Audit
Agenda

WEDNESDAY 8 FEBRUARY 2023 AT 7.30 PM

CONFERENCE ROOM 2, THE FORUM

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Chapman	Councillor Silwal
Councillor So Mahmood	Councillor Symington
Councillor Riddick (Chairman)	Councillor Townsend

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk

AGENDA

1. **APOLOGIES FOR ABSENCE**

   To receive any apologies for absence

2. **DECLARATIONS OF INTEREST**

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

(i)   must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

(ii)   may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

3.   **MINUTES AND ACTIONS** (Pages 3 - 12)

To confirm the minutes of the previous meeting and consider the actions

4.   **PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

5.   **STATEMENT OF INTERNAL CONTROLS ASSURANCE (SICA) REPORT** (Pages 13 - 27)

6.   **INTERNAL AUDIT PROGRAMME 2023/24** (Pages 28 - 40)

7.   **STRATEGIC RISK REGISTER UPDATE** (Pages 41 - 88)

8.   **DRAFT TREASURY MANAGEMENT STRATEGY 2023/24**

Report to follow.

9.   **NEW AUDITOR ANNOUNCEMENT**

Verbal update.

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

9 NOVEMBER 2022

Present:

Councillors:	Chapman	
	Riddick (Chairman)	
	Silwal	
	Symington	

Officers:	F Jump	Head of Financial Services
	N Howcutt	Chief Finance Officer
	N Beresford	Head of Strategic Housing
	B Hosier	Head of Commercial Development
	N Sultan	Legal Governance Team Leader
	S Potton	Revenues & Benefits Support Team Leader
	T Angel	Corporate & Democratic Support Officer
	R Rice	Head of Property Services (attended remotely)
	R LeBrun	Assistant Director, Neighbourhood Delivery (attended remotely)

Others:	Philip Lazenby (TIAA)
	Councillor Elliot (Portfolio Holder, Corporate Services)

The meeting began at 7.41 pm

Cllr Riddick began the meeting by clarifying the proposed meeting format, noting that the intention is not to prevent the opportunity for questioning, and that the aim was to introduce a format used in other committees where more complex questions could be raised with the relevant officer ahead of the meeting to allow them to provide a more comprehensive answer.

N Howcutt suggested it was beneficial to have questions raised with officers ahead of the meeting. P Lazenby agreed and said it was standard practice with other organisations.

1.   APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Townsend.

2.   DECLARATIONS OF INTEREST

There were no declarations of interest.

3.   MINUTES AND ACTIONS

The minutes of the previous meeting were agreed by the members present and then signed by the Chairman.

There were no outstanding action points from the previous meeting.

4. PUBLIC PARTICIPATION

There was no public participation.

5. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) ANNUAL UPDATE

N Sultan provided the update, noting that the report provides an overview on the council's use of directed surveillance for 2021-22, and that 4 applications were made over the course of the year. It was also noted that the sum of £3,007.71 is the total fine costs, and costs of £1,664.71 have been recorded.

It was noted that of the 4 offences, 3 had not been prosecuted. It was confirmed that these were applications made and that these applications have to be renewed every 3 months. Over the space of the 3 months, there was 1 prosecution.

Cllr Symington asked if 1 in 4 is a normal prosecution rate.

N Sultan advised that 8 prosecutions were processed last week, of which there are 4 related to directed surveillance. It was stated that they are seeing positive results and that they recover all their costs.

Cllr Symington asked for clarification on the costs recovered and it was confirmed that all legal costs are recovered. Cost include the officer's time to put the prosecution together, such as collecting statements and site visits, and there are also legal and clearance costs.

Cllr Symington queried why only Markyate was covered. It was noted that this is a specific problem area where there is a high amount of illegal dumping.

Cllr Chapman commented on the unsuccessful prosecutions and asked if this was where they could provide no evidence. Cllr Chapman asked if those put down as no prosecution is because they found fly-tipping or because they could not justify the fly-tipping. It was clarified that no prosecutions mean that no fly-tipping has been found for the period and does not mean that cases have been dropped.

Cllr Chapman referred to cameras in Markyate and asked if the third camera has been put back on. It was confirmed that this would need to be checked with the officer.

N Howcutt confirmed that they do not publish where cameras are and that this would have to be discussed privately. He added that while there may be multiple cameras in an area, the focus is not just on Markyate.

Outcome

The Committee noted the report.

6. INTERNAL AUDIT SUMMARY INTERNAL CONTROLS ASSURANCE (SICA)

P Lazenby presented the report, noting the summary of the 5 audit reports issued since the last Committee, 4 of which have reasonable and substantial assurance and 1 has limited assurance, which is presented in full at the end of the report. Looking at page 2 of the report, section 8, P Lazenby highlighted the summary of progress on recommendations and a further update will be presented at the next meeting. P Lazenby highlighted the requested extensions and confirmed that further explanations could be provided.

Looking at the Corporate Health and Safety Audit Report, P Lazenby noted that this has been provided with limited assurance. The audit was taken when the organisation was going through strategic changes and policies and procedures were being updated. There were 9 recommendations made and it was highlighted that the date of 28th February 2023 has been included to allow a follow-up and update for the Committee. It was noted that a large number of the recommendations have already been actioned or are in the process of doing so and a detailed update will be provided with evidence that the issue has been resolved for any priority 2 items. It was noted that recommendations have not been updated and they are now undertaking the follow-up process to confirm that underlying issues have been resolved.

Cllr Chapman commented on item 8 on page 17 of the report, noting that 12 of the 22 outstanding recommendations have been revised and asked what actions had been taken against the other recommendations.

P Lazenby confirmed that the remaining recommendations do not have a revised date, though they remain outstanding at present.

Cllr Symington commented on the wait for a management response and asked if this is to be expected.

PLazenby confirmed that they would normally seek assurance from the responsible officer that there has been progress in respect of issues highlighted and that some mitigations should be provided. R LeBrun advised that the audit was completed in May 2022 and, since this time, a new senior leadership team has come in and there has been a refresh of policies, with a new policy in place. It was noted that there is also a health and safety strategy and action plan that addresses all issues in the audit and beyond to ensure health and safety considered throughout the organisation. The action plan is in place and is being supported by the new health and safety policy and is backed by a fully-funded training programme.

Cllr Symington noted that this is the first limited assurance report they have received.

P Lazenby responded that this was not correct and highlighted the limited assurance report for waste services recently.

Cllr Symington commented on the changes that have taken place since the audit and asked if the problems have occurred due to management changes.

P Lazenby suggested that the issues pre-dated the management changes.

Next looking at Commercial Asset Management, P Lazenby noted that this was provided with reasonable assurance and just 3 recommendations were raised, 1 of which was flagged as important and refers to terms of reference.

P Lazenby noted the Payroll report, advising that few recommendations were raised and that this is an area that will be reviewed yearly. It was also noted that whilst dates are put to the recommendations, these are for management to implement mitigations and that implementing them beyond this date is considered a failing.

No questions were raised by members regarding the presented items.

Looking at the Housing Benefit Debt Report, P Lazenby noted the 3 recommendations and confirmed that these were broadly accepted by management with the priority 2 recommendation under consideration. It was noted that this was an internal management judgement regarding how to apply internal resources on risk versus return.

Cllr Symington asked how serious it is to have over 1,000 debtors for a balance of £1.2m.

F Jump commented that this is not an unusual amount of debt in terms of housing benefit. On the allocation of resource, F Jump advised that there are number of debts that they are involved in to recover and that there is a scientific process of prioritisation of these debts.

P Lazenby added that he agrees with the management response and that the item is kept under review.

Cllr Symington commented that housing benefit debt is due to overpayments and asked if there is any resourcing to prevent this from occurring. P Lazenby advised that they haven't made many recommendations in regards to controls as they are broadly effective.

S Potton advised that a large amount of debt is created as a result of DWP initiatives around cleaning up data for people moving over to Universal Credit, causing an increase in reviews and thereby uncovering more debt.

P Lazenby next looked at the Housing Allocation and Homelessness Report, noting the challenges of this area and confirmed that a number of recommendations raised are in respect to what has been seen elsewhere and management have provided detailed responses in respect of these. A number of the recommendations are raised in respect of sample testing that was undertaken, and there are also recommendations around KPIs, structure and resourcing.

Cllr Symington noted the number of housing allocation and homelessness recommendations and asked for clarification on the differentiation between reasonable and limited.

P Lazenby advised that this is a matter of judgement for the individual auditor, though the general guidance is that 1 high priority or 6 medium-level recommendations will be in a limited assurance report. If there are 4-5 medium-level recommendations then this is for the auditor and P Lazenby to make a judgement on.

Looking at appendix B of the report, P Lazenby noted the progress of the audits throughout the year and confirmed that he has no overall concerns on the state of the progress, adding that he anticipates a large number of audit reports being provided at the next Committee meeting.

P Lazenby provided an overview of the follow-up table, noting that this lists the recommendations with revised implementation dates and all recommendations that are or due to become outstanding. The report is provided with the intention to indicate the latest response from management, though a number of additional responses have been received since the report was compiled. P Lazenby highlighted recommendations where the date has been moved historically and no further management updates have been provided.

Cllr Symington commented on procurement, noting that this has returned to Finance and Resources twice, this first time it being a list of items that didn't meet the criteria and that she felt there was little effort to mitigate against this beyond creating a list. Cllr Symington asked how the Committee can recognise that action is being taken.

P Lazenby advised that the person undertaking the review is a long-established auditor and will look to see that management have asserted that the recommendation is being implemented but they also need to be clear that the underlying problem is being addressed. On recommendation 4, P Lazenby explained that the auditor would be looking to see a downward trajectory rather than just a list of outliers, though this will not prevent the issue recurring and these recommendations therefore need to be monitored.

B Hosier noted that whilst items may be listed for scrutiny, this has significantly reduced the number of procurement standing orders that have been set aside, and it was confirmed that this would be addressed further under item 7.

Outcome

The Committee noted the decision on the outstanding internal audit recommendations as outlined under section 3 of the report.

7.   ASSURANCE REVIEW OF PROCUREMENT 2021/22

B Hosier presented the report, noting the recommendations following the internal review in January 2022 and that the management response was to report the number of procurement standing orders are set aside. B Hosier confirmed that the implementation timetable was initially set as 1st April 2022, though Q1 performance is not presented until September. Procurement standing orders were set aside 40 times in 2021-22, whereas this has only happened on 3 occasions in the first 6 months of 2022. It was also noted that since the audit has taken place, the council have now developed a commercial board that meets every 2 weeks to discuss all commercial activities, including the commissioning and procurement of all third party contracts.

Cllr Symington commented on the list of non-compliance expenditure as listed on page 88 of the report and asked what the difference is between setting aside PSOs and non-compliant expenditure.

B Hosier clarified that setting aside PSOs is when a decision is made to award a contract, and non-compliant expenditure is the expenditure undertaken by the council without a contract in place or a contract has expired. The non-compliant expenditure list includes a mitigation that notes the reasons, and all non-compliant procurements are presented to the commercial board.

Cllr Chapman requested further information about the commercial board.

B Hosier explained that it has been chaired by the Chief Executive and Strategic Director of Corporate and Commercial, and is attended by himself as well as representatives from finance and legal. Other ADs (Assistant Directors) or heads of service that are bringing commercial activity to the board for consideration will also be in attendance. It was confirmed that the board does not have the authority to award contracts but it can confirm that a compliant process has taken place before authority is sought.

Outcome

The Committee noted the report.

8.   EXTERNAL AUDIT PROCUREMENT UPDATE 2023/24

N Howcutt provided a verbal update, noting that the Committee had agreed in February to procure the external audit provision from 2023-24 accounts via the government's PSAA. A response was received from PSAA recently with a provision allocation of a new external auditor for the next financial year and a consultation process will now take place where authorities can note any issues or conflicts of interest with the appointed auditor.

N Howcutt advised that government have advised that they expect fees to increase by 150% and they therefore are expecting a significant rise in costs for the audit service, though they do not currently know how much support will be provided by central government. A formal agreement is expected before Christmas, and it was noted that whilst they are a well-known partner, it is new to the local government audit section. N Howcutt confirmed that they will provide a further update when they have received more information, though base costs are around £60,000 and could therefore be looking at costs of around £150,000 for next year. N Howcutt stated that he believes a rise in cost will help improve the sector and the service being provided to the sector, and that it should improve resilience, and that he hopes central government will look to support the arrangement.

N Howcutt advised that if they decided to proceed independently then the cost of procurement would be greater than the cost of the external audit.

9.   EXTERNAL AUDIT UPDATE

F Jump provided a verbal update, noting that the HCC pension fund audit has been delayed and that they expected assurance to be issued by the end of the month, meaning that the final accounts should be published by the end of November.

10.   MEDIUM TERM FINANCIAL STRATEGY

N Howcutt noted the inclusion of the report to ensure that all members are aware of the strategy. It was noted that there is a small deficit of £500,000 and that the focus is on delivery of core strategies around commerciality, transformation and efficiencies.

Cllr Symington asked what P Lazenby's role is in the MTFS.

P Lazenby advised that this is a pivotal part of the organisation's future and that he has discussed with N Howcutt how assurance is provided in respect of the medium-term financial arrangements. P Lazenby suggested that there be an audit topic next year looking at MTFS and that he would expect to communicate any concerns he has to external audit.

Cllr Symington clarified that P Lazenby would not be offering any assurance during the meeting and that the item was just for noting.

N Howcutt advised that P Lazenby provides an internal audit annual opinion and also noted that they are currently looking at the 2023-25 internal audit programme, of which one of the core documents is the MTFS. From an organisation perspective, the MTFS forms part of the value for money audit and this should be reviewed imminently.

Outcome

The committee noted the MTFS report.

11.   Q2 STRATEGIC RISK REGISTER UPDATE

F Jump presented the update, noting that the social media risk has reduced and advised that the new SLT has helped bring down the score.

N Howcutt advised that a strategic risk review has been undertaken and will receive internal sign off in November ahead of December Cabinet approval. N Howcutt stated that they had hoped to present this to the Committee and that he hoped the Committee will find the new strategic risks are more appropriate for the current organisation.

Outcome

The committee noted the report.

12.   INTERNAL AUDIT RE-PROCUREMENT PROCESS

Full details can be found in the Part 2 Minutes.

13.   WORK PROGRAMME

There were no changes to the work programme.

The meeting ended at 8:54 pm.

tiaa

Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

2022/23

January 2023

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 1st January 2023.

TIAA'S CONFORMANCE TO THE IIA STANDARDS AND CODES OF PRACTICE

2. TIAA Limited commissioned an External Quality Assessment (EQA) of its internal audit services in 2022. An EQA is required every five years, in line with the requirements of the International Professional Practices Framework (IPPF) and the Standards set by the Global Institute of Internal Auditors (IIA). The independent EQA considered our conformance with the IPPF and the Standards and also the Public Sector Internal Audit Standards (PSIAS), which govern internal audit in the public sector.

Our independent EQA was undertaken by a senior partner at Chiene + Tait, a long-established and high-quality accountancy firm headquartered in Edinburgh with offices in Scotland and London. The review assessed TIAA's internal audit methodology and delivery against the Core Principles, the Code of Ethics and the Standards. It took into account our comprehensive framework, our guiding policies, organisational culture, planning and delivery, investment in our people, tools and techniques and our quality assurance framework, including feedback from clients.

We are pleased to confirm that the independent EQA assessor was able to conclude that TIAA 'generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)'. 'Generally conforms' is the highest rating that can be achieved using the IIA's EQA assessment model. It was also noted that there were no areas of non-conformance or partial conformance with the Standards.

TIAA was also complimented on the standard of documentation provided which enabled them to form a positive conclusion.

Audits completed since the last SICA report to the Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Council Tax (Arrears)	Substantial	21/11/2022	23/12/2022	04/01/2023			1	1
NNDR (Arrears)	Substantial	21/11/2022	23/12/2022	04/01/2023			1	
S106	Substantial	25/11/2022	9/12/2022	12/12/2022			1	
Place Strategy	Reasonable	02/12/2022	19/1/2023	30/01/2023		4	2	

4. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2022/23 Annual Plan

5.   Our progress against the Annual Plan for 2022/23 is set out in Appendix B.

Changes to the Annual Plan 2022/23

6.   There are a number of areas where areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2022/23. These are summarised below.

COVID assurance review work

Review	Rationale
Governance Arrangements	This is a crucial area in order to be able to support that assurances are being received and evaluated fully in order to mitigate against risk and support the direction of the Council.
Business Continuity (incl Covid-19)	This is flagged as a high risk area on the risk evaluation and requires specific mitigation in order to provide day to day services.

Progress in actioning priority 1 & 2 recommendations

7.   We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. Priority 2 recommendations will be discussed in detail in the next SICA.

Frauds/Irregularities

We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Responsibility/Disclaimer

9.   This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Review	Evaluation
Council Tax (Arrears)	Substantial
NNDR (Arrears)	Substantial
S106	Substantial
Hemel Place	Reasonable

Council Tax (Arrears) Executive Summary

OVERALL ASSESSMENT

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

KEY STRATEGIC FINDINGS

Sample testing and review of documentary information, identified that robust controls are in place and operating as intended. Some minor areas of improvement were noted in order to enhance the control environment.

Namely, to amend the Revenue Recovery Policy to reflect current debt recovery practice adopted by the Council and the review process of cases handed to Bailiff.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR3 - Funding and income is not sufficient to deliver the Council's Corporate Objectives

GOOD PRACTICE IDENTIFIED

The Revenues Team in pursing debt, is mindful of the current economic situation facing the UK, with regards to living and energy crisis.

SCOPE

The review focused on arrears management and adherence to policy and procedures.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	1

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Through discussions held with the Revenues Team Leader and testing, it was noted that once an account is assigned to an Enforcement Agent, there is no active review of progress performed by the Revenues team. Although updates are available via the Enforcement Agent's website. Additionally, a Tax Payer account noted at 'Bailiff' status, where debt is being collected, it is not obvious that this is the case unless the account is physically reviewed by officers.	Periodic reviews of the Enforcement website be undertaken, to confirm the debt position and ascertain what debt has or is being paid.	3	*The Revenues Service holds regular performance review meetings with our contracted enforcement agents, and the success of collection activity forms part of these discussions.* *We do not feel that reviews of individual case information on the enforcement agent website will add value to the debt recovery process.* *However, we will explore the options and feasibility further of introducing a process to review accounts referred to enforcement agents, but where we have not received payments within the last six months.*	01/05/23	*Revenues Team Leader*

NNDR (Arrears) Executive Summary

OVERALL ASSESSMENT

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR3 – Funding and income is not sufficient to deliver the Council's Corporate Objectives

KEY STRATEGIC FINDINGS

Sample testing and review of documentary information identified that robust controls are in place and operating as intended. A minor area of improvement was noted in order to enhance the control environment. Namely, to amend the Revenue Recovery Policy to reflect current debt recovery practices adopted by the Council.

GOOD PRACTICE IDENTIFIED

The Revenues Team in pursuing debt, is mindful of the current economic situation facing the UK, with regards to living and energy crisis

SCOPE

The review focussed on arrears management and adherence to policy and procedures.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	1

Section 106 Executive Summary

OVERALL ASSESSMENT

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR2 - Failure to secure

sufficient investment in essential infrastructure required

KEY STRATEGIC FINDINGS

Sample testing and review of documentary information has shown that adequate controls are in place and operating as intended. Some minor areas of improvement were noted in order to enhance the control environment. Namely:

- Retaining the weekly section 106 monitoring reports rather than discarding the reports after review.

GOOD PRACTICE IDENTIFIED

Both the Planning Officers and the Strategic Planning & Regeneration Officer are knowledgeable of the processes and systems underpinning the review of the Section 106 Applications through to monitoring arrangements.

SCOPE

The purpose of the audit was to review s106 planning permissions and application of these funds.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Through discussions held with the Strategic Planning and Regeneration Officer, it was noted that the weekly s106 obligation monitoring reports are discarded, once review has been completed.	The s106 weekly monitoring reports must be retained, for an agreed period, to ensure reference and inspection can be performed, such as, when an audit is performed.	3	*The monitoring reports are downloaded as a spreadsheet from Exacom. Entries are reviewed and the information updated within Exacom with the latest status. Exacom itself keeps an 'Audit log' of updates made, when and by whom for the purposes of traceability, therefore it was felt unnecessary to keep the spreadsheets. However, the comment is noted and the monitoring report spreadsheets will be retained for a period of 1 year.*	*05/12/22*	*Strategic Planning & Regeneration Officer*

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Hemel Place - Executive Summary

OVERALL ASSESSMENT

REASONABLE ASSURANCE

Adequate & effective governance, risk and control processes

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Weak governance arrangements may lead to poor decision making, impacting on intended outcomes.

KEY STRATEGIC FINDINGS

The governance arrangements of Hemel Place Board and Hemel Garden Communities (HGC) Delivery Board are adequate. However, once the key projects commence and the Place Strategy is in place, governance may require re-assessing.

Under the current governance arrangements, a number of points were identified, namely:

- The HGC's Strategic Memorandum of Understanding (dated July 2022), was draft;
- A legal agreement has not been drawn up nor signed by the 3 Local Authorities involved in HGC;
- The HGC's Risk Register does not contain relevant Strategic Risks from the 3 Local Authorities Strategic Risk Register; and
- There are limited metrics against key deliverables.

GOOD PRACTICE IDENTIFIED

Staff were knowledgeable of their roles and understood the intended outcomes to be achieved.

SCOPE

To perform a review of the existing and developing governance arrangements for both programmes, and to consider the following questions when undertaking the review Detail in appendix B.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	At the time of the review, the HGC's Strategic Memorandum of Understanding, (MoU) dated July 2022, was in draft. Through discussion, it was noted that a Legal Partnership Agreement had not been drawn up nor entered into by the 3 Authorities (St Albans, Herts CC and Dacorum DBC).	The MoU be finalised and signed by all parties as a matter of urgency. The MoU should outline each Partner's roles and responsibilities.	2	*The MOU is a partnership agreement, in which any partner can provide four weeks' notice to no longer be part of the partnership work.* *The findings articulate that a legal agreement has not been drawn up nor entered into. This is linked to the need for a sustainable financial future and is currently under discussion between partners.* *In the meantime, the Terms of Reference for the MOU are currently being concluded and the revised MOU will be circulated for signing.*	*17/03/23*	*Programme Director, Hemel Garden Communities*

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Review of Hemel Place's (HP) Risk Register, it was noted that it mirrors, 4 Dacorum Council Strategic Risks. Whereas the Hemel Garden Communities (HGC) Risk Register does not appear to be aligned nor mirror strategic risks relating to the three Authorities. For example there is a high level risk at DBC relating to funding and investment which should it crystalise would likely impact upon HGC however this was not detailed in HGC risk register. Furthermore, the mitigating controls noted in HGC and HP Risk Registers are not sufficiently detailed.	The HGC Risk Register to list, the relevant strategic risks, noted in each of the 3 Authorities Risk Register. The Risk Registers for both Hemel Place and HGC, must contain a sufficient level of detail pertaining to mitigating controls.	2	*The HGC risk register has been amended to include relevant strategic risks from 3 authorities.* *The mitigation actions and controls have been reviewed and risk registers will continue to be reviewed throughout the relevant programme.* *The HGC risk register is reported to HGC Delivery Board quarterly. It is suggested that Hemel Place risk register is reported to the Corporate Place Board quarterly and an annual review reported to SPAEOSC.*	*17/01/23* *w/c 23/01/23* *Corporate Place Board on 23/01/23 and quarterly thereafter*	*Programme Director, Hemel Garden Communities* *Hemel Place Strategy, Programme Manager* *Hemel Place Strategy, Programme Manager*
5	Directed	Hemel Place had been allocated £500,000, from the Council's reserves, for the period 2020/21 to 2023/24. Review of Month 6 financial forecast, it was noted that a deficit had been noted, circa £170,000, which will be realised at the end of the 3 year period. Significant variances to budget were indicated at the time of this review and it was unclear that this had prior approval or been reported to members.	It be ensured that budgetary positions for "discreet projects" such as Hemel Place including key variances are presented on a periodic and proactive basis to Members for approval, and that this approval is documented accordingly.	2	*The financial forecast shows an over spend of £76k as opposed to £170k and is interdependent to the Place Communities Enterprise restructure and additional spend to deliver Hemel Place priorities.*	*Presented to members as part of budget setting and on periodic basis to SPAEOSC thereafter*	*Hemel Place Strategy, Programme Manager*

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Delivery	For both Hemel Place and HGC, it was noted that there were limited key deliverables or metrics established at the onset.	The Hemel Place Board along with HGC Delivery Board, to devise a suite of metrics against key deliverables and to be reported periodically over the life of the project/ scheme.	2	*Hemel Place and HGC will work with DBC Project Management Office to articulate the objectives and consider appropriate KPIs when in delivery mode and whether these should only be in policy development mode as well.* *For example KPIs are relevant to HGC capital spend for 2022/23. Hemel Place will move to delivery mode after April 2023 and it is suggested that relevant KPIs will be reported to SPEOSC going forward.*	*28/02/23* *30/04/23*	*Programme Director, Hemel Garden Communities* *Hemel Place Strategy, Programme Manager*
1	Directed	Review of the Hemel Garden Communities (HGC) Delivery Board and sub committees 'Terms of Reference,' it was noted that the documents are filed as '2020/21 ToR'. Additionally, the HGC's Partner Steering Group and the Sub Group Terms of Reference, were under review and filed as '2022 ToR'.	It be ensured that the HGC Board/ Committees/ Group Terms of References are reviewed in a timely manner and approved by the respective Body. The date of review to be noted on the document.	3	*TOR were amended in Summer 2022, and due to personnel changes the MOU needs new signatures from Claire Hamilton (DBC) and Councillor Stephen Boulton (HCC)The MOU in principle has been agreed by the HGC Delivery Board. The final signatures are in progress.* *File headings will be amended to provide clarity over the date of review.*	*31/01/23*	*Programme Director, Hemel Garden Communities*

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	There does not appear to be a standardised project structure devised or in place, once the HGC programme and the Hemel Place Strategy commences.	The Council to develop a standardised project structure including requirements that there is standard project documentation, clear roles and responsibilities and something about how long records should be maintained along with standardised reporting to a project board.	3	*DBC has a clear PMO office with clear documents and roles/responsibilities.* *The Hemel Place work will report into the DBC Corporate Place Board, chaired by James Doe, Strategic Director Place.* *HGC reports to the HGC Delivery Board, with an Independent Chair and in turn the HGC Delivery Board reports to DBC's Cabinet, HCC's Growth Infrastructure & Planning Cabinet Panel / Highways & Transport Cabinet Panel and SACDC's Local Plans Advisory Group.* *Please see the governance structures for more information which are subject to periodic reviews at key milestones, e.g. moving to delivery mode.*	*31/01/23*	*Hemel Place Strategy, Programme manager* *Programme Director, Hemel Garden Communities*

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Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Corporate H&S	1	Fieldwork completed	Final Issues November 2022
Communications	1	Fieldwork completed	Final issued September 2022
Housing Allocations & Homelessness	1	Fieldwork completed	Final Issued September 2022
Insurances	1	Fieldwork completed	Final issued September 2022
Document Management Systems	2	Fieldwork completed	Draft Issued December 2022
Payroll	2	Fieldwork completed	Final Issued September 2022
Housing Benefit	2	Fieldwork completed	Final Issued September 2022
Commercial Asset Management	2	Fieldwork completed	Final issued October 2022
Key Financial Controls	3	Fieldwork completed	Draft Issued November 2022
Council Tax	3	Fieldwork completed	Final issued January 2023
NNDR	3	Fieldwork completed	Final issued January 2023
Planning	3	Fieldwork completed	Final issued December 2022
Housing Rents	3 (4)	Audit Brief Issued	Deferred to Q4 – Audit Brief to be issued in December 2022
Housing Repairs & Maintenance	2 (4)	Audit Brief Issued	Audit to Commence 13th February 2023
Procurement/ Contract Management	4	Audit Brief Issued	Audit Brief issued in December 2022
Empty Homes	4	Audit Brief Issued	Audit to Commence 13th February 2023
Governance & Risk Management	4		Audit Brief issued in December 2022
Follow Up	3-4	Work in progress	August 2022 updates under review

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued

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Audit Committee

Report for:	Audit Committee
Title of report:	Annual Audit Plan 2023/24
Date:	8th February 2023
Report on behalf of:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Annual Audit Plan 2023/24
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Report Author / Responsible Officer
Fiona Jump, Head of Financial Services
✉ ☎
Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

Corporate Priorities	A clean, safe and enjoyable environment
	Building strong and vibrant communities
	Ensuring economic growth and prosperity
	Providing good quality affordable homes, in particular for those most in need
	Ensuring efficient, effective and modern service delivery
	Climate and ecological emergency
Wards affected	All

Purpose of the report:	1. To present the proposed Annual Audit Plan 2023/24 for Audit Committee comment and feedback.
Recommendation (s) to the decision maker (s):	1. To review and approve the Annual Audit plan 2023/24 and provide feedback.
Period for post policy/project review:	Progress against the approved Annual Audit Plan 2023/24 will be reported to committee during 2023/24.

1   Background:

The Internal Audit service has a rolling programme of works to provide assurance over processes and controls across the Council.

This programme has a mixture of internal audit reviews that are undertaken. The frequency of these audits is based on the risk and potential impact to the Council of specific services, processes and systems being ineffective. As an example the review of core financial services is undertaken annually. Appendix A to this report outlines the 2023/24 proposed Annual Audit Plan.

2   Financial and value for money implications:

There are no direct financial implications arising from the approval of the Annual Audit Plan 2023/24.

3   Legal Implications

There are no direct financial implications arising from the approval of the Annual Audit Plan 2023/24.

4   Risk implications:

The proposed Annual Audit Plan has been informed by a risk assessment to ensure that planned coverage for the year is focussed on key audit risks and supports a robust Head of Internal Audit opinion to be provided.

5   Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

6   Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

7   Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

8   Conclusion

The Annual Internal Audit Plan for 2023/24 sets out proposed areas of internal audit review for 2023/24 and initial proposals for 2024/25.

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Dacorum Borough Council

Draft Indicative Audit Strategy 2023/25 and Annual Plan 2023/25

2023/24

January 2023

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OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our Government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for Government in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Commercialisation: Councils are moving towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments. The pandemic is likely to have brought significant unforeseen risks to these investments and their underlying assumptions.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

The impact on government: Individually and collectively, the current climate will present many challenges for local authorities. Public finances have been under tremendous and historic pressure in recent years and local authorities face significant challenges to their financial sustainability. High levels of inflation and energy costs and higher than expected forecasts of the

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2023/24, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing Dacorum Borough Council and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing Dacorum Borough Council. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Dacorum Borough Council. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where Dacorum Borough Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the S151 officer and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date draft plan issued:	19th December 2022
Date revised draft plan issued:	30th January 2023

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Review Area	BAF/Risk Ref	Type	2023/24	2024/25
Governance				
Performance Management		Assurance	✓	
Equality, Diversity and Inclusivity		Assurance		✓
Community Engagement		Assurance		✓
Commissioning and Partnership Services		Assurance		✓
Building Safety Bill Compliance		Assurance	✓	
Risk				
Risk Management Framework		Assurance	✓	
Business Continuity		Assurance		✓
ICT				
Use of Social Media		Assurance		✓
Cyber Security Maturity Assessment		Assurance		✓
Finance				
MTFS		Assurance	✓	✓
Key Financial Controls		Assurance	✓	✓
Housing Rents		Assurance	✓	
Capital Programme		Assurance		✓
Overtime and Additional Allowances		Assurance	✓	
Income – Cash and Bank		Assurance		✓
Budgetary Control		Assurance	✓	
Agile Working		Assurance		✓
Pensions		Assurance		✓
Operational Performance and Infrastructure				

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Review Area	BAF/Risk Ref	Type	2023/24	2024/25
H&S		Assurance	✓	
HRA H&S		Assurance	✓	
General Fund H&		Assurance	✓	
Garage Rents		Assurance	✓	
Commercial Rents		Assurance	✓	
Climate Change		Assurance	✓	
Leisure Contract		Assurance	✓	
Waste Management		Assurance	✓	
Planned and Preventative Estate Maintenance		Assurance	✓	
Fleet Management Strategy		Assurance		✓
Ad Hoc Advice		Assurance	✓	
Workforce				
Agile Working		Assurance	✓	
Absence Management		Assurance		✓
Recruitment and Training		Assurance		✓
Grievance Reporting and Management		Assurance		✓
Workforce Planning		Assurance		✓
Follow Up		Follow Up	✓	✓
Management and Planning				
Annual Planning		Management	✓	✓
Annual Report		Management	✓	✓
Audit Management		Management	✓	✓
Total Days			**225**	**225**

Quarter	Review	Type	Days	High-level Scope
1	MTFS	Assurance	10	The MTFS was released in October 2022, this identified £3million worth of savings that should be delivered. Audit work in 2022/23 is required to provide on-going assurance that scheme delivery against savings in the MTFS are being managed and monitored effectively and reported accurately. In addition, the scope of work will include assurance over the accuracy of the financial assumptions made around spending pressures. A sample of new savings and recurring savings will be selected for review. To Incorporate corporate property and failure to maintain tenancies and to generate the projected return on investment will have significant financial consequences for the Council. The review will focus on the governance and reporting arrangements, project management and budgetary control for a number of key redevelopment projects.
1	H&S	Assurance	5	H&S is a Corporate Priority and appropriate and adequate Health and Safety for Housing is a critical requirement. Previous audit reviews identified a number of initiatives regarding Health and Safety requirements as work in progress. The audit will review the findings of the previous audits and examine and test the arrangements for Health and Safety that should be in place for 2023/24 onwards. Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance.
1	HRA H&S	Assurance	5	Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance for HRA
2	General Fund H&S	Assurance	5	Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance for the general fund.
2	Overtime and Additional Allowances	Assurance	5	The review will assess the controls in place to effectively manage, approve and monitor overtime and additional bonus and honorarium payments.
2	Risk Management Framework	Assurance	10	Dacorum has made significant developments in respect of risk management over the last 12 months. This review will consider the arrangements in place to provide for risk management in accordance with the agreed framework.
2	Commercial Rents	Assurance	5	Commercial Rents are becoming a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement. The review will focus on the processes for ensuring that all commercial rents are appropriately recorded, the database of commercial properties is accurate and up to date, and testing a number of commercial properties to confirm that rents are paid in accordance with their agreement.

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Quarter	Review	Type	Days	High-level Scope
2	Garage Rents	Assurance	5	To provide assurance that all rents are collected in accordance with the rental/lease agreement. The review will focus on the processes for ensuring that all garage rents are appropriately recorded, the database of garages is accurate and up to date, and testing a number of garages to confirm that rents are paid in accordance with their agreement.
2	Building Safety Bill Compliance	Assurance	5	To provide assurance that the council is operating in compliance with the building safety Bill.
2	Community Grants	Assurance	10	A periodic review focusing on the process for awarding grants and monitoring compliance with grant funding conditions. Key areas will include: • Appropriate records are maintained to verify applicant eligibility; • Grants are appropriately approved by committee or delegated officers; • All monies expended are done so in accordance with the grant agreement; • There are adequate controls in place with regard to how grant money is spent; and • Adequate budget monitoring and management of grants awarded takes place.
3	Leisure Contract	Assurance	10	A periodic review of the controls in place for managing the contracts for the provision of leisure facilities. The audit will focus on the following areas: • An appropriate contract is in place, which sets out key performance indicators / performance targets; • Variations are controlled in accordance with contractual provisions; • Performance management and monitoring processes are in place and are robust enough to ensure compliance with performance standards; • Contract clauses, such as penalties and deductions, are outlined and enforced; • Payments are made accurately in line with contractual arrangements; • Management information on contract performance is provided and regularly reviewed; and • Adequate budget controls are in place.
3	Waste Management	Assurance	10	This follow up review will consider Driver's hours/ Log Books or Tachographs; Load management; Care of equipment; Parking; Reversing (banksman); Cleaning of equipment; Driver checks; Defect reporting; Understanding Fleet Compliance and processes; Spot checks conducted by Ops management, on: Log book records, Daily checks, Gate checks, Street checks, Seat belts, Vehicle condition/cleanliness of cab.
3	Performance Management	Assurance	10	The review will consider the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.

Quarter	Review	Type	Days	High-level Scope
3	Planning Enforcement	Assurance	10	This follow up review will consider compliance with relevant policies and procedures, in particular to establish if enquiries/complaints received have been prioritised and investigated in accordance with set targets, staff have the appropriate skills to take enforcement action when necessary and related budgets are monitored appropriately. The review will also consider the effectiveness of the '400 Plan Phase 2' in its aim in providing the focus for closing cases that can be closed.
3	Key Financial Controls	Assurance	15	Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period. For 2023/24, this will include Accounts Receivable, Income Collection and Debt Recovery which will be reviewed.
3	Housing rents	Assurance	10	Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making
3	Budgetary Control	Assurance	10	Budgetary Control is a fundamental financial process that is audited every other year. Key control objectives that will be considered as part of this audit include: • Formally approved budgets are set each year, taking into account all relevant income and expenditure; • The financial management system accurately reflects the agreed budgets; • Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined; • All budget adjustments (including virements) are authorised; • Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation; • Appropriate financial reserves are maintained in line with assessed risks.
4	Ad hoc advice days	Assurance	5	Ad hoc advice days on the strategic asset review in Q4
4	Housing Transformation Improvement Programme (HTIP)	Assurance	5	To provide assurance that audit recommendations are being embedded into HTIP or other programmes from the EY work.

Quarter	Review	Type	Days	High-level Scope
4	Climate Change	Assurance	10	This is an area of increasing risk significance amid the Government's commitment to net zero carbon emissions by 2050. If the Council is not seen to be taking action or working towards government targets this may lead to reputational damage. Key areas for the review include: • A Corporate Strategy is in place for tackling Climate Change, with roles and responsibilities clearly defined and an associated action plan in place; • Climate Change considerations are embedded into corporate decision making, targets and objectives. • Adequate performance monitoring and reporting to senior management and Members is in place.
4	Housing Allocations	Follow up	5	Undertake a follow up review to assess the Council's effectiveness on dealing with Housing Allocations and Homelessness
4	Planned and Preventative Estate Maintenance	Assurance	12	The review will consider the arrangements in place to deliver the programme of planned and preventative maintenance across the estate.
1 – 4	Follow-up	Follow up	12	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Housing Association are implementing recommendations, and providing reports to the Audit Committee.
1 – 4	Update of strategic risks	Management	5	
1 – 4	Audit Committee Training	Management	5	
	Contingency		8	
1	Annual Planning	Management	3	Assessing the Housing Association's annual audit needs.
4	Annual Report	Management	2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management	13	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
	Total days		**225**	

APPENDIX C: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Dacorum Borough Council and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Dacorum Borough Council's senior management and governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All Dacorum Borough Council's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Dacorum Borough Council's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Audit Committee.

TIAA may also conduct any special reviews requested by the Board, Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Dacorum Borough Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Dacorum Borough Council and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Dacorum Borough Council's management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Dacorum Borough Council's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Dacorum Borough Council and additional time will be required to carry out such testing. Dacorum Borough Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with Dacorum Borough Council's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has IS0 9001:2015 accreditation.

Audit Committee Responsibility

It is the responsibility of Dacorum Borough Council to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Dacorum Borough Council's governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%

Audit Committee

Report for:	Audit Committee
Title of report:	2023 Strategic Risk Refresh and Quarter 3 Strategic Risk Report
Date:	8th February 2023
Report on behalf of:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Strategic Risk Register Q3 2022/23

Appendix B Risk Management Strategy

Appendix C Risk Management Guide |
| **Background papers:** | None. |
| **Glossary of acronyms and any other abbreviations used in this report:** | SRR –Strategic Risk Register |

Report Author

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Corporate Priorities	A clean, safe and enjoyable environment

Building strong and vibrant communities

Ensuring economic growth and prosperity |

	Providing good quality affordable homes, in particular for those most in need
	Ensuring efficient, effective and modern service delivery
	Climate and ecological emergency
Wards affected	All
Purpose of the report:	1. To provide the quarter 3 update on the Strategic Risk Register
	2. To present revised Strategic Risks for the Council. Reporting against these revised risks will commence from quarter 4 2022/23.
Recommendation (s) to the decision maker (s):	1. That the quarter 3 update on the Strategic Risk Register for 2022/23 be noted.
	2. That Committee seek further assurance where required.
	3. That Committee provide comments and feedback on the report for Cabinet to consider, including on the revised Strategic Risks.
Period for post policy/project review:	An update on the Council's strategic risks is reported to Audit Committee on a quarterly basis.

1   Background:

The purpose of this report is to present the Strategic Risk Register (SRR) as at quarter 3, 2022/23. This is the most up to date version of the SRR for 2022-23, as at 31st December 2022. The revised SRR showing the position at the end of Q3 2022/23 is attached at Appendix A.

A review of the significant risks affecting delivery of the Council's six key corporate priorities has been discussed with Members, the Senior Leadership Team (SLT), the Corporate Leadership Team (CLT) and the Council's internal auditors. The outcome of this review is a revised set of strategic risks for the Council, together with a revised risk management strategy and guide, attached at Appendix B and Appendix C.

The refreshed strategic risks are listed below. Once approved, reporting against these risks will commence from quarter 4 2022/23.

- The Council is subject to a successful cyber- attack and/or data breach.

- Failure to deliver Place Shaping and regeneration ambitions.

- Weakening of the Council's financial resilience.

- We do not plan in or deliver action early enough to ensure achievement of the Climate and Ecological Emergency (CEE) statement.

- Failure to ensure compliance with statutory and legislative requirements.

- Failure to work with strategic partners to deliver corporate priorities.

- We are unable to deliver effective services to residents due to an inability to retain and recruit sufficient competent and skilled resources.

- Inability to manage and deliver safe and good quality affordable homes.

2   Changes to the current Strategic Risk Register since the last update

SRR Q3 update (as at 31 December 2022)

Risk scores against the following strategic risks have changed since the SRR Q2 2022/23 was presented to Audit Committee in November 2022. The risk score as at Q3 2022/23 is presented below in **bold**; the risk score as at Q2 2022/23 in *italics*:

- The Council is unable to ensure that sufficient quality and affordable homes can be delivered - **9** (*12*)

3   Proposed Revised Strategic Risks

The Council's Corporate Plan was introduced in 2019/20. At that time a review of the Corporate Plan delivery, Strategic Risks and Risk Management processes were undertaken.

Since 2020 there have been and remain significant changes to the social, political and environmental landscape that means the risk management approach and strategic risks require reviewing.

There have been significant changes in the wider landscape that directly impact on Dacorum and these will often result in different risk impacts, the changes include:

- Conclusion of Brexit policies

- Global pandemic

- Onset of the climate change emergency and changes in political expectation and policies

- Development of a Commercial response to the financial pressures

- The development of a strategic Place Shaping agenda.

It is good practice to undertake periodic reviews of an organisation's risk management approach. A combination of the uncertain economic outlook and the significant changes in the organisations governance, structure and strategies during 2022 led to this being undertaken. The increased transformational work and enhanced commercial focus also requires adapting the approach to risk management, risk appetite and risk monitoring to support these decision making processes.

As part of this process a revised Risk Management Strategy and supporting Guide has been produced to support this changing agenda. See Appendix B and Appendix C for reference.

Review of the key six corporate priorities and the significant risks affecting delivery have been discussed with members, SLT, CLT and internal audit. Several themes emerged from this discussion:

- Recruitment and Retention impacting on delivery of strategic aims.

- Digital & ICT strategy key to support delivery and protect the council in regards to cyber security.

- Partnership delivery/Partnership working is key to delivery of key priorities to allow the council to enable, deliver or support ongoing delivery.

- Pressures of the wider economic downturn e.g. cost of living, cost pressures in construction.

- Government policy change such as regulatory changes in housing, waste, finance, climate change.

- Conflicting priorities - balance between financial sustainability and investment strategies – Place shaping/Climate Change/House building.

These themes formed the basis of the creation of the proposed Strategic Risks.

Subject to feedback from Audit Committee, the revised strategic risks will be presented to Cabinet on 14 February for approval.

Table 1: Revised Strategic Risks

Ref	Proposed Strategic Risk	Responsible Officer	Linked to Corporate Priority
1	**The Council is subject to a successful cyber- attack and/ or data breach.**	Strategic Director, People and Transformation	6. Ensuring efficient, effective and modern service delivery.
2	**Failure to Deliver Place Shaping and Regeneration ambitions.**	Strategic Director, Place	1. Clean Safe and Enjoyable environment. 3. Ensuring economic growth and prosperity. 2. Building Strong and Vibrant communities.
3	**Weakening of the Council's Financial Resilience.**	Chief Finance Officer/ Strategic Director Corporate and Commercial	6. Ensuring efficient, effective and modern service delivery.
4	**We do not plan in or deliver action early enough to ensure achievement of the Climate and ecological emergency (CEE) statement.**	Strategic Director Resident Services/ Strategic Director People and Transformation	1.A clean safe and enjoyable environment 5. Climate and Ecological Emergency.
5	**Failure to ensure compliance with statutory and legislative requirements.**	Chief Executive	1. A clean safe and enjoyable environment. 6. Ensuring efficient, effective and modern service delivery.
6	**Failure to work with Strategic Partners to deliver Corporate priorities**	Chief Executive	2.Building Strong and vibrant communities 3.Ensuring economic growth and prosperity 4.Providing good quality affordable homes, in particular for those most in need, 6.Ensuring efficient, effective and modern service delivery
7	**We are unable to deliver effective services to residents due to an inability to retain and recruit sufficient competent and skilled resources.**	Strategic Director People and Transformation	6. Ensuring efficient, effective and modern service delivery.

8	**Inability to manage and deliver safe and good quality affordable homes**	Strategic Director Resident Services	4. Providing good quality affordable home, in particular for those most in need.

4 Financial and value for money implications:

Where relevant, financial and value for money implications associated with current strategic risks are set out within the SRR at Appendix A.

5 Legal Implications

Where relevant, legal implications associated with strategic risks are set out within the SRR at Appendix A.

6 Risk implications:

These are set out within the SRR at Appendix A.

7 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

10 Conclusions

The SRR identifies key strategic risks for the Council and assigns a risk score to each of these risks based on consequences and likelihood of occurrence. The SRR at Q3 2023-23 shows a reduction from 12 to 9 in the Affordable Homes risk score.

A revised set of strategic risks is proposed for the Council, to be reported against from quarter 4 2022/23.

Risk Register Summary Table					
		31 Dec 2022			
Risk Name	Risk Owner	RM01 Risk Consequence	RM02 Risk Likelihood		Status
		Actual	Actual	Actual	Update
Cyber Attack	Aidan Wilkie	3	3	9	We have a new Head of Digital in place who is progressing a programme of work to provide assurance around our position. This forms part of our recently agreed digital strategy
Failure to secure sufficient investment in essential infrastructure required	James Doe	3	4	12	No change in risk rating from Q2. However policy on release of CIL core funds in part has been prepared for Council's consideration and approval in Q4.
Funding and income is not sufficient to deliver the Council's Corporate Objectives	Catherine SilvaDonayre	4	3	12	A draft balanced budget for 2023-24 was presented in December 2022, which will be finalised and approved in Q4 2022-23. In-year budget pressures for 2022-23 remain and are being addressed.
Social media risk	Aidan Wilkie	2	2	4	This risk remains relatively low due to the Council policies in place, the awareness of staff and the potential impact on the organisation. Purdah advice will re-enforce this.
The Council is unable to recruit and retain the staff required	Aidan Wilkie	3	2	6	This remains a key risk but we are now in process of delivering key mitigating actions which formed part of the recently agreed people strategy. These include key cultural improvement work, responses to the cost of living crisis and introduction of a market supplements policy. It is also worth noting a number of recent recruitment successes in key roles across the Council
The Council will be unable to ensure that sufficient quality & affordable homes can be delivered	James Doe	3	3	9	Planning Moratorium lifted by the end of 2022 enabling DBC's HRA new build developments able to proceed, so an improvement on the risk rating for Q3. Issues around cost price inflation remain.
Uncertainty around Brexit negotiations could result additional demand for council services.	Catherine SilvaDonayre	2	2	4	This strategic risk is no longer relevant – the Brexit negotiations are completed and the impacts understood. The Strategic Risks are currently being reviewed and this risk will be removed as part of this process.

| Risk Name | Detail | 31 Dec 2022 |
		Status
Cyber Attack	Risk Owner	Aidan Wilkie
	Portfolio	Community & Regulatory Services
	Risk Description	Risk of cyber attack or ransomware.
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	12 🔺
	Mitigated Score	9 🟠
	Risk Appetite	9
	Comments	We have a new Head of Digital in place who is progressing a programme of work to provide assurance around our position. This forms part of our recently agreed digital strategy
	Controls & Assurances	The Council monitors and protects against threats with particular attention to the following, in line with the Government's Cyber Essentials direction: • Boundary firewalls and internet gateways • Secure configuration • Access control • Malware protection • Patch management The Council also ensures that system and operational data is backed up securely and regularly, and the process of restoring from those back-ups is tested regularly.
	Evidence Risk is being managed	Adherence to National Cyber Security Centre (NCSC) Cyber Essentials (formally audited 2017); Public Sector Network (PSN) Compliance (including annual vulnerabilities assessment by approved cyber security consultancy)

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| | Detail | 31 Dec 2022 |
		Status
	Consequences / Impacts	At least 263 million cyber-attacks were carried out on UK local authorities in the first half of 2019 alone. Nearly half of all local authorities had experienced an attempted cyber-attack on their IT systems since 2017 and 37% of them had experienced cyber-attacks in the first half of 2019. The Council's ICT team is aware that its network is the subject of attempted cyber-attacks on a daily basis from a range of sources, likely to include organised crime and state operators. The potential consequences of a successful cyber-attack are extremely damaging to any organisation. In the public sector, cyber-attacks on NHS trusts have led to cancelled operations, including the WannaCry attack in 2017 that affected 45 NHS organisations. In 2016 Lincolnshire County Council were hit with a £1M demand following a ransomware infection and in 2020 Hackney Council was profoundly affected by a similar ransomware attack. Within Dacorum, a successful and extensive cyber-attack has the potential to impair the delivery of all services to its residents as well as the potential publication of sensitive and personal data. Any successful Cyber Attack could significantly impact the Council's reputation, as residents may lose confidence in the management of electronic records.
Failure to secure sufficient investment in essential infrastructure required	Risk Owner	James Doe
	Portfolio	Planning & Infrastructure
	Risk Description	That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring economic growth and prosperity ▪ Providing good quality affordable homes
	Inherent Score	16 🔺
	Mitigated Score	12 🔺
	Risk Appetite	
	Comments	No change in risk rating from Q2. However policy on release of CIL core funds in part has been prepared for Council's consideration and approval in Q4.

	Detail	31 Dec 2022
		Status
	Controls & Assurances	Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited. The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include: • Ensuring that the Local Plan (and its component elements such as site allocations, supporting policies and so on on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. • Working with other South West Herts councils and HCC to make a case at national level for strategically important infrastructure • Bidding into government funding pots such as the Housing Infrastructure Fund where possible. • Use of masterplanning which supports what is required to be delivered to produce sustainability on larger sites and formalising as a Special Planning Document where appropriate to give it more 'teeth'. • The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision that local people want. • Operating an 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits. • Stimulating required growth through the Council's own regeneration activity, including the Enterprise Zone making inward investment being more likely. • Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development. • Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance. • Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College) • Working to create key partnerships to bring forward development capable of funding major infrastructure such as Hemel Garden Communities with the Crown Estate, St Albans and City Council, HCC, the LEP and the Enterprise Zone. Risk rating remains unchanged at August 2022.
	Evidence Risk is being managed	These controls are exercised and reported within the following: • Regular reporting to the Growth and Infrastructure Group, SLT, Cabinet and Overview and Scrutiny Committee • Fortnightly reporting on key projects to SLT • Reporting to Performance Board before each Cabinet Meeting • A clear programme for the Local Development Framework and CIL Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, income achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above.

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	Detail	31 Dec 2022
		Status
	Consequences / Impacts	The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. The risk is, therefore, that new development at a scale not experienced in Dacorum sine the New Town development will not be matched with the infrastructure that a healthy and thriving community depends upon. Failure to provide this infrastructure will have a number of damaging consequences: • a reduction in the quality of life and opportunities for people in the Borough • a serious constraint to economic growth with the impact on the prosperity of local people • reduced financial contribution to service provision through Business Rates growth • increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope • damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council. The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it.
Funding and income is not sufficient to deliver the Council's Corporate Objectives	Risk Owner	Catherine SilvaDonayre
	Portfolio	Finance & Resources
	Risk Description	Funding and income is not sufficient to deliver the Council's Corporate Objectives
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	16 ▲
	Mitigated Score	12 ▲
	Risk Appetite	
	Comments	A draft balanced budget for 2023-24 was presented in December 2022, which will be finalised and approved in Q4 2022-23. In-year budget pressures for 2022-23 remain and are being addressed.

	Detail	31 Dec 2022
		Status
	Controls & Assurances	The Council's Medium Term Financial Strategy (MTFS) and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallizing through the effective modelling of the future financial environment. Sound financial planning maximizes the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities. The Council's sound financial planning processes, detailed below, have resulted in a residual probability score of '3', Likely; given current macro-economic factors that contribute to financial pressures, despite the sound financial control framework in place. The consequence score is '4', given the significant potential impact to services and residents if the Council were not able to achieve its Corporate objectives. The MTFS details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The 2022 MTFS outlines the continuation of the ongoing two-pronged approach to combine the Council's need to 1) continue driving the efficiencies required to ensure underlying sustainability; and, 2) to protect frontline services in the face of the time-bound Covid pressures. The updated 2022 MTFS can be viewed on the October 2022 Cabinet Agenda, at www. dacorum.gov.uk. In addition to the MTFS, forecasts are kept under constant review and any updated forecasts that threaten the viability of the approved MTFS will be reported back to Members together with updated recommendations. As part of its Transformation Programme, the Council introduced measures to deliver its Service Plans differently from 2021 – using a more cross-directorate approach and covering a longer period than the traditional one year. The closer alignment of the MTFS and Service Plans over a multi-year period should strengthen the Council's financial planning, and the cross-directorate approach to unlock corporate opportunities that would be less clear under an individual approach to service planning. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.

	Detail	Status
Page 52	Evidence Risk is being managed	Internal Audit

In recent years, the Council has received independent, third-party audit reviews of the financial processes that contribute to the management of this risk:

The 'Budgetary Control' process is audited by the Council's Internal Auditors annually and in 2020, and 2021 has received the highest level of assurance.

The 'Core Financial Systems and Budgetary Control' which have also achieved the highest level of assurance with no recommendations or action points.

External Audit

The 'Value for Money' opinion issued in Grant Thornton's 'Audit Findings' report in September 2020, was based on evaluation of the MTFS; the budget-setting process; the reserves policy and use; and, the Council's forecasting of the Covid threat and plans to deal with it. Grant Thornton's conclusion was:

'Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'

Internal validation

The fact that the Council was in a position to approve an MTFS which is capable of funding forecast Covid pressures from reserves, is practical validation of its approach to managing the MTFS and reserves over recent years. Although the planned use of reserves will inevitably reduce the amount available for future investment in the borough, it has meant that the Council is able to protect the delivery of its frontline services into the medium-term. |
| | Consequences / Impacts | The Council is currently facing two fronts of significant financial uncertainty that both hamper planning and risk deliverability of the objectives within the Corporate Plan into the medium-term: 1) the ongoing uncertainty around future Government funding of local authorities, and 2) the financial implications of Covid.

Government Funding

The Council is currently operating on a one-year Finance Settlement from Government, the third in succession, following the conclusion of the 4-year deal in April 2019. One-year Settlements, and the planning challenges that accompany them, are expected to continue until Government implements its new funding allocation model following the completion of its Fair Funding Review As yet there is no certainty over the level of funding that Dacorum or any other authority can expect in the future, post-review.

However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of social care. The Council must ensure that it's in a position to adapt to significant funding reductions at potentially short notice when the new model is announced.

Covid Implications

The Council faces significant expenditure and income pressures as a result of Covid. The pattern of expenditure pressures have thus far tended to be more-directly lock-down related and, therefore, are not expected to continue in the medium term. Income pressures on the other hand, have a short-term element, e.g. dramatic loss of car parking income during lock-down, but also potentially an even more significant long-term effect through a recessionary impact on the Council's primary income generating services, e.g. commercial property.

The magnitude of the potential ongoing Covid-related losses, combined with uncertainty around the duration of the pandemic and the unknown timing and severity of the economic recovery period creates a significant financial threat to the Council's in-year and medium term budget. In addition it adds further complexity and risk to the already challenging medium-term planning environment arising from one-year Government funding settlements. |

Risk Name	Detail	31 Dec 2022
		Status
Social media risk	Risk Owner	Aidan Wilkie
	Portfolio	Corporate & Contracted Services
	Risk Description	Confidentiality and reputational issues
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	9 🔺
	Mitigated Score	4 ⭐
	Risk Appetite	
	Comments	This risk remains relatively low due to the Council policies in place, the awareness of staff and the potential impact on the organisation. Purdah advice will re-enforce this.
	Controls & Assurances	The Council monitors and protects its social media presence through a Social Media Management Platform (Orlo). Orlo provides management options for automatic moderation of abusive messages and other risk mitigation tools. All staff are required to read and signup to a range of policies including: • Corporate Information Security Management Policy • Corporate Information Technology Security Policy • Data Protection Act Policy • Freedom of Information Policy • PSN/Government Connect (GSx) Acceptable Usage Policy • Information Security Incident Procedure
	Evidence Risk is being managed	An audit of DBC's internal controls in strategy and governance, training and awareness, processes and technology, found that there is a sound system of internal control designed to achieve the system objectives. The communications team carry out training for new staff members and refresher training when needed. Social Media remains a key role in sending information and engaging with our residents/customers. This remains controlled and well manage as we experience very few instances where this causes issues for the Council.

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	Detail	31 Dec 2022
		Status
	Consequences / Impacts	"Almost nine in ten (86%) of UK adults now have internet access at home, and this is highest among those aged under 55. Facebook continues to be the largest social network service in the UK. In April 2016, it attracted a digital audience of 38.9 million (more than three-quarters of active internet users). This was larger than that of LinkedIn (21.8 million) and Twitter (20.9 million)" (Ofcom report 2016). By design, social media is widely accessible and offers users easy electronic communication of personal information and other content, such as news, videos and photos. With public participation and exchange of content so readily available, this introduces a certain level of risk. The consequences of using social media include members of the public, pressure groups or employees using DBC social media accounts to raise negative, confidential, incorrect or abusive statements/campaigns aimed at damaging the reputation of DBC. Similarly, the risk of DBC not using social media will exclude a large proportion of residents and key demographic groups including younger residents and businesses.
The Council is unable to recruit and retain the staff required	Risk Owner	Aidan Wilkie
	Portfolio	Community & Regulatory Services
	Risk Description	The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	9 🔺
	Mitigated Score	6 🟠
	Risk Appetite	6
	Comments	This remains a key risk but we are now in process of delivering key mitigating actions which formed part of the recently agreed people strategy. These include key cultural improvement work, responses to the cost of living crisis and introduction of a market supplements policy. It is also worth noting a number of recent recruitment successes in key roles across the Council

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	Detail	31 Dec 2022
		Status
	Controls & Assurances	A programme of work has been developed to enhance our ability to recruit and retain staff: • Flexible working arrangements are in place to ensure staff achieve a goof work/life balance, whilst maintaining excellent customer service. • A planned approach to utilising the Council's apprenticeship levy to support some staff professional training. • Three graduates appointed from the National Graduate Development Programme (hosted by the Local Government Association). • Succession planning approach embedded into appraisals and service plans with supported by the career development plans. • Implementation of more robust management information within the HR to assist with understanding training needs. • Streaming of recruitment campaigns and modernisation of recruitment web pages. • Participating in recruitment fayres to attract school/college leavers to the Council • Re-Introducing work experience placements to students and working with partners to offer work experience placements to people who have been out of work. • Appointed 8 kick start employees as part of the Government's scheme to help people back to work. • As with many other organisations the Council is suffering from a lack of HGV driver availability. Current HGV drivers, in particular Waste Service drivers, are being approached by external organisations with significant increased pay offers. The Council has sought to mitigate this by training more staff to be HGV drivers and offering a retention bonus with appropriate clauses of an annual £5k per driver. Staff turnover remains healthy but there are pockets of hard to fill posts, where agency spend is higher than previous. The Council is currently finding it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas such as Legal, Finance, Surveyors, Environmental Health and Planning etc. This challenge has grown significantly over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market. This has resulted in the appointment of some agency staff across the Council in order to maintain service delivery. A reliance on agency staff brings a number of specific risks: • Statutory – staff shortages can put delivery of the Council's statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety, and Building Control; • Resilience – any need for agency staff leaves the Council vulnerable to potential higher turnover and loss of knowledge which can affect continuity of service provision; • Financial – the cost of agency staff is higher than for permanent staff, which can pressurise budgets in several areas across the Council. • Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport. A recent study looked at the high agency spend areas and work is underway to reduce this spend, such as agency approval process, having the right agency framework in place that is effective whilst offering good value for money and re-introducing market forces payments for specific roles. This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.
	Evidence Risk is being managed	Turnover remains reasonably low and it is infrequent that posts are re-advertised. Graduates have been appointed and we are working for LGA to appoint the next batch of three. HR will be working with services with recruitment challenges to ensure the graduates to support these areas in the first instance.

	Detail	31 Dec 2022
		Status
	Consequences / Impacts	The Council is currently finding it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas such as Legal, Finance, Surveyors, Environmental Health and Planning etc. This challenge has grown significantly over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market. This has resulted in the appointment of some agency staff across the Council in order to maintain service delivery. A reliance on agency staff brings a number of specific risks: • Statutory – staff shortages can put delivery of the Council's statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety, and Building Control; • Resilience – any need for agency staff leaves the Council vulnerable to potential higher turnover and loss of knowledge which can affect continuity of service provision; • Financial – the cost of agency staff is higher than for permanent staff, which can pressurise budgets in several areas across the Council. • Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member
The Council will be unable to ensure that sufficient quality & affordable homes can be delivered	Risk Owner	James Doe
	Portfolio	Housing
	Risk Description	The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need
	Reference to Strategic Objectives / Priorities	▪ Providing good quality affordable homes ▪ Strategic Risk Register
	Inherent Score	12 🔺
	Mitigated Score	9 🟠
	Risk Appetite	
	Comments	Planning Moratorium lifted by the end of 2022 enabling DBC's HRA new build developments able to proceed, so an improvement on the risk rating for Q3. Issues around cost price inflation remain.

11

	Detail	31 Dec 2022
		Status
Page 57	Controls & Assurances	The Local Plan is currently under development and the next consultation point with the public and stakeholders is scheduled for mid-2023, following the Regulation 18 consultation over the winter of 2020/21. The new Plan will incorporate a very high level of housing growth and the plan needs to ensure that the sites are identified and are likely to be delivered in the timescales identified. There will be a strong affordable housing policy, building on the current one, which will require at least 35% affordable homes on every scheme above 10 units. The council is strengthening its expertise in Planning on robustly testing developers viability submissions. This will include no longer accepting developer arguments that the cost of land prevents or reduces the amount of affordable they can deliver – they should take account of the council's policy when agreeing the price. Ensuring good masterplanning of the larger sites emerging from the Local Plan will mean that they are more likely to be built out as planned and will be more attractive for potential buyers. The Private Housing Service in Housing, which includes Private Renting, has been reshaped and is geared up to the licensing of up to 900 Houses in Multiple Occupation and addressing issue of disrepair and harassment in the sector. It will work with and support landlords who are prepared to grant longer tenancies which will allow families more security and stability. There is already a new build council home programme of 370 new homes by 2022 that is just starting. The government has announced that the cap on the HRA borrowing will be ended in April 2019 and the programme will be further expanded. A full assessment of the capacity of the HRA to move to an output of around 100-200 new homes per year will be made in the very near future and will gear up for that level of delivery. This will help, though not solve, the shortage of affordable homes for rent. Housing Associations will be encouraged to include social rented homes at lower rent levels than affordable to be built as grant is now available from Homes England for this aim. The introduction of the Homeless Reduction Act has allowed the Council to be geared up to dealing with an increased number of homeless households with the initial aim of preventing the homelessness from happening. One important route will be working with those private landlords that have a desire to help those in housing need, and there are many, to be able to continue renting without losing income. The Planning Moratorium of 2022 (as a result of ecological impacts on the Chiltern Beechwoods Special Areas of Conservation) for the HRA new build programme presents some new risks over timing and cost of the delivery of sites which are yet to receive all full planning consents. Annual cost price inflation for materials and labour is running in the region of 20% and as of June 2022 looks set to continue. It is possible that a prolonged moratorium may put at risk recently-awarded Homes England funding. Together, these factors could add significant financial pressure to the cost of the programme under the HRA Business Plan. The Council's planning service is working on a mitigation strategy with appointed consultants and partner organisations. The first draft of this has been received as of early June 2022. If acceptable it could lead to the lifting of the moratorium later in 2022, but this is not certain at the current time. As such the risk rating has been raised from 9 to 12 at this stage. At August 2022 very good progress has been made with Natural England, the National Trust and adjacent Local Authorities on agreeing a mitigation strategy for the Beechwoods and a SAMM tariff, with plans for SANG development on two parks owned by DBC. This work should be completed by early September and provided the outcome is positive, it should lead to a partial lifting of the moratorium for the Hemel Hempstead area. For now, the risk rating is unchanged.

	Detail	Status
Page 58	Evidence Risk is being managed	The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls. Regular reports will also made to the Housing and Community Overview and Scrutiny Committee on new build council homes, homeliness performance, and Private Renting sector performance.
	Consequences / Impacts	Housing costs in Dacorum are already extremely high and among the highest in the country outside of London. The impact of this is that local people (and potential new residents) face considerable difficulties accessing decent and affordable homes. This has potential risks in increased homelessness, difficulties in attracting new business and inward investment and breakdown of family support networks if people have to move away or have to stay longer in parental homes than is desirable. The causes for this are complex and varied, and some are outside of the Council's control, but include: • The high cost of owner occupation due to location, local income levels, market shortage and increasing demand from people moving out from London. This can mean owner occupation is well beyond the reach of a large number of local people. • The Private Rented Sector is not focused on providing homes of quality to those on low incomes with short 6 months tenancies and often in poor condition. • The planning system does not have the levers to require new homes to be built and with respect of providing affordable homes the rented product – usually affordable rent at 80% of market rent - they are too expensive for those on low incomes. • There are still cuts being made to the benefits systems and Universal Credit has seen a dramatic increase in the levels of rent arrears in those areas that have already had the full roll out. This will cause further difficulty for low income households to afford rent and would lead to still further homelessness. • the impact of the First Homes Policy from Government putting further pressure on the Council's ability to provide genuinely affordable homes to people most in need through the planning process. The key risks this raises for the Council are: • The supply of homes is unable to match demand • An increase in the levels of homelessness resulting from landlords in private renting seeking to maximise their rents • The impact of Universal Credit roll out leading to increased arrears, debt and homelessness • A general risk that the construction industry may not have the capacity to meet the level of demand for development • The HRA will not be able to access sufficient funds to fulfil the Council's programme of social rented housing
Uncertainty around Brexit negotiations could result additional demand for council services.	Risk Owner	Catherine SilvaDonayre
	Portfolio	Corporate & Contracted Services
	Risk Description	Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short to medium-term
	Reference to Strategic Objectives / Priorities	▪ Strategic Risk Register ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	16 🔺
	Mitigated Score	4 ⭐

Detail	31 Dec 2022
	Status
Risk Appetite	
Comments	This strategic risk is no longer relevant – the Brexit negotiations are completed and the impacts understood. The Strategic Risks are currently being reviewed and this risk will be removed as part of this process.
Controls & Assurances	The Chief Executive prepared a report to Members outlining the sector's view on where the key Brexit risks currently lie. The Senior Leadership Team (SLT) has received a report from the Assistant Director (Corporate and Contracted Services), who is leading on Brexit risk, highlighting key risk areas for the Council which continue to be monitored with the wide Corporate Leadership Team. All service areas are represented at SLT, and the majority of SLT members operate within county- and nation-wide professional groups. This means that the knowledge reach of the group is wide and varied, meaning that emerging issues are likely to be raised for discussion around impact as they arise. The Assistant Director, Corporate and Contracted Services also sits on a multi-agency county wide Tactical Coordination Group which monitors the EU Transition period although as the risk has reduced in early 2021 and this group was stood down in February 2021. SLT has also ensured that all service areas revisit their Business Continuity plans to ensure that they remain up-to-date and capable of mitigating known and emerging risks. SLT also review and update the Corporate Brexit risk register. The Leader of the Council and the Chief Executive have taken part in webinars hosted by MHCLG with various Government departments in preparation for Brexit.
Evidence Risk is being managed	The subject of Brexit is reviewed by SLT if there are any specific issues or impacts for discussion. Members will be kept advised as more information becomes available.
Consequences / Impacts	On 23rd June 2016, the UK voted in a referendum to leave the European Union (EU). Article 50 was triggered on 27th March 2017 starting a two year formal process for leaving the EU. The UK left the EU on 31 January 2020 with a withdrawal agreement which is subject to a transition period ending on 31st December 2020. The UK have now reached agreement on how the future relationship will work, including trade, energy, transport, social security, law enforcement, health and scientific collaboration and dispute settlement. The agreement now reached gives the Council greater certainly and there has been no noticeable increased demand for its services in 2021 as a direct result of Brexit. Brexit does still pose a strategic threat to the Council primarily because there is lack of clarity over how or to what extent the outcome may threaten achievement of its corporate priorities. In the absence of more detail, the Council is, in general terms, planning to 'be prepared'. In addition, there is the possibility that the Council may be required to carry out functions under its Civil Contingencies responsibilities, although in early 2021 this threat has not come to fruition to date.

DACORUM BOROUGH COUNCIL

RISK MANAGEMENT POLICY 2023-2024

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RESPONSIBLE OFFICER	Councillor Graeme Elliot, Portfolio Holder Corporate Services Nigel Howcutt, Chief Finance Officer

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Version No.	1.5	Date of Expiry	Feb 2024
Associated Documents		DBC Guide to Managing Risk	

CONTENTS

1. Introduction

Risk management supports our ambition to be an outstanding Council serving an outstanding borough. It is at the heart of good management and corporate governance. Risk management is essential to the Council's ability to deliver public services and to act as a custodian of public money.

We are legally required to have risk management arrangements in place. This new Risk Management Strategy details those arrangements. It explains how Dacorum Borough Council manages risk in a way that not only supports our decision-making process, but also helps us meet our objectives, and increases our ability to respond to new pressures and opportunities.

When done well, risk management can improve strategic, operational, and financial management. This strategy explains how that happens, emphasising that the management of risk is an ongoing process, one that is regularly refreshed and extensively embedded across the authority. Risk management is a key part of how Dacorum Borough Council, will continue to improve how we help the residents and businesses the Council exists to serve.

a) The purpose of this document is to set out Dacorum Borough Council's Risk Management Strategy.

b) The Strategy provides details of the Council's approach to, and methodology for, the management of risk and provides guidance to all employees and Members on their roles and responsibilities in respect of risk management.

c) The management of risk is not a new concept; it is simply one element of the overall management of the Council. Over recent years a number of high profile business collapses/disasters, coupled with public unease over the management arrangements of large organisations, have caused the regulatory spotlight to fall on governance arrangements.

d) Things have now progressed further in that, for local authorities, there is a legal requirement to demonstrate good governance and the CIPFA/SOLACE "Delivering good governance in local government Framework" has been reflected in our approach. One element of this is to show that risk is appropriately managed. The Civil Contingencies Act places a statutory duty on certain public organisations to be resilient in respect of the risks they may face.

e) Risk management is not about totally eliminating risk – this is simply not possible. Rather it is concerned with encouraging innovation, but in an environment where due consideration has been given to all aspects of risk: both opportunities and threats. In this way good risk management assists in the decision making process, encourages a more informed approach to risk taking, and helps to ensure that the Council is able to achieve its objectives by addressing the barriers that may stand in the way.

The effective management of risk contributes to the following:

- Improved performance and achievement of the Council's priorities and objectives
- A more informed decision making process
- Improved prioritisation of resources
- Encouraging a risk aware culture, to increase everyone's confidence in taking risks and making the most of new opportunities.

1.1 What is Risk Management?

Risk can be positive or negative. It is simply uncertainty of outcome. As such, risk is unavoidable. Risk management looks to respond to this unavoidable uncertainty, based on a robust assessment of the risk, its potential impact, and its likelihood of happening.

Risk management sees risks identified, evaluated, responded to and monitored at regular intervals. It helps the Council, *inter alia*, manage resources wisely; evaluate potential actions; protect residents from harm; and protect the Council's reputation.

The resources available for managing risk are finite. That means that risk management must look to achieve an optimum response by managing risk to tolerable levels. Regardless of whether risks are transferred, controlled, or managed, tolerable levels of risk will change over time, depending upon the Council's risk appetite.

Risk Management Definition
1.1   *"Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most cost effective methods of controlling and/or responding to them. It is not an end in itself. Rather, risk management is a means of maximising opportunities and minimising the costs and disruption to an organisation caused by undesired events"*[1]

1.2 The Council's Risk Management Principles & Approach

Risk management in Dacorum:
  - is part of a suite of good governance, supported by Corporate and Service planning, performance, and programme delivery;
  - supports a culture of appropriate risk-taking across all the Council's work, informed by our organisational risk appetite;
  - has risk managed at the right organisational level and focuses on material, rather than all possible risks;
  - identifies and documents risk across the Council, allowing DBC to understand and manage key risks across the Council;
  - ensures each risk is assessed with existing controls identified and further actions proposed to reduce risk if necessary and where possible to achieve acceptable risk levels;
  - sees that low-level risks, or those that have been managed down to a low level, become part of our day-to-day activity; and

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[1] '*Risk Management – A Key to Success,*' published by ALARM – Association of Local Authority Risk Managers, February 2001)

> Is complemented by robust, relevant business continuity plans to ensure a focus on delivering core business.

1.2b   The Council's risk management programme will provide the framework to:
- Use effective risk management practices as a tool to achieve the Council's objectives, and to secure improvements
- Increase awareness and understanding throughout the Council of the nature and extent of the risks that it faces and the risks that it can take
- Identify and assess on an ongoing basis the risks to which it is exposed and the opportunities that it can secure
- Implement the most appropriate economic measures to avoid, minimise and effectively manage those risks and to take advantage of those opportunities
- Provide regular reports on the progress of risk mitigation.

1.2c   This enables the Council to manage effectively strategic decision making, service planning and delivery to safeguard the well-being of all interested parties and increase the likelihood of achieving its objectives.

1.2d   The aim is to manage risk rather than to eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance. An over zealous approach to risk control can stifle creativity and service delivery and may mean that opportunities for improvement are missed. Successful risk management means getting the balance right, thereby making the best use of available resources. This is illustrated in the chart below:

Figure 1: An effective approach to risk management

1.2e The management of risk should not be viewed in isolation; it forms an integral part of the Council's business. The risk management process forms part of the service planning framework. In addition risk management techniques must be used when considering new service delivery methods or policy options. Much risk management already takes place intuitively, but it is important to be able to demonstrate a documented approach. This helps officers and Members feel empowered to take certain risks within an agreed framework of acceptable decision-making.

1.3

Approach to Risk
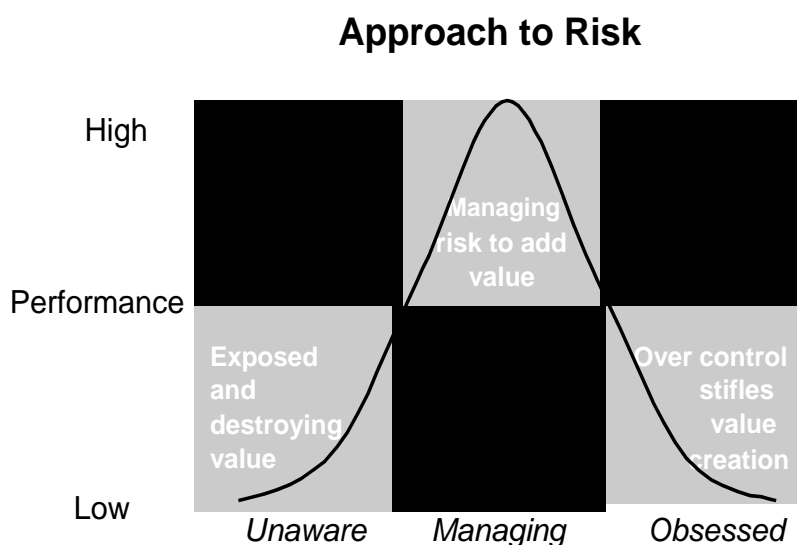
Risk appetite & Risk Targets

1.3a The Council recognises the importance of establishing the degree to which the Council is willing to accept and/or tolerate risk. This is reflected in the scoring mechanism used in the Council's methodology for risk assessment. Details of this can be found in the DBC Guide to Managing Risk. Those risks with a residual risk score of 12 and above are regarded as being high risk to the Council, in that if they were to occur the consequences may have a significant impact. In view of this consideration must be given as to whether additional steps are needed to further improve the management of the risk.

1.3b Risk targets will be set for each strategic risk based on the nature of the risk and the risk appetite of the council.

2. Roles and responsibilities

2a The successful management of risk is a collective responsibility for all Members and employees. Risk management is not the responsibility of a single team. It is a collective endeavour and can only be truly effective when the organisation as a

whole considers risk management to be part of their business. Risk management should permeate the organisation. This means there are roles for everyone within the authority to address risk effectively.

2.1 All Members

Responsibilities:

- To be aware of the risk management implications of their actions, decisions and public statements and support an effective risk management culture.

2.2 Cabinet

Responsibilities:

- To approve the risk management strategy and policy.
- Approve and have oversight of the Strategic Risks
- To consider formally risk management implications when making decisions
- To agree the Council's response to its highest risks. In other words, to set the Council's appetite for risk – this means doing what is practicable to reduce the risk, whilst not using a disproportionate amount of resource
- To approve an annual statement on the effectiveness of the Council's internal risk management arrangements as part of the Annual Governance Statement
- Portfolio Holder for Corporate Services is the Cabinet lead on risk management issues.

2.3 Portfolio Holders

Responsibilities:

- To ensure that quarterly Operational Performance/Risk reports reflect the management of risk for their individual portfolios
- To consider formally risk management implications when making decisions.

The Chief Finance Officer will liaise on a regular basis with the Portfolio Holder Corporate Services on risk management.

2.4 Audit Committee

Responsibilities:

- To provide an independent review of the Council's management of risk
- Monitor the development and operation of risk management and governance in the Council
- Oversee the Coucil's risk management policy and strategy
- To receive periodic updates on threats and opportunities which impact on the council's objectives and outcomes.

- To request to review specific areas of risk management activity or initiatives

2.5 Overview & Scrutiny Committees

Responsibilities:

To receive quarterly reports as to progress on Performance and Operational Risk Register relevant to their specific areas.

2.6 Strategic Leadership Team

Responsibilities:

- To propose an effective framework for the management of risks throughout the Council
- To have responsibility for oversight of Strategic Risks and to ensure other risks are appropriately managed
- Ensure risk implications are considered in decisions
- To advise elected members of the risk management implications of their decisions.

The CFO is responsible for the following:
- To be the strategic champion of risk management
- To undertake an annual review of the Risk Management Strategy
- Liaison with the Portfolio Holder Corporate Services on the Council's Risk Management Strategy and performance.

2.8 Corporate Leadership Team (CLT)
Responsibilities:

- To ensure that the Council's risk management framework is applied in their service areas
- To ensure that key contracts and partnerships have arrangements in place to effectively identify and manage risks – see section 3.4.
- Review and challenge the risks involved in decision making and ensure appropriate resources are allocated to the process of risk management

2.9 Programme/Project Managers
Responsibilities:
- Manage risk in their area of responsibility
- Identify, assess and document significant risks and opportunities
- Identify risk ownership
- Escalate risks where appropriate

2.10 Risk Owners
Responsibilities:
- Address specific risks and be accountable for their management;

- Responsible for ensuring that risks are recorded, reviewed, and updated
- Ensure Business Continuity Plans are updated where necessary.

2.11 All Employees

Responsibilities:

- To have an understanding of the risks that are integral to their areas of work
- Identify, record and seek to mitigate risks relating to service delivery in their area
- To participate in risk management training as appropriate.

2.12 Internal Audit

Responsibilities:

- To provide an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance
- To objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economical, efficient and effective use of resources.

3.   Areas of Risk

3.a   The Council faces risks from both internal and external sources. Understanding these helps to assess the potential influence the Council may have over the risks.

3.b   The Council has split risk into the following categories along with responsibility for the implementation of the Council's Risk Management Strategy:

- Strategic Risks – SLT
- Operational Risks – CLT
- Project/Programme/Partnership Risks – Lead DBC Officer

3.c   These areas are not mutually exclusive; they are influenced by a variety of factors. It is important not to get too constrained by the categorisation; a risk may escalate from operational to strategic. The most important thing is the identification and assessment of the risk and consideration is given to its effective management , thereby reducing the likelihood of it occurring and/or its impact.

3.1 Strategic Risks

3.1a   Strategic risks are those things that could prevent the Council from successfully achieving its medium to long- term corporate objectives for the organisation and the community.

3.2 Operational Risks

3.2a   Operational risks are those things that may prevent an individual service delivering its service effectively to the community. Operational risks are identified as part of the service planning process. In addition, risk management must be used where improvements to services are planned and in options appraisals. Where operational risks are common to a number of services, they will be reported to SLT for consideration in the review of the Strategic Risk Register.

3.3 Project Risks

3.3a   Project risk management must be undertaken in accordance with the following:

- Dacorum Borough Council's Risk Management Strategy (This document)
- Dacorum Guide to Managing Risk

3.3b   Project risks are defined as those events, which, if they happen, could prevent the successful completion of the project, lead to delays, increase costs or diminish the overall effectiveness of the project.

3.3c   A project is defined as:
- A task of limited duration with a defined required outcome, which is not a repeated process
- A task that uses a level of resource such as:
  - ➢ Staff have to be seconded to it
  - ➢ Capital finance is necessary
  - ➢ It is not covered by the annual service revenue budget
  - ➢ A task that requires Member approval or periodic reporting to Members

3.3d   A project lead would be expected to report project risks to the relevant project oversight board.
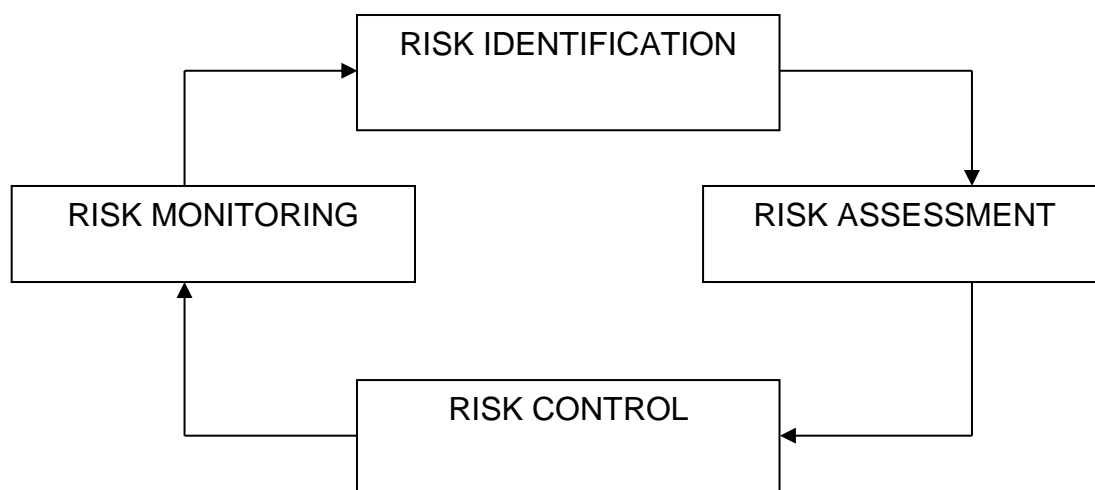
3.4 Partnership Risks

3.4a   The definition of a partnership is a joint working arrangement between otherwise independent bodies that:

- Agree to co-operate to achieve a common goal
- Create new organisational structures or processes to achieve this goal separate from their own organisations
- Plan and implement a jointly agreed programme often with joint staff or resources
- Share relevant information

- Pool risks and rewards.

3.4b   Service contracts that are described colloquially as "partnerships" are not partnerships for this purpose, but are regarded as operational risks.

3.4c   Partnership risks are those events that could prevent the partnership achieving its objectives.

3.4d   Risks that the Council is exposed to by virtue of being in the partnership can be dealt with as strategic, operational or project risks as appropriate.

4.   **The Council's Risk Management Framework**

Risk management is a cyclical process made up of four stages:

```
            ┌──────────────────────────┐
       ┌───▶│   RISK IDENTIFICATION    │───┐
       │    └──────────────────────────┘   │
       │                                   ▼
┌──────────────┐                  ┌──────────────────┐
│RISK MONITORING│                  │ RISK ASSESSMENT  │
└──────────────┘                  └──────────────────┘
       ▲                                   │
       │    ┌──────────────────────────┐   │
       └────│      RISK CONTROL        │◀──┘
            └──────────────────────────┘
```

4a   A brief summary of the four stages is provided here – however full guidance on how to carry out a risk assessment can be found in Dacorum's Guide to Managing Risk, which can be found in Appendix 1.

4.1   Risk Identification: The means by which threats or opportunities are identified. This can be achieved through workshops, discussions in team meetings or by individuals working alone;

- Look at your key aims and objectives – think about what could prevent you from successfully achieving them.
- In addition consider whether your objectives present any opportunities
- List all the risks/opportunities you identify and, using the examples in this section to guide you, identify which category each risk falls into,   It is useful to give each risk a unique number – e.g. F1 = First financial risk identified

- It is important to get the wording of the risk right – remember risk registers may be looked at by people who were not involved in the

risk assessment exercise. The wording needs to be clear and concise. It may be useful to use the following tip:

4.2   Risk Assessment: Estimating the potential effect that the threat or opportunity may have on the achievement of objectives. This enables resources to be effectively targeted to achieve the maximum value/benefit.

4.3   Mitigation and Control: Developing and putting in place actions and control measures to treat or manage risk or to maximise opportunities.

Mitigate

Not all risks can be managed away. Some risk is unavoidable. Like all organisations DBC accepts that there are risks arising from factors – such as, for example, severe weather; global pandemics; or climate change – which will always remain outside of our direct control. Where it cannot manage a risk to a tolerable level, the Council would (and does) make contingency plans.

For those risks where the Council can exert control, our approach focuses on mitigating risks in various ways. These internal controls can be considered as one, or more, of five categories of addressing risk;

- **Tolerate** – Recognise the risk is tolerable without further action.
- **Treat** – Constrain risk with acceptable levels by means of various treatments
- **Transfer** – Transferring responsibility to others e.g. Insurance
- **Terminate** – Stop doing an activity, this options is usually very limited
- **Take Opportunity** - Existing alongside the tolerating, treating, and transferring of risk, is there a means by which advantage can be gained to exploit impact or positive opportunities.

4.4   Monitoring and Reporting: The risk management process does not finish when the risk control measures have been identified. There must be monitoring and review of:

- The implementation of the agreed control action

- The effectiveness of the action in controlling the risk

- How the risk has changed over time and whether the controls currently in place continue to be adequate.

4.4a   To help with the integration of risk management across the Council a range of co-ordinated reporting and monitoring arrangements have been put in place in the following areas:

- Council
- Cabinet
- Audit Committee
- Other Scrutiny Committees
- SLT

4.5 Reporting timescales and expected content:

- **Cabinet**
Quarterly:
    - Review of Risk Management Strategy, the framework and the key outcomes for the year
- Quarterly review of the Strategic Risks performance including feedback from the Audit Committee.
- Exception report on risk management progress will be delivered via the InPhase performance management system

- **Audit Committee**
Quarterly covering:

    - Significant risks from the Strategic Risk Register
    - Regular deep dives into specific Strategic Risk performance, controls and mitigation
    - Progress report on all risk management action plans via the Rocket performance management system

- **Portfolio Holders**
Quarterly covering:

    - Updates on operational risks as part of the performance board, produced via the In Phase system.

SLT
Quarterly:

    - Significant risks from Strategic risk register reported
    - Progress on risk management activity via InPhase performance management system

- **Corporate Projects Delivery Board – project risks**
Monthly

    - Monthly reporting via In Phase by the accountable officer
    - Reports reviewed at monthly Programme Review Boards

- **Committee Report Summaries**

In addition to the current reports on financial and legal implications, all summaries contain a section on risk implications.

- **Annual Governance Statement**

Risk management is an important element that needs to be recognised and included in the Annual Governance Statement.

DACORUM BOROUGH COUNCIL

GUIDE TO MANAGING RISK

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RESPONSIBLE OFFICER	

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Version No.	1.0	**Date of Expiry**	February 2024
Associated Documents DBC Strategic Risk Policy		DBC Risk Management Strategy 2023-24	

Contents

1. Guidance

Introduction

This guide is intended to help you carry out a risk assessment for your service or for your projects. Further information concerning the Council's approach to Risk Management can be found in the Risk Management Strategy on DBC Intranet, Document centre.

Risk Management is defined as:

'The process of identifying risks, evaluating their probability, impact and potential consequences and determining the most cost effective methods of controlling and /or responding to them. It is not an end in itself. Rather, risk management is a means of

maximising opportunities and minimising the costs and disruption to an organisation caused by undesired events.'

Traditionally 'risk' is viewed as a negative thing. However, opportunities for improving services and efficiency can flow from a carefully considered approach to risk taking.

Risk Management is not about eliminating risk – this is simply not possible. Rather it is concerned with encouraging innovation but in an environment where due consideration has been given to all aspects of risks: both opportunities and threats. In this way, good risk management assists the decision making process, encouraging a more informed approach to risk taking and strengthens considerably the chances of objectives being achieved.

Operational or service based risk assessments are usually developed as part of the annual Service and Financial Planning process. The information from these assessments is held within a risk register. The risk register needs to be reviewed frequently and amendments made as appropriate.

Risk Assessment exercise

A risk assessment can be broken down into four stages:

1. Identify the risks that may prevent the achievement of your objectives

2. Assess the risk in terms of impact and likelihood

3. Complete a Risk Assessment template

4. Manage the risk as appropriate

1.1 Identifying risk

- Look at your key aims and objectives – think about what could prevent you from successfully achieving them.
- In addition consider whether your objectives present any opportunities
- List all the risks/opportunities you identify and, using the examples in this section to guide you, identify which category each risk falls into, It is useful to give each risk a unique number – e.g. F1 = First financial risk identified

- It is important to get the wording of the risk right – remember risk registers may be looked at by people who were not involved in the risk assessment exercise. The wording needs to be clear and concise. It may be useful to use the following tip:

Tip: Complete a sentence describing the risk –

Loss/failure of ………leads to ……… resulting in …	= risk
Lack of ………………leads to ……… resulting in…	= risk
Partnership with …….leads to ……….resulting in…	= opportunity
Development of …… leads to ……….resulting in….	=opportunity

If you require assistance with this, please contact Linda Dargue, Lead Officer Insurance & Risk

1.2 Assessing risk

Next, you will need to assess the identified risks in terms of impact and likelihood

- Consider the consequences of the risk occurring and list them
- Using the attached impact and likelihood charts (3.1 and 3.2) to guide you, calculate the risk score (3.3). This is done as if there are no controls in place – giving an inherent risk score – the level of risk that exists before any action is taken to manage it.

Tip: Try to achieve a broad consensus

It does not matter whether a significant risk is scored 12 or 16 – the action you may need to take will be the same.

- Identify the person responsible for managing the risk

- List the control procedures that currently exist. Controls are those things that can reduce the likelihood of the risk occurring and they can sometimes reduce the impact as well.

- Control measures can include policies, procedures, please see examples given at Annex A. **Please remember that you must be very clear what the measure is and how it acts as a control.**

- Recalculate the impact and likelihood, taking into account the effect of the control measures. This figure represents the residual risk – the risk score.

1.3 Managing risk

Once the risks have been identified and assessed consideration needs to be given as to the best way to manage them.

Level of Risk / (Inherent Risk Score)	How the risk should be managed
High Risk (12-16)	High impact / High likelihood: risk requires urgent attention - consider whether it is possible to take preventative action, or introduce new controls to reduce the risk. If this is not possible then a contingency plan should be considered, to mitigate the effects of the risk if it should occur.
Medium Risk (6-10)	Consider whether any further risk mitigations can be put in place to further reduce the risk score. Any such mitigation must be cost effective.

	Reassess at regular intervals to ensure conditions remain same. Consider whether a contingency plan is required.
Low Risk (1-4)	Review periodically. Only put mitigations in place if it is cost effective to do so.

Concentrate on the highest scoring risks first and ask the following questions:
- Can we reduce the likelihood?
- Can we reduce the impact?
- Can we change the consequences?

The answers to these questions enable you to identify options for additional controls/procedures. Again, you must be very clear what the measure is and how it acts as a control.

Where an additional control is identified, the risk score should be recalculated as if the additional control is already in place – does the risk score reduce with this additional control in place? Additional controls should be scored on an individual basis, as this will show whether they are cost effective.

Consideration should be given to the cost/resource implications of any additional controls. Any benefit must be considered in the light of potential cost – there is no point spending £10 to save £1.

Note: Where it is not possible to reduce the risk rating by additional controls or by transferring the risk, then the reason for this must be recorded in the Risk Register under "Options for additional controls/replacement control procedures". The entry should include the name of the responsible person together with the date the decision was made and the reason.
For example:

- For low rated risks where the risk score is 4 and below then the entry would read – 'No further controls required – review periodically.'

- For medium and high rated risks with a score of 6 and above then the entry could read – 'Not possible to implement additional cost effective controls –review periodically.' In addition, you should consider whether a contingency plan is required to mitigate the effects of the risk should it occur.

Changes to risk scores must be recorded on InPhase and reported through the quarterly performance management reports. When updating risks on InPhase details of any relevant reports or documents should be added to the Assurance Column. Similarly, the Risk Owner comments box should be updated to explain any changes in risk score.

Tip: Include a risk review slot into your regular meetings

Use it to assess the progress of any risk improvement Plans and to consider any new risks.

There are 4 ways of dealing with risk:

- Tolerating the risk
- Treating the risk
- Transferring the risk
- Terminating the activity from which the risk arises.

- **Tolerating the risk –** live with it – take an informed decision to retain the risk and monitor the situation.   Record this decision in the risk register. Remember to include the reason, the responsible officer and the date of the decision.

  The Council will tolerate risks that it considers acceptable, for example:

  - Where the overall benefits afforded by taking the risk outweigh the potential threat
  - Where the risk is effectively mitigated by an internal control, even if the risk rating is high
  - Where it is not possible to cost effectively mitigate the risk

  These risks should be monitored and contingency plans put in place as per the chart on page 5.

- **Terminating the risk –** stop doing the activity or find another way of doing it and introduce alternative systems/practices

- **Tr**e**ating the risk –** take action, put procedures in place to reduce the chance, the frequency or the impact of an event occurring

- **Transfer –** by insurance, indemnity clauses in contracts, outsourcing – please note it may not be possible to transfer all the risk – some residual risk may remain.

Complete the relevant column on the risk register confirming whether you are tolerating, terminating, treating or transferring the risk.

2. Risk Categories

The risks facing the Council can come from both inside and outside the organisation. Very often risks do not appear in isolation but rather as the result of a combination of internal and external factors.

The following chart gives examples of key risks that may face the Council – these have been classified into 4 risk categories. The classification will enable the identification of accumulations of similar risks.

Risk Category	Externally driven	Internally Driven
Financial Risks	Accounting standards	Internal Control
	Interest rates	Fraud
	Funds & Credit	Historical liabilities
		Investments

		Liquidity and Cash flow
Infrastructure Risks	Communications	Recruitment
	Transport Links	People Skills
	Supply chain	Health & Safety
	Terrorism	Premises
	Natural Disasters	ICT systems
	Pandemic	
	Economic Environment	Shared Services
Commercial Risks	Technology Developments	Intellectual Property
	Competition	Contracts
	Customer Demand	Partnership working
	Regulatory requirements	
Reputational Risks	Public Perception	Internal regulations
	Government intervention	Organisational culture
	Customer Service Relationship	Composition of Council
		Delivery of the Council's priorities

3. Scoring the Risk

3.1 Impact Score

The following descriptions and definitions of impact are indicative and not exhaustive. They are a guide to assist you in assessing the impact of the risk should it occur.

Description	Factor	Score
• Brief disruption of service area – up to 1 day • No or insignificant environmental damage • Financial loss < £5,000 • Minor injury (first aid treatment) to an individual or several people • Complaint from member of public • Litigation/claims/fines up to £5,000 • No reputational damage – little or no local press interest	Minor	1
• Service disruption 2-3 days • Adverse effect on services in one or more areas for a period of several weeks • Financial loss < £25,000	Significant	2

• Adverse local publicity • Significant injury to an individual or several people – medical treatment required • Litigation/claims/fines up to £25,000		
• Service disruption 3-5 days • Complete loss of service area for 3-5 days • Financial loss up to £50,000 • Adverse publicity in professional/municipal press • Adverse local publicity of a persistent nature • Major injury to an individual or several people • Litigation/claims/fines up to £50,000	Serious	3
• Service disruption 5+ days • Major loss of service, including several important areas, and/or for a protracted period • Financial loss >£50,000 • Adverse and persistent national media coverage • Adverse central government response, involving (threat of) removal of delegated powers • Officers and/or Members forced to resign • Loss of life • Litigation/claims/fines >£50,000	Major	4

3.2 Likelihood Score

The following descriptions and definitions of likelihood of the risk occurring are intended as a guide to assist you in arriving at your risk score.

Description	Indicators	Factor	Score
Less than 10% chance of occurrence	Has happened rarely/never before	Very unlikely	1
10 – 40% chance of occurrence	Only likely to happen every 3 or more years	Unlikely	2
40-75% chance of occurrence	Likely to happen at some point within the next 1–2 years. Circumstances occasionally encountered – few times a year	Likely	3
More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily, weekly, monthly	Very likely	4

3.3   Scoring the risk

The charts at 3.1 and 3.2 are designed to help you score the risks in terms of likelihood and impact. This is carried out in two stages:

- Multiply the likelihood and impact scores together, as if there were **no** controls in place. This will give you an inherent risk score.

- With the list of controls that are currently in place, re-score the risk, taking into account the effect of these controls. **Try not to become too bogged down in detail – you should try to reach a consensus on the final risk score**.

These final scores will give you a risk profile of those risks that need more immediate attention.

Risk Score	Overall Rating
12 - 16	HIGH
6 - 10	MEDIUM
1 - 4	LOW

Level of Risk / (Inherent Risk Score)	How the risk should be managed
High Risk (12-16)	**Requires active management** High impact / High likelihood: risk requires active management to manage down and maintain exposure at an acceptable level **Contingency Plans** A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile
Medium Risk (6-10)	**Good Housekeeping** May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain same **Contingency Plans** A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile
Low Risk (1-4)	**Review Periodically** Only put mitigations in place if it's cost effective to do so

4. Opportunity Risk Management

Opportunity risk is defined as 'The risk of missing chances to improve on achievement of objectives or delivery of services. Opportunity risk is the chance of something happening that will have a **positive** impact on objectives – the upside of risk. This means that risk also includes the potential for better than expected outcomes. An opportunity is likely to involve doing something new or working in a different way. Opportunity risk management is therefore the process of identifying and considering how to take full advantage of unplanned/unexpected options or benefits.

The same principles that are used to identify risks (negatives) are used to identify opportunities. Charts are provided on page 13 and 14 to assist in the scoring in terms of likelihood and impact.

Look for opportunities when:

- Setting strategic aims
- Setting business objectives
- Early stages of project planning and key stages thereafter
- Service planning

Ask:

- Can we do it - is it legal (ultra vires)?
- Should we do it – can we deliver?

The assessment should clearly indicate the possible benefits of seizing the opportunity and what is required to achieve it – this could be plans or resources or a combination of the two. These requirements should form the basis of an action plan that will be used to monitor and review progress.

Remember:

- Concentrate on those opportunities that offer the best outcome for the effort needed to deliver – the most cost effective option.
-
- Is there anything else that can be done to improve the likelihood of success, maximise the impact or expand on the consequences to increase the benefits?

It would be helpful if a note was placed on the risk register template just to identify an opportunity risk.

4.1 Scoring the opportunity – Criteria for Impact score

Factor	Score	Effect on service	Financial Risks	Infrastructure	Marketplace	Reputational	Effect on objectives/scheduled deadlines
Exceptional	4	Extensive or wide ranging improvement to services generally , or across a broad range (eg quality , level speed, cost) & /or delivery of corporate priorities National partnership initiative/arrangement	Producing more than £50,000 savings or increase in revenue generation	Extensive improvement to service delivery with benefits to the community Extensive benefits to staff in the workplace	DBC supports new development which results in investment into the area by an extensive amount over a period of years	Extensive positive national press& /or TV coverage National award from a professional body or recognition by national government	Successfully completed more than 3 months ahead of schedule
Substantial	3	Noticeable improvement to service (s) or large improvement to a critical service area, (eg quality, level , speed ,cost) & /or delivery of corporate priority Regional partnership initiative /arrangement	Producing up to £50,000 savings or increase in revenue generation	Significant improvement to service delivery with benefits to the community Significant benefits to staff in the workplace	DBC supports plan to attract more businesses to the area resulting in increased occupation rates and additional commercial revenue generation Major improvement to local environment	Recognition of a successful initiative by an external organisation or central government body Sustained positive recognition in national press &/or low coverage on national TV	Successfully completed up to 3 months ahead of schedule

4.2 Opportunities – Likelihood scoring

Likelihood Score	1	2	3	4
Descriptor	Very unlikely	Unlikely	Likely	Very likely
Frequency	Has happened rarely/never before Less than 10% chance of occurrence	Only likely to happen every 3 or more years Opportunity for which the likelihood is low on the basis of management resources currently being applied 10% - 40% chance of occurrence	Possible opportunity which has yet to be fully investigated by management Opportunities that may be achievable but which require careful management	Clear opportunity that can be relied on with reasonable certainty.

5. Performance monitoring of Risk Registers

Progress on risk/ opportunity management action plans will be reported through the quarterly performance management process using the InPhase system.

Scrutiny of the Strategic Risk Register will be undertaken by Audit Committee

Cabinet will receive a quarterly report on the Strategic Risk Register

In addition, Operational Risk Registers will be reported to the relevant Overview and Scrutiny committee on a quarterly basis alongside the Performance Management reports

An annual review of the Strategic Risk Register with the focus on risk identification for the future, to involve Cabinet, Leader of the Opposition and the Chief Officer Group

6. Risk Review

The management of risk is an ongoing process; as such current risk registers should be reviewed on a quarterly basis and updated as required. Where amendments are made, the date of the amendment should be recorded on the risk register, providing a clear audit trail.

When reviewing risk registers, you may find it helpful to consider the following:

- Have the target dates on the Risk Improvement Action Plans been met? If not, why not?
- Have any of the previously identified risks changed?
- Are the controls still effective?
- Are there any new risks that should be recorded?

These reviews could take place within Departmental Team Meetings, and be noted within the minutes.

7. Risk Registers
All risk registers, together with associated documents will now be stored on InPhase.

EXAMPLES OF CONTROL MEASURES

Typical measures to reduce the likelihood of risk occurring

- Audit & compliance programmes
- Contract Terms
- Process controls and inspections
- Project Management
- Preventative Maintenance
- Effective Internal Control
- Supervision
- Quality Assurance & Controls

Typical measures to reduce impact

- Contingency/continuity plans
- Contract Terms
- Design Features, including engineering & structural barriers
- Fraud Control
- Good public relations
- Money Laundering controls
- Structured training and other development programmes