lloyd			2	3		4		9 (2)	620
Learning Services (incl Schools)		Margaret Libreri			2	14		13	12	41 (10)	13193
Finance		Alison Greenhill								0 (0)	
Legal Services		Kamal Addatia				1		1		2 (0)	
Culture & Neighbourhood Svcs		Liz Blythe			1	6		3	1	11 (4)	1298
City Public Health & Health Imp		Rod Moore								0 (N/A)	
Care Svcs & Commissioning		Tracie Rees				1		1		2 (2)	
		Total			20	363	2	156	258	799 (428)	323778

Last 12 months rolling repudiation rate - 76%

Appendix 6 - Leicester City Council's Business Continuity Management Policy Statement and Strategy - 2014

Business Continuity Management Policy Statement

This Policy sets the direction for Business Continuity Management at Leicester City Council.

Disruptive events do occur and are usually unexpected. It might be an external event such as severe weather, utility failure or pandemic flu, or an internal incident such as ICT failure, loss of a major supplier or loss of a key building.

By planning *now* rather than waiting for it to happen, we can get back to normal business in the quickest possible time. This is essential to those who rely on the Council's services and it helps our community retain its confidence in us. Planning ahead means there is less muddling through, more support for staff handling the situation and reduced potential for financial loss.

In a disruptive situation it will not be possible to run all Council services in the usual way. Whilst all services are important, priority for recovery will be given to those which have been determined to be the most essential, the business-critical activities, and this is where resources will be directed first.

This enables us to fulfil our duties under the Civil Contingencies Act 2004. The Council has had plans in place for some time and its arrangements align with the principles of the International Standard for business continuity, ISO22301.

By the Council following the ISO22301 programme it will improve understanding of our critical assets and processes. Central to the work are preparations to mitigate the impact of disruptive events and recover faster from them. This can be as valuable as a plan or document.

All services and all staff have responsibilities for making sure the Council continues to operate through any crisis. The Business Continuity Strategy outlines these within the overall framework for our approach.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

Business Continuity Management Strategy 2014

1. Definition

Business Continuity Management (BCM) is not simply about writing a plan, or even a set of plans. It should be a comprehensive management process that systematically analyses the organisation, identifies threats, and builds capabilities to respond to them. It should become our 'culture'.

Although the immediate response to a disruption is a key component, business continuity is more concerned with maintenance and recovery of business functions following such a disruption.

2. Scope

Business Continuity Management (BCM) is a cross-functional, organisation-wide activity; accordingly the arrangements in this strategy apply to:

- All services within the council;
- Every staff member; and,
- All resources and business processes. It also includes suppliers, service partners and outsourced services.

3. Requirements and Standards

In addition to making sound business sense for any organisation, the Civil Contingencies Act 2004 places a statutory duty upon the Council, as a Category 1 responder, to:

- Maintain plans to ensure that it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable;
- Assess both internal and external risks;
- Have a clear procedure for invoking business continuity plans;
- Exercise plans and arrange training to those who implement them;
- Review plans and keep them up to date; and
- To advise and assist local businesses and organisations with their BCM arrangements.

Business Continuity Management arrangements are effective only if specifically built for the organisation. The Council's programme is aligned with the principles of ISO22301, the International Standard, and also to PAS200, a new standard for Crisis Management. It is reinforced by reference to the Business Continuity Institute's Good Practice Guidelines.

4. Methodology

The ultimate aim is to embed Business Continuity Management within the Council's culture. Training and education is an ongoing task but awareness and capability is also a product of the structures put in place and the way we manage our programme. Key stages in such a programme are:

- ***Understanding our organisation:*** Intelligent, in-depth information-gathering. Understanding activities, dependencies (internal & external) and the impact of disruption on each service. Often this will be captured in a formal Business Impact Analysis. Threats are risk assessed at this stage;
- ***Determining appropriate Business Continuity Strategy:*** Making decisions based on analysis of data gathered. Setting recovery time objectives for services and determining resources required;
- ***Developing and implementing a response:*** The Business Continuity Plan which pulls together the organisation's response to a disruption and enables resumption of business units according to agreed corporate priorities. Provides strategies for use by response teams; and,
- ***Exercising, maintaining and reviewing:*** Testing plans, ensuring they keep pace with organisational change and are audited against defined standards.

5. Invoking the Business Continuity Plan

The Corporate Business Continuity Plan (CBCP) is triggered by serious situations such as:

- Serious danger to lives and/or the welfare of Council staff, Members, visitors or service users;
- Major disruption of Council services or interruption of any of its business-critical activities;
- Serious loss or damage to key assets;
- Serious impact on the Council's financial status or political stability; or
- Emergency situations in Leicester, or the wider Local Resilience Forum area.

The CBCP may be invoked by any of its members as defined within the plan itself. The CBCP is not a plan that will allow recovery of affected services, but guides the efforts of Senior Managers to allow them to be able to recover affected services using the service area's own plans. Effectively, the CBCP covers the Council's 'Gold' and 'Silver' level responses with individual service area plans covering the 'Bronze' level.

6. Business Continuity Management (BCM) in the community

The Council will participate in appropriate practitioner groups and work with partner agencies to promote BCM in the community and will advise and assist local organisations with their BCM arrangements. In certain circumstances this may be chargeable.

7. Principles, Responsibilities and Minimum standards

City Mayor/Executive

- Approve the Business Continuity Strategy.

Audit and Risk Committee

- Ensure that the Business Continuity Strategy is produced, approved by the Executive and updated regularly; and,
- Monitor effectiveness of Business Continuity Management (BCM) arrangements via reports from the Head of Internal Audit and Risk Management.

Strategic and Operational Directors

- Ensure the BCM policy, strategy and development plan is enforced and resourced appropriately;
- Participate as required in management teams within the Corporate Business Continuity Plan (BCP);
- Ensure appropriate levels of staff sit on the 'Gold' and 'Silver' Recovery teams within the Corporate BCP;
- Ensure each of their Service Areas has an effective and current BCP in place which is reviewed each year;
- Annually self-certify that effective plans exist for all their services, that these plans remain current and 'fit for purpose'; and that any testing of those plans has been carried out (with the assistance of RMIS, if required); and,
- Embed BCM culture into the ethos of operational management

Chief Operating Officer/BCM Champion

- During an incident, lead the Council's 'Gold' BCM response.

Head of Internal Audit and Risk Management

- Overall responsibility for co-ordinating the BCM programme;
- During an incident, co-ordinate the Council's BCM response(s);
- Following an incident, facilitate the 'lessons learned' session(s);
- Produce the Corporate BCM framework and key strategies;
- Make available best practice tools (e.g. templates);
- Identify training needs and arrange delivery;
- Support and advise service areas;
- Facilitate testing and exercising of the Council's BCPs when requested by Directors/their teams;
- Quality control – review BCM arrangements for services; and,
- Lead on the Council's statutory duty to promote BCM in the community.

All staff

- Familiarisation with business continuity arrangements within their area;
- Attend training commensurate with their role;
- Engage with testing and exercising; and,
- Respond positively during a crisis situation.

All Heads of Service/Managers

- Lead business continuity arrangements within their area;
- Attend training commensurate with their role;
- Prepare a recovery plan covering all service delivery functions (priority for critical functions), update at least annually; and,
- Implement the agreed arrangements in the event of a disruption.

8. Specific Roles in the Corporate Business Continuity Plan (CBCP)

Once the CBCP has been triggered, the 'Gold' and 'Silver' teams have operational control of the situation and are authorised to take all decisions necessary.

The CBCP sets out the detail. The following teams are subject to change as the Business Continuity Management Programme develops, but currently are as follows:

Business Continuity Management Team

- Comprised principally of Directors and Senior Heads of Service. Manages and directs the Council's response to a serious incident.
- Within the Group will be 'Gold' and 'Silver' teams. The 'Gold' team will act as a 'check and challenge' function and lead on communications (internal and external), workforce-related matters and direct non critical services. The 'Silver' team will manage the 'Bronze' (Recovery) teams and will ensure that the the 'Gold' team are informed of developments.

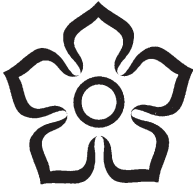
Recovery Teams

- Comprised principally of Heads of Service and their senior managers/key staff. Collective responsibility for resumption of critical services within their divisions by means of their own individual BCPs. Will be directed by, and report back to, the CBCP 'Silver' team.

9. Value of Business Continuity Management (BCM)

The wider value of BCM is acknowledged as being 'no longer for high impact, low probability physical events' and is 'becoming an essential enabler of organisational resilience as part of business as usual'. (BCI Good Practice Guidelines 2013).

Many recent events (for example the 9/11 terrorist attacks in the USA) have shown that businesses that have a BCP, or operate in a culture of pro-active BCM, recover from incidents far quicker and with less economic losses than businesses that do not. Many of the businesses that were in the Twin Towers on 9/11 that did not have a BCP in place did not recover at all.



Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

19 March 2014

Internal Audit – 4th Quarter Operational Plan 2013-14

Report of the Director of Finance

1. Purpose of Report

1.1. Finance Procedure Rule 7.2.1 states that:

‘The Head of Audit shall prepare and agree with the Chief Finance Officer an Annual Audit Operational Plan which will set out the intended work of Internal Audit over the coming year. The plan shall be based on an objective assessment of need arising from an analysis of risk and shall be approved, but not directed, by the Audit Committee.’ (sic)

1.2. The Internal Audit Plan for 2013-14 has been prepared on the basis of broad areas of audit coverage rather than detailed lists of specific audits. It was approved by the Strategic Management and Operational Boards and by the Audit & Risk Committee (9 April 2013).

1.3. In addition, the terms of reference of the Audit & Risk Committee include:

‘To consider, challenge and approve (but not direct) Internal Audit’s strategy and plan and monitor performance on an annual basis.’

1.4. This report presents to the Committee the detailed operational audit plan for the fourth quarter of the financial year 2013-14. It has been agreed by the Strategic Management and Operational Boards and the Finance Management Team.

2. Recommendations

2.1. The Audit & Risk Committee is asked to note the Internal Audit operational plan for the fourth quarter of 2013-14, attached at Appendix A.

3. Report

- 3.1. Rather than presenting a detailed list of specific audits, the annual audit plan is grouped into areas of audit. The intention is that, given the continuing uncertainties the Council currently faces, the audit plan can be readily adjusted to reflect changes in risks and priorities while maintaining a sufficiency of audit coverage for each of the relevant areas.
- 3.2. The generic annual plan is then translated into detailed quarterly plans as the year progresses, setting out Internal Audit's intended work for each forthcoming quarter. These plans take into account emerging risks and requests for audit involvement alongside seasonal or other external factors that influence the timing of audit work. For example, school audits fall within the school terms and are chiefly planned to coincide with the new academic year, while other audits such as grant certifications are determined by the submission deadlines of the relevant funding agency.
- 3.3. The detailed operational plan for the fourth quarter of 2013-14 is attached at Appendix A. The following are worthy of note:
 - a) **Significant financial systems.** Coverage of the Council's main financial systems continues. These audits take as their starting point the key controls previously identified by the Council's external auditors. The intention is to conduct the audits in such a way that, should they wish to, KPMG as the Council's current external auditors can place reliance on this work when they undertake their opinion audit next year on the current year's financial statements. The intention in the fourth quarter is to repeat aspects of a similar programme of audit work that was done in the first quarter so as to avoid compressing the audit work and the pressure on the accountancy staff into the first quarter next year. A particular area of focus identified by KPMG is the supporting information for journal transactions on the main ledger.
 - b) **IT audit** in the fourth quarter will support the significant financial systems work outlined above by reviewing the essential general controls in the related IT applications. Again, this is with a view to reliance being placed upon our work by KPMG. The two other IT audits identified seek to assess the controls in place to manage areas of specific risk identified in consultation with the Head of Information Assurance.
 - c) **Schools** audit work continues in the fourth quarter, using the higher risk areas of the *Keeping Your Balance* financial guidance issued jointly by Ofsted and the Audit Commission.
 - d) The other audits scheduled for **Children's Services** are intended to provide sufficient independent assurance for the purposes of returns that are to be signed on the Council's behalf by the Director of Finance.

- e) **Contract audit.** Work will continue on the programme of contract audits looking at individual departments or service areas (Children's Services in Q4) plus follow-up of the previous audit of Housing Contracts.
 - f) Sound arrangements for good governance are crucial to the Council's operations and audit work under this broad theme continues. In particular, there will be coverage of the **Leicester Economic Action Plan 2012-2020** and aspects of the governance arrangements associated with the Council's new responsibilities for **Public Health**.
 - g) With the Executive decision to continue with the Council's registration under **EMAS (the Eco-Management and Audit Scheme)**, there has been a reinstatement of environmental audit work albeit in a modified way. The audit approach was reviewed by Carbon Board on 22 January; a significant change is the transfer of much of the EMAS audit work at specific sites from Internal Audit to the corporate Health & Safety Team. The aim is to streamline the audit process partly by means of merging audit work at specific sites with the health & safety inspections that also take place. Internal Audit retains responsibility for audit reviews of the overall system for EMAS plus thematic audits of areas of specific environmental risk.
- 3.4. It should be borne in mind that the quarterly plans refer to audits due to be started. Inevitably, they are not all completed within the quarter so there will be some residual work to complete audits started in previous quarters.
- 3.5. In identifying the audits for the fourth quarter plan, due regard was had to the generic areas of audit set out in the annual audit plan and the need to ensure sufficient coverage of each by the end of the financial year.
- 3.6. The move to quarterly planning is intended to align Internal Audit's work as closely as possible to current priorities. This allows what were previously 'commissioned' audits that fall within the remit of the statutory audit service to become fully part of the audit plan. The aim is then for Internal Audit to deliver the whole of this more flexible plan, subject to factors beyond Internal Audit's direct control. Having said that, urgent requirements may still arise that cannot wait until the next quarterly plan and have to be accommodated immediately on the basis of risk to the Council.
- 3.7. The process of using a generic annual audit plan supplemented by quarterly detailed audit plans has worked well so far in 2013-14 so it is being continued in 2014-15. Future audit plans will therefore be provided to the Audit & Risk Committee showing the actual audits that are planned to be carried out in the forthcoming quarter. These will be supplemented by progress reporting on the completion of the previous plans, with periodic update reports to the Committee.

4. Financial, Legal and other Implications

4.1. Financial Implications

There are no direct financial implications arising from this report. However, as a result of the work carried out there would be an expectation that implementing recommendations made by Internal Audit will improve the effectiveness, efficiency and economy of service delivery, with potential for consequential reductions in cost or improvements in quality.

4.2. Legal Implications

The provision of 'an adequate and effective internal audit' is a statutory requirement under regulation 6 of the Accounts & Audit Regulations 2011. The whole audit process is also intended to give assurance that all the activities audited have in place satisfactory arrangements to ensure compliance with relevant law and regulation applicable within the scope of the particular audit review.

4.3. Climate Change Implications

Other than the reference to EMAS audits (see table below), this report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

4.4. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	Yes	3.3 (g): EMAS audit.
Crime and Disorder	Yes	Whole report and particularly 3.3(b) IT audit. Part of the purpose of Internal Audit is to give assurance on the controls in place to prevent fraud and other irregularity such as breach of data security.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the Internal Audit process, a main purpose of which is to give assurance to Directors and the Audit & Risk Committee that risks are being managed appropriately by the business.

5. Background Papers – Local Government Act 1972

5.1. Files held by Internal Audit.

6. Consultations

6.1. The audit plan has been prepared in consultation with the Strategic and Operational Directors; Finance Management Team (which includes all Heads of Finance) and the Head of Information Assurance.

7. Report Author

7.1. Steve Jones, Audit Manager, Internal Audit, Financial Services, x37 1622 (0116 454 1622). Steve.jones@leicester.gov.uk

Set out below are the individual audits expected to be started in the fourth quarter of 2013-14.

This is subject to:

- Client or process availability and readiness for audit
- Internal Audit resources
- Urgent commissioned work.

Audit	Lead department	Audit area	Planned days	Scope	Notes
Significant Financial Systems	Financial Services	Significant Financial Systems	110	Review of key controls as identified by the external auditor. This will include the main ledger system and interfaces with significant financial feeder systems. It is expected to cover, among other things, journals, bank reconciliations, suspense accounts and feeder account reconciliations.	This work will concentrate on the 2013-14 financial year and will be done in anticipation that KPMG may in due course seek to place reliance on it in their external audit of the Council's financial statements. The high block allocation of days under this heading derives from the range of systems potentially covered. It will be made up of various smaller items. The actual total amount may vary depending on requirements and availability of information.
IT General Controls	Information & Customer Access	IT Audit	25	Access controls and user management for the IT applications supporting the significant financial systems. This audit will chiefly consist of regularity-type audit testing to confirm that controls are still operating soundly.	As above: specific financial systems to be confirmed. This work may be reviewed by KPMG in connection with their external audit work.
Legacy Databases	Information & Customer Access	IT Audit	15	Review of data and security implications of old databases as well as software issues.	

Audit	Lead department	Audit area	Planned days	Scope	Notes
Cautionary Contacts database	Information & Customer Access	IT Audit	10	Review of the security arrangements in place in the new database of high-risk contacts; to ensure that personal data is protected from unauthorised access or modification.	Cautionary Contacts is a database of service users and others who may be violent or present other risks to Council staff. It was formerly known as high-risk contacts. It is part of the Customer Data Integration (CDI) project, which is also within the Internal Audit plan, but the risks are such as to warrant specific audit review.
Schools financial audits (8 schools)	Children's Services	Schools	48	Routine audits of the financial management arrangements at eight schools against the higher-risk financial areas of the <i>Keeping Your Balance</i> good practice guidance issued by Ofsted and the Audit Commission.	
16-19 Bursary Fund	Children's Services	Schools	10	A review of the system of control in place to administer the 16-19 Bursary Fund payments to learners at a sample of maintained schools with sixth forms. This will assess whether the payments are made in accordance with Education Funding Agency (EFA) requirements.	This audit is intended to provide a sufficient level of assurance for the Director of Finance in signing the Council's grant return to the EFA.
Pupil Referral Units (PRUs)	Children's Services	Schools	25	Review of the financial management arrangements at a sample of PRUs using the criteria set out in the Schools Financial Value Standard (SFVS) and other EFA guidance.	Legislative changes were made to the funding and management of PRUs with effect from 1 April 2013. PRUs are also expected to submit their first SFVS returns by 31 March 2014.

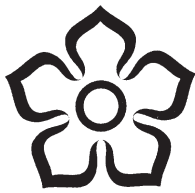
Appendix A
Internal Audit 4th quarter operational plan 2013-14

Audit	Lead department	Audit area	Planned days	Scope	Notes
High-Needs Funding	Children's Services	Schools	25	To provide sufficient assurance for the DoF over the funding arrangements of high-needs pupils for 2013-14, as defined in the EFA paper <i>Assurance Framework for High Needs Funding 2013-14</i> .	Local authorities are required to submit annual Dedicated Schools Grant (DSG) returns and 16-19 grant returns to the EFA.
Housing Technical Services Contracts – follow-up	Housing	Contract audit	15	Follow-up review of recommendations made in the Internal Audit report on Housing Technical Services contracts, issued in July 2013.	The previous audit gave a little or no assurance on the strength of controls in operation at the time. This follow-up the audit will establish whether sound arrangements are now in place.
Children's Services Department Contracts	Children's Services	Contract audit	25	A review of contract arrangements within the Children's Services Department, with particular emphasis on contract management.	This is a major service area; there is a need to ensure the arrangements for entering into and managing contracts are sound.
Car Parks Income	City Development & Neighbourhoods	Cash audits and establishments	25	The review will assess the processes in place to ensure the income collected through the Council's car parks is completely and promptly banked and accurately accounted for.	A number of recent changes have taken place; parking enforcement was brought in-house from 1 February 2013 and there have been changes in management. Over £1.2m income was collected from car parks in 2012-13; robust controls are essential.

Audit	Lead department	Audit area	Planned days	Scope	Notes
Leicester Economic Action Plan 2012-2020	City Development & Neighbourhoods	Corporate governance	10	The <i>Leicester Economic Action Plan 2012-2020</i> is a major statement of the City Mayor's aspirations for development of the city's economic prosperity. It identifies how the City Council and partner organisations including the Leicester & Leicestershire Enterprise Partnership (LLEP) will promote investment in the city. Effective governance arrangements and performance and project management processes are essential for its success. Provision is therefore made in the audit plan for an overview audit.	A high-level review of the arrangements for governance, performance management and project assurance.
Public Health Transition	Adult Social Care, Health & Housing	Public Health Transition Corporate governance	10	It is essential that the associated governance and accountability arrangements are robust so as to protect the interests of all parties in this important area of public policy.	Under a national programme, certain public health responsibilities transferred from the NHS to the City Council on 1 April 2013.
Eco-Management and Audit Scheme (EMAS)	City Development & Neighbourhoods	Environmental Audit	40	The scope of this work was determined in consultation with Carbon Board in January 2014. It will include: Level 1 audit: Overview of EMAS system. Level 2 audit: Thematic audit of the handling of environmental complaints.	Following the corporate review of EMAS, the role of Internal Audit is being revised. The site-specific EMAS audit work at locations such as depots, parks and leisure centres is to be undertaken by the Council's Health & Safety (H&S) Team alongside their H&S inspections of Council premises. Schools no longer fall within the Council's EMAS accreditation.

Appendix A
Internal Audit 4th quarter operational plan 2013-14

Audit	Lead department	Audit area	Planned days	Scope	Notes
CIPFA in the Midlands - audit of accounts	External (on behalf of Director of Finance)	Honorary audits	5	<p>An annual honorary audit of the accounts for CIPFA in the Midlands, to state whether the accounts give a true and fair view of the financial position of the organisation.</p> <p>This audit is provided by Internal Audit as part of the Council's support for the regional organisation of CIPFA as our professional institute.</p>	
		TOTAL	398		



Leicester
City Council

WARDS AFFECTED
All

Appendix G

FORWARD TIMETABLE OF CONSULTATION AND MEETING

Audit and Risk Committee

19 March 2014

Proposed Schedule of Meetings for the Financial Year 2014-15

Report of the Director of Finance

1. Purpose of Report

- 1.1. To present to the Committee a proposed schedule of meetings and their agendas for the Financial Year 2014-15.

2. Recommendations (or OPTIONS)

- 2.1. The Committee is recommended to:-
 - Note and accept the proposed plan content – Appendix 1; and,
 - Raise any issues or questions with the report author or the Director of Finance.

3. Summary

- 3.1. The meetings of the Committee have traditionally been scheduled based on historic occurrence, with each meeting agenda following the same pattern. This proposal is that the Committee will be presented with a plan for the following year toward the end of the financial year. This allows the established members to agree on the forward format of meetings – both timing and agendas – based on their experience throughout the past year.
- 3.2. The Internal Audit Manager has also taken this opportunity to try to group reports for the Committee into a series of themed meetings.

4. Report

- 4.1. For many years the Audit and Risk Committee meetings have been scheduled to take place around the same time each year based on past occurrence. Similarly, the agenda for these meetings follow the same pattern as in the past.

- 4.2. By changing this approach, members will get the opportunity to feed in their thoughts and comments relating to both the timing (and number) of meetings as well as the agenda content. By trying to bring to as many meetings as possible, papers that are similar in nature or content to the same meeting, it is hoped that this will make life a little easier for members to understand and digest their content. This means that, wherever possible, all of the papers and reports aligned to Fraud Prevention activity will come to the same meeting(s) for example.
- 4.3. This approach also makes it easier to schedule the training session at the start of each meeting to assist members with their understanding of the papers that they will later be reviewing and discussing. Wherever possible, the pre-meeting training session will cover a topic that will appear on that meetings agenda.
- 4.4. The timing of this report is also important to ensure that existing Committee members, who will have 'served' at least a year on the Committee, are making these decisions rather than bringing the report to the first meeting of the year when there may be a number of new members with limited knowledge of the Committee along with its aims and objectives.
- 4.5. The proposed plan is attached as Appendix 1. If members are comfortable with the proposal this may be agreed at this meeting. If there are many changes and suggestions, these can be taken away and a revised, final version will be brought back to the meeting on 15 April for final agreement.

5. FINANCIAL AND LEGAL IMPLICATIONS

5.1. Financial Implications

- 5.1.1 There are no financial implications of note relating to this paper.
Colin Sharpe, Head of Finance – 37 4081.

5.2. Legal Implications

- 5.2.1 There are no legal implications of note relating to this paper.
Kamal Adatia, City Barrister and Head of Standards – 37 1401.

6. Other Implications

OTHER IMPLICATIONS	YES/ NO	Paragraph/References Within Supporting information
Risk Management	Yes	All of the paper.
Climate Change	No	
Equal Opportunities	No	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

7. Report Author

7.1. Tony Edeson, Head of Internal Audit and Risk Management – 37 1621

AUDIT & RISK COMMITTEE 2014-15 - ANNUAL TIMETABLE (OUTLINE) This version 21/02/14

Grey shaded = meeting passed			
	Author	Notes, frequency	Purpose
<u>June (17/18/19/25 or 26/6/14) - ASOON AS POSSIBLE AFTER COMMITTEE IS KNOWN/APPOINTED</u> Theme: Setting the scene for the forthcoming year			
Training Session Prior to Main Meeting: Customer Data Interface System	Head of Enterprise Services		Training
Procurement Plan 2014-15 - including a guide to Corporate Procurement at LCC	Head of Corporate Procurement	Annual	Committee to note
A Guide to the Role of the External Auditor (Verbal)	External Auditor		Training
Annual Approval of the Policy covering non-audit Work undertaken by the External Auditors	Head of Internal Audit & Risk Mgt External Auditor	Annual	Approval
Training needs assessment for Members of the Committee	Head of Internal Audit & Risk Mgt	Annual	Training
Risk Management and Insurance Services - Update report	Head of Internal Audit & Risk Mgt	Quarterly	Committee to note
Internal Audit Update - to include: Progress Report Full Year 2013-14 plus LONA report;	Head of Internal Audit & Risk Mgt Audit Manager	Quarterly	Committee to note
<u>Late July (??/7/14)</u> Theme: The Council's draft accounts and reporting back on the last financial year			
Training Session Prior to Main Meeting - Accounts - 30 minutes	Director of Finance Principal Accountant (Fin Strategy)		Training
Draft Statutory Statement of Accounts for the financial year 2013-14	Director of Finance	Annual	Committee to note
Counter-Fraud/Housing and Council Tax Fraud Annual Report for the Financial Year 2013-14	Principal Investigations Officer Head of Revenues & Benefits	Annual	Committee to note
Risk Management and Insurance Services - update report inc April Risk Register update	Head of Internal Audit & Risk Mgt	Quarterly	Committee to note
The Summary of Internal Audit Conclusions for the financial year 2013-14 including Internal Audit annual report for 2013-14	Head of Internal Audit & Risk Mgt Audit Manager	Annual	Committee to note
Internal Audit Update - to include: Report for Q4 2013-14 inc LONA audits; Plan Q1 and Q2	Head of Internal Audit & Risk Mgt Audit Manager	Quarterly	Committee to note
Review of the Effectiveness of System of Internal Audit in 2013-14	Director of Finance	Annual	Approval

AUDIT & RISK COMMITTEE 2014-15 - ANNUAL TIMETABLE (OUTLINE) This version 21/02/14

Grey shaded = meeting passed			
As late in September as possible - cannot be before 22/9 (??/9/14)			
Theme: Statutory final accounts and governance reporting on the last financial year			
Training Session Prior to Main Meeting - RIPA	City Barrister and Head of Standards Information Governance Manager	Requested by Chair and offered by KA	Training
The Statement of Accounts, Annual Governance Report and Letter of Representation	Director of Finance Principal Accountant (Fin Strategy)	Annual	Approval
Annual Governance Report (External Auditor)	External Auditor	Annual	Approval
The Council's Draft Annual Governance Statement for the financial year 2013-14	Monitoring Officer Head of Internal Audit & Risk Mgt Audit Manager	Annual	Approval
Draft of the Committee's Annual Report to Council for the financial year 2013-14	Head of Internal Audit & Risk Mgt Audit Manager	Annual	Approval
Update on RIPA Stats and Performance Report covering period 1 January 2014 to 30 June 2014	Information Governance Manager	Annual	Committee to note
Disclosures Policy/Whistleblowing Annual Summary for 2013-14 (re A&RC meeting request from 18/9/2012)	City Barrister (Monitoring Officer)	Annual	Committee to note
Early December (??/12/14)			
Theme: Fraud			
Training session 'How Fraud Looks Now' .	Head of Revenues and Benefits Fraud Manager(s)	One-off	Training
External Auditor's Annual Audit Letter 2013-14	External Auditor	Annual	Committee to note
Internal Audit Update - to include: Update Report Q1 and Q2 2014-15;	Head of Internal Audit & Risk Mgt Audit Manager	Quarterly	Committee to note
Risk Management and Insurance Services - update report, including: - July Risk Register update - Draft Risk Management Strategy 2015 - for Committee input - Draft Business Continuity Management Strategy and Policy 2015 - Committee input - Risk Management benchmarking results	Head of Internal Audit & Risk Mgt	Annual	Consultation
Annual Report on the National Fraud Initiative	Head of Revenues & Benefits Fraud Manager	Annual	Committee to note

AUDIT & RISK COMMITTEE 2014-15 - ANNUAL TIMETABLE (OUTLINE) This version 21/02/14

Grey shaded = meeting passed			
Counter-Fraud including Revenues & Benefits and Housing - update report for the first half of 2014-15	Head of Revenues & Benefits	Half-yearly	Committee to note - B Agenda?
Risks Arising from Decision to Transfer R&B Fraud Investigation Team Staff to DWP	Head of Revenues & Benefits	One-off	Note
February (??/2/15)			
Theme: Fraud including Policy updates for next year and Internal Audit planning			
Training Session Prior to Main Meeting - Internal Audit role and planning	Audit Manager		Training
Anti-Fraud, Bribery & Corruption Strategy and Policy - annual review and update.	Head of Revenues & Benefits	Annual	Approval
Risk Management and Insurance Services - update report inc January Risk Register update; RM and BCM Strategy and Policy 2015;	Head of Internal Audit & Risk Mgt	Quarterly	Committee to note
Internal Audit Update - to include: draft Annual plan for 2015-16 (including review of Audit Strategy and Charter); Plan-Q3 and Q4 2014-15;	Head of Internal Audit & Risk Mgt Audit Manager	Quarterly	Consultation Committee to note

Early/Mid-April (??/4/15)			
Training Session Prior to Main Meeting - Feedback workshop to review past year and inform future training	Head of Internal Audit & Risk Mgt Audit Manager		Training
Annual Report - Certification of Claims and Returns (Grants)	External Auditor	Annual	Committee to note
External Audit plan for financial year 2014-15	External Auditor	Annual	Committee to note
The Assurance Framework on which we will base the Annual Governance Statement for the current financial year, including annual review of Local Code of Corporate Governance.	Head of Internal Audit & Risk Mgt Audit Manager City Barrister (Monitoring Officer)	Annual	Approval
Annual review of the Committee's Terms of Reference	Head of Internal Audit & Risk Mgt	Annual	Approval
Internal Audit Plan 2015-16 - final for approval	Head of Internal Audit & Risk Mgt Audit Manager	Annual	Approval
2015-16 A&RC Planned Agendas and Meeting Dates	Head of Internal Audit & Risk Mgt Audit Manager	Annual	Committee to note and comment
Update on RIPA Stats and Performance Report covering period 1 July 2014 to 31 December 2014	Information Governance Manager	Annual	Committee to note

