

Appendix C

Risk Management and Control of Resources

1. RISK MANAGEMENT

Why is this important?

- 1.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and mitigation of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to mitigate these risks effectively.
- 1.2 It is the overall responsibility of the Cabinet through the Finance and Performance Management Cabinet Committee, to approve the authority's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

Key controls

- 1.3 The key controls for risk management are:
- (a) The maintenance and regular review of the Corporate Risk Register and individual service Risk Registers;
 - (b) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls;
 - (c) Managers know that they are responsible for managing relevant risks and are provided with appropriate training;
 - (d) Acceptable levels of risk are determined and insured against where appropriate; and
 - (e) The authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Head of Paid Service

- 1.4 To promote the authority's risk management policy statement.

Responsibilities of the Chief Finance Officer

- 1.5 To develop risk management controls in conjunction with other Chief Officers.
- 1.6 To chair the Corporate Risk Management group.
- 1.7 To arrange appropriate training for staff and Members.

Responsibilities of Chief Officers

- 1.8 To take responsibility for risk management, within their service having regard to advice from the Chief Finance Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 1.9 To ensure that there are regular reviews of risk within their service areas.
- 1.10 To nominate a senior member of staff to represent the service at the Corporate Risk Management Group.
- 1.11 To provide guidance to staff on the application of the principles of risk management in their service.

Responsibilities of Individuals

- 1.12 To conduct their duties having due regard to the principles of risk management, as set out above, and to seek guidance from their Head of Service where necessary.

Responsibilities of the Finance and Performance Management Cabinet Committee

- 1.13 To propose the authority's risk management strategy and policy statement, on the advice of the Head of Paid Service, the Chief Finance Officer and appropriate Chief Officers, for adoption by the Cabinet.
- 1.14 To advise the Cabinet on proper insurance cover on the advice of the Chief Finance Officer.

Responsibilities of the Audit and Governance Committee

- 1.15 To conduct an annual review of the effectiveness of the Council's arrangements for risk management.

2. INTERNAL CONTROLS

Why is this important?

- 2.1 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2.2 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 2.3 The authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 2.4 The system of internal controls is established in order to provide assurance of:
 - (a) Efficient and effective operations;
 - (b) Reliable financial information and reporting;
 - (c) Compliance with laws and regulations; and
 - (d) Risk management.

Key controls

- 2.5 The key controls and control objectives for internal control systems are:
- (a) Key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
 - (b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
 - (c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
 - (d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

- 2.6 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Chief Officers

- 2.7 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 2.8 To review existing controls in the light of changes affecting the authority and to establish and implement new controls in line with guidance from the Chief Finance Officer. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 2.9 To ensure staff have a clear understanding of the consequences of lack of control.
- 2.10 To provide written assurance annually on the effectiveness of the internal controls operating within their service and identify controls in need of improvement.

3. AUDIT REQUIREMENTS

Internal Audit

Why is this important?

- 3.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- 3.2 Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key controls

- 3.3 The key controls for internal audit are:
- (a) That it is independent in its planning and operation;
 - (b) The Chief Internal Auditor has direct access to the Head of Paid Service, all levels of management and directly to elected members; and
 - (c) The internal auditors comply with the Auditing Practices Board’s guideline Guidance for Internal Auditors, as interpreted by CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom.

Responsibilities of the Head of Paid Service

- 3.4 To ensure that internal auditors have the authority to:
- (a) Access authority premises at reasonable times;
 - (b) Access all assets, records, documents, correspondence and control systems;
 - (c) Receive any information and explanation considered necessary concerning any matter under consideration;
 - (d) Require any employee of the authority to immediately account for cash, stores or any other authority asset under his or her control;
 - (e) Access records belonging to third parties, such as contractors, when required; and
 - (f) Directly access the Corporate Executive Forum, the Cabinet and the Audit and Governance Committee.

Pursuant to this regulation, the same access rights apply to the Chief Finance Officer in relation to the internal control of the Council.

- 3.5 To approve the strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the activities involved.
- 3.6 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of the Chief Internal Auditor

- 3.7 Whenever appropriate, to consult with the relevant Chief Officer on the timing and nature of audits to avoid unnecessary service disruption.
- 3.8 To consult with the relevant Chief Officer on the findings and recommendations of an audit prior to publication.

Responsibilities of Chief Officers

- 3.9 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.10 To ensure that auditors are provided promptly with any information and explanations that they seek in the course of their work.
- 3.11 To consider and respond promptly to recommendations in audit reports.
- 3.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.13 To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.14 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.
- 3.15 To arrange for procedural and operational notes to be issued to all members of staff operating financial systems or procedures.
- 3.16 To ensure that the duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated from the duty of collecting or disbursing those sums.

External Audit

Why is this important?

- 3.17 The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.18 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in April 2005 sets out the auditor's objectives to review and report upon:

- (a) The financial aspects of the audited body's corporate governance arrangements;
 - (b) The audited body's financial statements; and
 - (c) Aspects of the audited body's arrangements to manage its use of resources.
- 3.19 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'present fairly' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- 3.20 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

Responsibilities of the Chief Finance Officer

- 3.21 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work, including records belonging to third parties, such as contractors, when required
- 3.22 To ensure there is effective liaison between external and internal audit.
- 3.23 To work with the external auditor and advise the Council, Cabinet, Audit and Governance Committee and Chief Officers on their responsibilities in relation to external audit.

Responsibilities of Chief Officers

- 3.24 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 3.25 To ensure that all records and systems are up to date and available for inspection.

4. PREVENTING FRAUD AND CORRUPTION

Why is this important?

- 4.1 The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.
- 4.2 The authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.3 The authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

Key controls

- 4.4 The key controls regarding the prevention of financial irregularities are that:
- (a) The authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
 - (b) All Members and staff act with integrity and lead by example;
 - (c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt;
 - (d) High standards of conduct are promoted amongst members by the standards committee;
 - (e) The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
 - (f) Whistle blowing procedures are in place and operate effectively;
 - (g) Legislation including the Public Interest Disclosure Act 1998 is adhered to; and
 - (h) Codes of conduct exist to guide both Members and staff.

Responsibilities of the Chief Finance Officer

- 4.5 To develop and maintain an anti-fraud and anti-corruption policy in liaison with the Chief Internal Auditor;
- 4.6 To maintain adequate and effective internal control arrangements; and
- 4.7 To ensure that all suspected irregularities are reported to the Chief Internal Auditor, the Head of Paid Service, the Audit and Governance Committee and the Cabinet.

Responsibilities of Chief Officers

- 4.8 To ensure that all suspected irregularities are reported to the Chief Internal Auditor.
- 4.9 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.10 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 4.11 To maintain a departmental register of interests (the Hospitalities Book) in the manner prescribed below.
- 4.12 Each Chief Officer shall maintain a hospitalities book which shall contain details of all hospitalities and gifts offered to any officer, and whether attended or received, which is organised by an external organisation or person who is or could gain financial advantage from dealings with the Council. Such hospitalities and gifts must be acceptable within the codes of conduct adopted by the Council.

- 4.13 Included in the hospitalities book shall be the name of the organiser, the date of the event and details of any gift or gifts in kind, whether offered or received, which have a monetary value (such as accommodation, meals, travel vouchers etc.). Excluded from this regulation are any refreshments received during the course of a business meeting.

5. ASSETS

Security

Why is this important?

- 5.1 The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Key controls

- 5.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- (a) Resources are used only for the purposes of the authority and are properly accounted for;
 - (b) Resources are available for use when required;
 - (c) Resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits;
 - (d) An asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset;
 - (e) All staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act as set out in the Council's Data Protection Policy and software copyright legislation; and
 - (f) All staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and Internet security policies.

Responsibilities of the Chief Finance Officer

- 5.3 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £5,000 or any such higher de minimis figure as may be set from time to time for a particular class of asset. The function of the asset register is to provide the authority with information about fixed assets so that they are:

- (a) Safeguarded;
- (b) Used efficiently and effectively; and
- (c) Adequately maintained.

- 5.4 To receive the information required for accounting, costing and financial records from each Chief Officer.
- 5.5 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

Responsibilities of Specific Chief Officers

- 5.6 The Director of Corporate Support Services shall maintain a record of title deeds owned or in the charge of the Council and arrange for the safe custody thereof and all receipts, disposals, extensions or other alterations shall be recorded promptly.
- 5.7 The Director of Housing shall maintain a property database for dwellings and any other Housing Revenue Account asset, with the exception of commercial and retail properties, and all receipts, disposals, extensions or other alterations shall be recorded promptly.
- 5.8 The Director of Corporate Support Services shall maintain a property database in a form approved by the Chief Finance Officer for all properties, with the exception of Housing Revenue Account dwellings and other associated residential property, and plant and machinery currently owned or used by the authority and all receipts, disposals, extensions or other alterations shall be recorded promptly. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.9 The Director of Corporate Support Services shall arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.

Responsibilities of Chief Officers

- 5.10 To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Chief Finance Officer and the Director of Corporate Support Services, has been established as appropriate.
- 5.11 To ensure the proper security of all buildings and other assets under their control.
- 5.12 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer, the Chief Finance Officer and the Director of Corporate Support Services .
- 5.13 To notify the Director of Corporate Support Services promptly of all matters arising that shall cause entry to be made in the land and property records.
- 5.14 To pass title deeds to the Director of Corporate Support Services who is responsible for custody of all title deeds.
- 5.15 To ensure that no Council asset is subject to personal use by an employee without proper authority.

- 5.16 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- 5.17 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- 5.18 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 5.19 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.20 To ensure cash holdings on premises are kept to a minimum.
- 5.21 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 5.22 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer the Cabinet agrees otherwise.
- 5.23 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Inventories

Responsibilities of Chief Officers

- 5.24 To maintain inventories and record an adequate description of IT equipment, furniture, fittings, equipment, tools, plant and machinery above £100 in replacement value used by their service area:
- 5.25 To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Any deficiencies identified must be notified to the Chief Finance Officer promptly, indicating where possible the reasons for such deficiency (e.g. theft, loss). Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- 5.26 Each Chief Officer shall be authorised to dispose of the items that are surplus, damaged or obsolete in the best possible terms and in such manner as is deemed appropriate provided that where the estimated realisable value exceeds £500 the Chief Officer shall invite either quotations or tenders as is deemed appropriate. The inventory shall be updated promptly once disposal has occurred. A record of the manner of disposal shall also be maintained and the recipient.
- 5.27 Any such disposal shall exclude IT equipment or any item thought liable to constitute a Health and Safety risk. Any proposal in respect of such equipment should be

referred by the Chief Officer concerned to the Chief Internal Auditor. The latter will consult the Chief Finance Officer and the Director of Environment and Street Scene as appropriate before granting any exemption to the policy of not disposing of such items. There will also be a presumption against disposal of surplus items to staff unless this is waived by the Chief Internal Auditor after consulting the appropriate Chief Officer.

- 5.28 To make sure that property is only used in the course of the authority's business.

Stocks and Stores

Responsibilities of Chief Officers

- 5.29 To make arrangements for the care and custody of stocks and stores in the department, in consultation with the Chief Financial Officer.
- 5.30 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to the satisfaction of the Chief Financial Officer. Certified records of such stocktaking shall be maintained. Each Chief Officer shall certify and forward promptly to the Chief Financial Officer a statement of stockholding as at the 31 March of each year.
- 5.31 To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, or to obtain Portfolio Holder approval if they are in excess of £2,500.
- 5.32 To authorise for write off and disposal redundant stocks and equipment. Procedures for disposal of such stocks and equipment should, where the estimated value exceeds £2,500, be by competitive quotations or auction, unless, following consultation with the Chief Financial Officer the Portfolio Holder decides otherwise in a particular case. In all cases disposal should ensure that the best price is obtained, bearing in mind other factors, such as environmental issues.
- 5.33 To seek Portfolio Holder approval to the write-off of redundant stocks and equipment in excess of £2,500.

Intellectual Property

Why is this important?

- 5.34 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 5.35 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

- 5.36 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.

Responsibilities of the Chief Finance Officer

- 5.37 To develop and disseminate good practice through the authority's intellectual property procedures.

Responsibilities of Chief Officers

- 5.38 To ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

Moveable Asset Disposal

Why is this important?

- 5.39 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the authority.

Key controls

- 5.40 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- 5.41 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Chief Finance Officer

- 5.42 To issue guidelines representing best practice for disposal of assets.
- 5.43 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Responsibilities of Chief Officers

- 5.44 To seek appropriate advice on the disposal of surplus or obsolete materials, stores or equipment.
- 5.45 To ensure that income received for the disposal of an asset is promptly and properly banked and coded.

6. STAFFING

Why is this important?

- 6.1 In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key controls

- 6.2 The key controls for staffing are:

- (a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;
- (b) Procedures are in place for forecasting staffing requirements and cost;
- (c) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority; and
- (d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Head of Paid Service

- 6.3 To provide overall management to staff.
- 6.4 To ensure that there is proper use of an evaluation or other agreed system for determining the remuneration of a job.

Responsibilities of the Chief Finance Officer

- 6.5 To ensure that budget provision exists for all existing and new employees.
- 6.6 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Chief Officers

- 6.7 To produce an annual staffing budget consistent with the approved staff establishment.
- 6.8 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.9 To monitor staff activity to ensure adequate control over such issues as sickness, overtime, training and temporary staff.
- 6.10 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 6.11 To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over or underspent.

7. LOST PROPERTY

- 7.1 A register shall be maintained by each Chief Officer of lost property handed in or reported lost within premises for which they are responsible.
- 7.2 In accordance with the Local Government (Miscellaneous Provisions) Act 1982 Section 41 the Chief Officer concerned shall give not less than one month's notice to the owner to collect the property.
- 7.3 When any items of money or valuables are involved the Chief Officer concerned should seek advice from the Chief Finance Officer.