

Wednesday, 12 January 2022

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## AUDIT AND GENERAL PURPOSES COMMITTEE

You are summoned to a meeting of the Audit and General Purposes Committee which will be held in the Council Chamber, Woodgreen, Witney OX28 1NB on **Thursday, 17 February 2022 at 6.00 pm.**



Giles Hughes  
Chief Executive

To: Members of the Audit and General Purposes Committee

Councillors: Alex Postan (Chairman), Dan Levy (Vice-Chair), Jake Acock, Joy Aitman, Luci Ashbourne, Andrew Beaney, Julian Cooper, Rupert Dent, Colin Dingwall, Harry Eaglestone, Duncan Enright, Gill Hill, Richard Langridge, Martin McBride, Elizabeth Poskitt, Harry St John and Alex Wilson.

Recording of Proceedings – The law allows the public proceedings of Council, Cabinet, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted. By participating in this meeting, you are consenting to be filmed.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Democratic Services officers know prior to the start of the meeting.

# AGENDA

1. **Minutes of Previous Meeting (Pages 5 - 8)**  
To approve the minutes of the meeting held on 24 November 2021.
2. **Apologies for Absence**  
To receive any apologies for absence.
3. **Declarations of Interest**  
To receive any declarations from Members of the Committee on any items to be considered at the meeting
4. **Participation of the Public**  
To receive any submissions from members of the public, in accordance with the Council's Rules of Procedure.
5. **External Audit Contract (Pages 9 - 30)**  
Purpose  
To consider the options for procuring the Council's external audit services for the period from 2023/24 and to make a recommendation to the Council.  
  
Recommendation
  - a) That the committee considers the options for procuring the Council's external audit service for the period from 2023/24; and
  - b) Recommends to Council procurement through the National Procurement Framework using Public Sector Audit Appointments Ltd.
6. **Annual Governance Statement - Action Plan (Pages 31 - 38)**  
Purpose  
This report presents an update on the Governance Action Plan for 2021/22.  
  
Recommendation  
To note progress against items in the Governance Action Plan for 2021/22.
7. **Corporate Risk Register Updates and Updated Risk and Opportunity Management Strategy (Pages 39 - 80)**  
Purpose  
To update the Committee on the changes to the Council's corporate risk register at the end of Quarter Two of 2020/21 and put before members a revised Risk and Opportunity Management Strategy for approval.  
  
Recommendations
  - (a) That the corporate risk register be noted; and
  - (b) That the Risk and Opportunity Management Strategy at Annex B be approved.

8. **Internal Audit Progress Report (Pages 81 - 102)**

Purpose

To present a summary of the audit work concluded since the last meeting of this Committee.

Recommendation

That the Committee considers the report at Annex A and comments as necessary.

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## WEST OXFORDSHIRE DISTRICT COUNCIL

Minutes of the meeting of the

### **Audit and General Purposes Committee**

Held in the Committee Room 1, Council Offices, Woodgreen, Witney at 6.00 pm on  
**Wednesday, 24 November 2021**

#### PRESENT

Councillors: Councillor Alex Postan (Chairman), Councillor Dan Levy (Vice-Chair), Councillor Joy Aitman, Councillor Luci Ashbourne, Councillor Andrew Beaney, Councillor Julian Cooper, Councillor Rupert Dent, Councillor Colin Dingwall, Councillor Harry Eaglestone, Councillor Duncan Enright, Councillor Gill Hill, Councillor Martin McBride, Councillor Elizabeth Poskitt, Councillor Harry St John and Councillor Alex Wilson.

Officers: Elizabeth Griffiths (Chief Finance Officer, Deputy Chief Executive and Section 151 Officer), Georgina Dyer (Chief Accountant) and Michelle Ouzman (Strategic Support Officer).

#### **22 Minutes of Previous Meeting**

The minutes of the meeting held on 23 September 2021 were approved and signed by the Chairman as a correct record.

#### **23 Apologies for Absence**

Apologies for absence were received from Councillors Jake Acock and Richard Langridge.

#### **24 Declarations of Interest**

There were no declarations of interest received.

#### **25 Participation of the Public**

There was none.

Prior to the considering the next agenda item, the Chairman asked that an Action Log be added to the Committee Work Programme in future.

Councillor Cooper addressed the meeting and stated that he had requested the Publica Annual Report be considered by the Committee. However, he had been advised that this report was going to be scrutinised by the Finance and Management Overview and Scrutiny, following an all member briefing. Councillor Cooper was disappointed as he felt this could be considered under the General Purposes section of this Committee and historically Councillors had been able to discuss almost anything. He felt that it was important to open up a dialogue with external partners such as Publica and Ubico.

#### **26 Statement of Accounts 2020/2021**

The Committee received a report which presented the Council's audited Statement of Accounts for the period 1 April 2020 to 31 March 2021.

The report advised that the Chief Finance Officer was responsible for ensuring that the statement of accounts was prepared and published by 31 May following the end of a year. In a more typical year, the draft Statement of Accounts would have been presented to the July meeting of this Committee for review. The Government extended the deadline for the production of the draft accounts to 31 July and the audit of the accounts from 31 July to 30 September.

It was noted that the draft statement of accounts was submitted to the external auditors on 1 July 2021 and there were no objections received during the required inspection period. At

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the Audit & General Purposes Committee in September, Members were advised that due to resourcing difficulties, Grant Thornton had been unable to meet the 30 September publication date. Therefore a revised target date of 24 November 2021 was agreed.

Representatives from Grant Thornton, Pete Barber and Helen Lillington, were present at the meeting and responded to queries from Members.

Mr Barber addressed the meeting and provided an update since the meeting held in September 2021. He explained the challenges that Grant Thornton had faced, resulting in the audit taking longer to complete than planned. Mr Barber went on to advise that the member of staff charged with printing and collating the accounts for signing off, was off sick, therefore, it had been agreed with officers that this would wait until she returned in the next few weeks. He assured Members that whilst very frustrating, officers were very close to finalising the work.

With regards to the Audit Findings Report, Mr Barber advised that Grant Thornton were anticipating issuing an unqualified audit opinion in due course. In addition, the timescales for issuing a Value for Money conclusion had been revised in line with the National Audit Office and the work was expected to be complete by the end of February.

Following a question from Councillor McBride, Mr Barber advised that the staff member was due back on 1<sup>st</sup> December however, if this was not the case, other staff would be brought in to assist. Mr Barber also advised that there would not be any penalties applied and the resilience at Grant Thornton was being addressed. The Deputy Chief Executive and Section 151 Officer, Elizabeth Griffiths, concurred with the comments from Mr Barber. She assured the meeting that she had been in regular discussions with Grant Thornton and it had been felt that due to the involved nature of the work, it was prudent to wait until the member of staff returned.

Ms Lillington then outlined the Audit findings report, clarified a few presentational issues and advised that the overriding positive message was that the findings were substantially complete. She highlighted certain areas of focus including the risks around pensions, the in progress Value for Money work and one recommendation relating to estimates and the need to look more critically at investments.

Mr Barber answered a number of queries from Councillor Dingwall relating to the savings required for the following year and the changes that had been made. This was supported by the Chief Finance Officer who explained that this was not a funding gap the authority were in control of. She assured the meeting that officers were continuously reassessing ways to save money and look at efficiencies, with every area of business being challenged.

In response to a query from Councillor Dent, Mr Barber explained the management of the Local Government Pension Scheme, of which Oxfordshire County Council were the administrator for this authority; WODC were a long standing member and it was the Pension Fund Board that took the decisions relating to investments. Members noted that the County Council were held to account by the scrutiny committee, who in turn were scrutinised by the Board.

Further discussions were had relating to the Value for Money aspect of the report, how that related to the Council Tax bandings agreed by Council and the financial support provided to GLL in previous years. Mrs Dyer, Chief Accountant, provided clarity on a number of figures

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within the report, which had previously been included in the outturn report, considered in July.

Councillor Cooper received clarification on paragraph 2.17 of the report which related to the Additional Restrictions Grant and the Contained Outbreak Management Fund which had provided support for businesses and the local economy along with helping vulnerable groups of residents in the District.

Councillor St John asked if it was possible to receive a figure which would show how much the Council were required to pay Publica for their services, with a view to comparing this over the years.

Having considered the report, and having heard from the external representatives and officers at the meeting, the Committee

**Resolved that**

- a) the Grant Thornton Audit Findings for West Oxfordshire District Council report be noted;
- b) the Statement of Accounts 2020/21, including the Annual Governance Statement be approved; and
- c) the Chief Finance Officer and the Chair of the Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.

Prior to closing the meeting, the Chairman advised that a work programme for the Committee would be considered at the next meeting.


Councillor Cooper queried the arrangement between Publica, GLL and Ubico as he did not feel there were clear lines of communication, particularly in relation to the re-opening of Woodstock pool over the summer.

The Chief Finance Officer took the opportunity to thank Grant Thornton for their hard work and determination in delivering this report and the Finance Team for their continued support and dedication.

CHAIRMAN

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 <p><b>WEST OXFORDSHIRE DISTRICT COUNCIL</b></p>	<p><b>WEST OXFORDSHIRE DISTRICT COUNCIL</b></p>
<p>Name and date of Committee</p>	<p><b>Audit and General Purposes Committee</b> <b>Thursday 17 February</b></p>
<p>Report Number</p>	<p><b>Agenda Item No. 5</b></p>
<p>Subject</p>	<p><b>External Audit Contract</b></p>
<p>Wards affected</p>	<p>All</p>
<p>Accountable member</p>	<p>Cllr Suzi Coul, Cabinet Member for Finance Email: <a href="mailto:suzi.coul@westoxon.gov.uk">suzi.coul@westoxon.gov.uk</a></p>
<p>Accountable officer</p>	<p>Elizabeth Griffiths, Section 151 Officer Tel: (01993) 861188 Email: <a href="mailto:elizabeth.griffiths@westoxon.gov.uk">elizabeth.griffiths@westoxon.gov.uk</a></p>
<p>Summary/Purpose</p>	<p>To consider the options for procuring the Council's external audit services for the period from 2023/24 and to make a recommendation to the Council.</p>
<p>Annexes</p>	<p>Annex A – Public Sector Audit Appointments Ltd Prospectus</p>
<p>Recommendation</p>	<p>a) That the committee considers the options for procuring the Council's external audit service for the period from 2023/24; and b) Recommends to Council procurement through the National Procurement Framework using Public Sector Audit Appointments Ltd.</p>
<p>Corporate priorities</p>	
<p>Key Decision</p>	<p>No</p>
<p>Exempt</p>	<p>No</p>
<p>Consultees/Consultation</p>	

## **I. BACKGROUND**

- I.1** The process for re-tendering for External Audit in Local Authorities in England, for contracts due to start from 2023/24, is now underway and the Council will need to decide whether to procure its own External Auditor or opt into the National Procurement Framework.
- I.2** Legislation requires a resolution of Council if a Local Authority wishes to opt into the National arrangement. The deadline for this decision is the 11th March 2022. If the Council doesn't make such a decision, the legislation assumes that the Council will procure its own External Audit Service.
- I.3** It's been several years since Council has had to consider this. Since then a lack of capacity in the Audit market has been exacerbated by increased requirements placed on External Auditors by the Audit Regulator. There is also a limited number of firms in the market and too few qualified Auditors employed by those firms. Nationally, this has led to a situation where many Audits have been delayed and dozens of Audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.
- I.4** As the client in the Contract, a Council has little influence over what it is procuring. The nature and scope of the Audit is determined by Codes of Practice and Guidance and the regulation of the Audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, Councils find themselves operating in what amounts to a suppliers' market.
- I.5** The supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number of Councils sign up to the national scheme.
- I.6** A Council procuring its own Auditor or procuring through a Joint Arrangement means setting up an Audit Panel with an independent Chair to oversee the procurement and running of the Contract. The procurement process and Contract management present an administrative burden to the Council, which is currently performed by PSAA. The number of potential suppliers is limited to the small pool of registered firms with accredited Key Audit Partners (KAP).
- I.7** PSAA has now built up considerable expertise and has been working hard to address the issue that has arisen with the Contracts over the last couple of years.
- I.8** PSAA has commissioned high quality research to understand the nature of the Audit market and has worked very closely with the Ministry for Housing Communities and Local Government (MHCLG), now the Department for Levelling Up, Homes and Communities (DLUHC) to enable the Government to consult on changes to the fee setting arrangements to deal better with variations at national and local level.

## 2. MAIN POINTS

- 2.1 The PSAA Prospectus is included at **Annex A** and includes a proposed timescale for the procurement which commences in February 2022 and awards Contracts in August 2022. Subject to consultations with opted-in bodies and Audit firms, the plan is to make Auditor appointments by 31 December 2022 (as required by the Regulations).
- 2.2 PSAA's preferred option for the length of the Contract is 5 years.
- 2.3 In discussions with both the CFOs from Cotswold District Council and Forest of Dean District Council, and the other S151 officers from across Oxfordshire County, no one has stated an intention of leaving the PSAA framework. This means that should West Oxfordshire District Council choose to leave, there would be no readily available alternative group to partner with through the process of selecting an alternative.
- 2.4 While there have been delays and difficulties in the current year's audit, everyone has suffered equally and the PSAA will have to take that into consideration in awarding a contract going forward. There is no expectation that leaving the framework would result in these issues being removed. We may find ourselves with a less experienced auditor or significantly higher fees and while it is possible that we could find ourselves in a better position, the downside risk is that any issues we faced would be ours alone as we would be outside the collective.

## 3. FINANCIAL IMPLICATIONS

- 3.1 Audit fees are rising in all sectors in response to increased regulatory requirements for Audit quality and changes in Audit scope and Technical Standards. PSAA will consult each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.
- 3.2 Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set. Current local Audit Regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the Regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

## 4. LEGAL IMPLICATIONS

- 4.1 Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State specified PSAA as an appointing person for principal Local Government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing Auditors and setting scales of fees for relevant principal Authorities that have chosen to opt into

its national scheme, overseeing issues of Auditor independence and monitoring compliance by the Auditor with the contracts.

## **5. RISK ASSESSMENT**

- 5.1 The key risks relate to the market for External Audit provision which are set out in the main body of the Report at paragraphs 1.4 to 1.6. Should the Council decide to procure its External Audit services outside of the PSAA route, there are risks of failing to procure a suitable Audit partner and the costs of the Contract being higher as there is a failure to achieve economies of scale.

## **6. ALTERNATIVE OPTIONS**

- 6.1 The Council's Chief Finance Officer is proposing that procurement is commissioned through PSAA. The alternative option is for the Council to procure its own Contract for External Audit services. This option lacks the benefits of economies of scale offered by the PSAA route and crystallises the risks in the External Audit market as set out in paragraphs 1.4 to 1.6.

## **7. BACKGROUND PAPERS**

- 7.1 None

# PROSPECTUS

## The national scheme for local auditor appointments

All eligible bodies

September 2021

[www.psaa.co.uk](http://www.psaa.co.uk)

## About PSAA

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

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# Introduction

PSAA has issued its formal invitation to all eligible bodies to opt into the national scheme for local auditor appointments for the second appointing period, which will provide external audit arrangements for the period commencing from the financial year 2023/24.

This prospectus is published to provide details of the national scheme and to assist eligible bodies in deciding whether or not to accept PSAA's invitation. The scheme has been shaped by [your feedback to the June 2021 consultation](#) on our draft prospectus. The key areas of our approach that have been refined in response to consultation feedback are set out later in this prospectus.

In relation to appointing auditors, eligible bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision must be taken by the holder of that office.

An eligible body that has decided to join the scheme must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) **no later than midnight on Friday 11 March 2022**.

An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.



## Audit does matter

The purpose of audit is to provide an independent opinion on the truth and fairness of the financial statements, whether they have been properly prepared and to report on certain other requirements. In relation to local audit the auditor has a number of distinctive duties including assessing the arrangements in place to deliver value for money, and dealing with electors' objections and issuing public interest reports.

Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

*"The LGA set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market."*

*James Jamieson. Chairman of the Local Government Association*

## Context: changes in the audit market

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Our initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, we were able to enter into long term contracts with five experienced and respected firms and to make auditor appointments to all bodies. However, although we did not know it at the time, this was the calm before the storm.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the Government commissioned four independent reviews, all of which have subsequently reported:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total the four reviews set out more than 170 recommendations which are now at various stages of consideration by Government with the clear implication that a series of significant reforms could follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place were clearly visible in response to a more focused regulator that was determined to achieve change. In order to deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain higher levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) - a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements, and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It creates disruption and reputational damage for affected parties. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the regulatory drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been received than in prior years and audit costs have increased.

None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where, for example, increased fees and disappointing responses to tender invitations have been experienced during the past two years.

All of this paints a picture of an audit industry under enormous pressure, and of a local audit system which is experiencing its share of the strain and instability as impacts cascade down to the frontline of individual audits. We highlight some of the initiatives which we have taken to try to manage through this troubled post-2018 audit era in this prospectus.

We look forward to the challenge of getting beyond managing serial problems within a fragile system and working with other local audit stakeholders to help design and implement a system which is more stable, more resilient, and more sustainable.

## Responding to the post-2018 pressures

MHCLG's<sup>1</sup> Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

Local government audit will not be immune from these difficulties. However, we do believe that PSAA's national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

We believe that the national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;

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<sup>1</sup> Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

The national scheme from 2023/24 will build on the current scheme having listened to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience.

Since 2018 we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

As a member of the newly formed Local Audit Liaison Committee (established by MHCLG as outlined in its Spring statement), we are working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, ICAEW, CIPFA and the LGA to help identify and develop further initiatives to strengthen local audit. In many cases desirable improvements are not within PSAA's sole gift and, accordingly, it is essential that this work is undertaken collaboratively with a common aim to ensure that local bodies continue to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the likely success of a further procurement to take effect from 1 April 2025), we believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. We have set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.

## **PSAA is well placed to lead the national scheme**

As outlined earlier, the past few years have posed unprecedented challenges for the UK audit market. Alongside other stakeholders PSAA has learned a great deal as we have tried to address the difficulties and problems arising and mitigate risks. It has been a steep learning curve but nevertheless one which places us in a strong position to continue to lead the national scheme going forward. MHCLG's Spring statement confirmed Government's confidence in us to continue as appointing person, citing our strong technical expertise and the proactive work we have done to help to identify improvements that can be made to the process.

The company is staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees. All of these roles are undertaken with a detailed, ongoing, and up-to-date understanding of the distinctive context and challenges facing

both the sector and a highly regulated service and profession which is subject to dynamic pressures for change. Where appropriate we have worked with MHCLG to change our regulations where they are preventing efficiency.

We believe that the national collective, sector-led scheme stands out as the best option for all eligible bodies - especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.

Membership of the scheme will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. Assuming a high level of participation, the scheme can make a significant contribution to supporting market sustainability and encouraging realistic prices in a challenging market.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO<sup>2</sup>), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

The scope of public audit is wider than for private sector organisations. For example, for 2020/21 onwards it involves providing a new commentary on the body's arrangements for securing value for money, as well as dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports.

Auditors must be independent of the bodies they audit to enable them to carry out their work with objectivity and credibility, and to do so in a way that commands public confidence. We will continue to make every effort to ensure that auditors meet the relevant independence criteria at the point at which they are appointed, and to address any identified threats to independence which arise from time to time. We will also monitor any significant proposals for auditors to carry out consultancy or other non-audit work with the aim of ensuring that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditor to bodies involved in formal collaboration/joint working initiatives, if the parties consider that a common auditor will enhance efficiency and value for money.

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<sup>2</sup> MHCLG's Spring statement proposes that overarching responsibility for the Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

# PSAA's commitments

## PSAA will contract with appropriately qualified suppliers

In accordance with the 2014 Act, audit firms must be registered with one of the chartered accountancy institutes - currently the Institute of Chartered Accountants in England and Wales (ICAEW) - acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will then be subject to inspection by either or potentially both the RSB and the FRC. Currently there are fewer than ten firms registered to carry out local audit work.

We will take a close interest in the results of RSB and FRC inspections and the subsequent plans that firms develop to address any areas in which inspectors highlight the need for improvement. We will also focus on the rigour and effectiveness of firms' own internal quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. To help inform our scrutiny of both external inspections and internal quality assurance processes, we will invite regular feedback from both audit committee chairs and chief finance officers of audited bodies.

## PSAA will support market sustainability

We are very conscious that our next procurement will take place at a very difficult time given all of the fragility and uncertainties within the external audit market.

Throughout our work we will be alert to new and relevant developments that may emerge from the Government's response to the Kingman, CMA and Brydon Reviews, as well as its response to the issues relating specifically to local audit highlighted by the Redmond Review. We will adjust or tailor our approach as necessary to maximise the achievement of our procurement objectives.

A top priority must be to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process, where appropriate in the form of national variations.

## PSAA will offer value for money

Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies.

We believe that the most likely way to secure competitive arrangements in a suppliers' market is to work collectively together as a sector.



We will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies. We will also continue to seek to minimise our own costs (which represent approximately 4% of overall scheme costs). We are a not-for-profit company and any surplus funds will be returned to scheme members. For example, in 2019 we returned a total £3.5million to relevant bodies and, more recently, we announced a further distribution of £5.6m in August 2021.

We will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties. Pooling is a key tenet of the national collective scheme.

Additional fees (fee variations) are part of the statutory framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Fees are rising in response to the volume of additional audit work now required.

The outcome is awaited of MHCLG's recent consultation on changes to the regulations, designed to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year (rather than before it starts). If implemented, these changes will enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.

It is important to emphasise that by opting into the national scheme you have the reassurance that we review and robustly assess each fee variation proposal in line with statutory requirements. We draw on our technical knowledge and extensive experience in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision.

## Procurement Strategy

Our [procurement strategy](#) sets out the detail and scope of the procurement to deliver contracts from which the auditor appointments will be made for eligible bodies that decide to accept the invitation to opt into PSAA's scheme.

Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.



We expect to initiate a new procurement for audit services in February 2022 and, subject to a satisfactory outcome, to award contracts in August 2022. Subject to consultations with opted-in bodies and audit firms, we plan to make auditor appointments by 31 December 2022 (as required by the regulations).

## Response to consultation feedback

PSAA consulted with eligible bodies and other stakeholders on our draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy. The insight provided from both these important consultations has helped to shape the arrangements that PSAA will implement from 2023/24. Key areas are highlighted below.

### Evolution of the Local Audit Framework

The consultation responses highlight the need for system-wide change. In many areas it is not within PSAA's remit to effect the significant change required.

The newly formed Local Audit Liaison Committee (as outlined in MHCLG's Spring statement), has enabled PSAA to highlight the need for a range of actions to tackle the identified issues that are essential to support a more stable, more resilient, and more sustainable local audit system. Sometimes the actions can be taken by individual organisations, but more frequently responsibility lies collectively across the system. The Liaison Committee and its members are now taking actions forward, including:

- All stakeholders to communicate the importance of audit timeliness as a consistent message to audit firms;
- PSAA to work with the FRC to develop the approach to quality evaluation of tenders;
- MHCLG and other stakeholders to understand the extent of potential increased audit costs for all eligible bodies and to consider how these might be met;
- All stakeholders to consider ways in which to attract new entrants (firms and Key Audit Partners) into the market;
- Central government departments to provide clarity on the direction of local audit policy to inform firms' consideration ahead of next procurement;
- The NAO and FRC to work together to consider how they can provide clarity about the future direction of the Code of Audit Practice to firms ahead of the next procurement; and
- MHCLG, CIPFA and the LGA to consider how to support finance departments with accounting and audit requirements.

In the vast majority of the areas consulted on which were within PSAA's remit, responses were supportive of our proposals for the national scheme from 2023/24 which is very encouraging. Areas where we have revisited and evolved our approach are highlighted below.

## **Minimum Audit Fees**

Audit fees are rising in all sectors in response to increased regulatory requirements for audit quality and changes in audit scope and technical standards. Striving to ensure realistic fee levels is a vital prerequisite to achieving a more sustainable and stable local audit market.

Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, we propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body for this purpose).

We cannot anticipate scale fees for the next appointing period at this stage, because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. It is likely, given current expectations, that the introduction of a minimum fee specifically would lead to an increase in fees for a relatively small number of local bodies. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.

Introducing a minimum fee is a one-off exercise designed to improve the accuracy of the fee scale for the next appointing period. Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set.

## **Standardised fee variations**

Current local audit regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

## **Approach to social value in the evaluation of tenders**

We plan to retain our original proposal of a 5% weighting but to broaden the criteria by asking bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.

## Contract Management

The quality of the audit services received by opted-in bodies is very important to both the bodies themselves and to PSAA. Our intention is therefore to focus a significant majority of the quality assessment of tender submissions on resourcing, capacity and capability (including sector knowledge) and on client relationship management and communication. Correspondingly, we intend to apply a lesser weighting to those criteria that are regularly assessed by the regulator. We will seek the views of the regulator in developing the detail of our approach.

We will also review the contract terms used in 2017 ahead of the next procurement of audit services. In particular we will consider the potential to introduce enhanced performance management arrangements aligned to the greater emphasis on quality within the tender evaluation process. Any such revision must ensure continued compliance with the FRC's Ethical Standard which prevents audit fees from being *"calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed"*.

## Information and Communication

Following the success of the webinars held to support the recent consultation, PSAA will be running a series of webinars starting in October 2021. The webinars will provide eligible bodies with the opportunity to hear and ask questions about specific areas of scheme arrangements and PSAA's work, and our progress to prepare for the second appointing period. Details of the [webinar series](#) can be found on our website.

## Eligible Principal Bodies in England

The following bodies are eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils
- metropolitan borough councils
- London borough councils
- unitary councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area
- chief constables for an area
- national park authorities for a national park
- conservation boards
- fire and rescue authorities
- waste authorities
- the Greater London Authority and its functional bodies
- any smaller bodies whose expenditure in any year exceeds £6.5m (e.g. Internal Drainage Boards) or who have chosen to be a full audit authority (Regulation 8 of Local Audit (Smaller Authorities) Regulations 2015).

## Board Members

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

PSAA Board members bring a wealth of executive and non-executive experience to the company. Areas of particularly relevant expertise include public governance, management and leadership; local government and contract law; and public audit and financial management.

Further information about PSAA's Board can be found at  
<https://www.psaa.co.uk/about-us/who-we-are/board-members/>

## Senior Executive Team

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

Within the PSAA senior executive team there is extensive and detailed knowledge and experience of public audit, developed through long standing careers either as auditors or in senior finance and business management roles in relevant organisations.

Further information about PSAA's senior team can be found at  
<https://www.psaa.co.uk/about-us/who-we-are/executive-team/>

# Annex - Procurement Options

## Our Preferred Option

A 5 year contract with the fallback of the right to extend one or more of the current contracts if there are insufficient or unaffordable bids.

## Other Options Considered and Rejected

### Option 1


Extending the existing contracts for 2 years and deferring the procurement. We want to secure 5 year contracts if we can because we believe this option is more attractive to the market.

### Option 2

A 5 year contract with a commitment not to extend the existing contracts. We need the back stop of the right to extend the existing contracts if there are insufficient bids to allow us to make auditor appointments to all opted in bodies or if any of the bids received propose unacceptable prices.

### Option 3

A 5 year contract with pre-determined prices for years 1 and 2 thereby avoiding the need for firms to price in the value of the right to extend the existing contracts. We believe such an arrangement will be unattractive to the market. Firms should be able to offer their own prices for years 1 and 2.

 <b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>	<b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>
Council name	<b>West Oxfordshire District Council</b>
Name and date of Committee	<b>Audit and General Purposes Committee: Thursday 17 February 2022</b>
Report Number	<b>Agenda Item No. 6</b>
Subject	<b>Annual Governance Statement – Action Plan</b>
Wards affected	ALL
Accountable member	Councillor Michele Mead, Leader of the Council Email: <a href="mailto:michele.mead@westoxon.gov.uk">michele.mead@westoxon.gov.uk</a>
Accountable officer	Giles Hughes, Chief Executive Tel: 01993 861658 Email: <a href="mailto:giles.hughes@westoxon.gov.uk">giles.hughes@westoxon.gov.uk</a>
Summary/Purpose	This report presents an update on the Governance Action Plan for 2021/22
Annexes	Annex A - Annual Governance Statement Action Plan 2021/22 including progress updates.
Recommendation	To note progress against items in the Governance Action Plan for 2021/22
Corporate priorities	Not applicable
Key Decision	No
Exempt	No
Consultees/ Consultation	The Corporate Action Plan has been shared with statutory officers, Executive Directors and Group Managers

## **2. REASONS FOR RECOMMENDATION**

- 2.1. The Audit and General Purposes Committee is the Committee of the Council charged with governance.
- 2.2. The Accounts and Audit Regulations 2011 require the Council to produce an Annual Governance Statement (AGS), setting out the state of the Council's governance arrangements for the previous financial year.
- 2.3. The AGS for 2020/2021 was presented to this Committee on 24 November 2021 and is included within the approved Annual Statement of Accounts. The AGS identified five areas for focussed improvement during 2021/2022.
- 2.4. Progress reports covering these areas are made to this Committee so that it may monitor progress in improving the Council's governance arrangements.
- 2.5. An action plan for 2021/2022 covering the five areas of focus is shown at Annex A.

## **3. BACKGROUND**

- 3.1. The AGS areas of focus, identified for 2021/2022 are:
  - Risk registers
  - Performance report
  - Constitution and schemes of delegation
  - Budget approvals
  - Project and programme management

## **4. FINANCIAL IMPLICATIONS**

- 4.1. There are no direct financial implications.

## **5. LEGAL IMPLICATIONS**

- 5.1. These are set out in the report.

## **6. RISK ASSESSMENT**

- 6.1. If governance is weak the Council runs the risk of failing to safeguard the use of public money. In turn this would lead to poor external assessments, damaging the reputation of the Council. The areas of focus for the coming financial year identified in the Annual Governance Statement provide a clear set of priorities for the continual improvement of governance to mitigate risk.



## **7. BACKGROUND PAPERS**

- 7.1. The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:
- Agenda Item 5 – Audit and General Purposes Committee 24th November 2021
- 7.2. These documents will be available for inspection at the Council Offices at Woodgreen, Witney during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.

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## ANNUAL GOVERNANCE ACTION PLAN 2021/2022

**Notes and key**

Each action in the plan is marked with a 'traffic light' as follows:

<b>Green</b>	On target
<b>Amber</b>	Off target but action being taken to ensure delivery (where this results in a reviewed target date, this is made clear in the table)
<b>Red</b>	Off target and no action has yet been agreed to resolve the situation

**Completed** actions are marked as such in the 'Date' column and are shaded grey

This action plan contains actions from the Annual Governance Statement 2020/2021 which are coordinated and monitored by the Local Management Team.

**Key to officers**Accountable officer

Monitoring Officer: Angela Claridge

Chief Executive: Giles Hughes

S.151 Officer: Elizabeth Griffiths

Responsible officer

Publica Strategic Support Officer - Risk and Compliance: Mike Butler

Publica Business Manager for Corporate Responsibility: Claire Hughes

Publica Business Manager for Finance: Debra Goodall

Publica Business Manager for Insight & Intelligence: Dene Robson

Publica Executive Director - Services Delivery: Sue Pangbourne

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
1. GREEN	Risk register	<p>Review the channels through which risks are escalated to the risk register to ensure the contents are always current, relevant and complete.</p> <ul style="list-style-type: none"> <li>Review risk management policy and procedures to ensure risks are properly identified, recorded and escalated to the relevant strategic risk register as appropriate.</li> <li>Governance Group to carry out a quarterly review of operational risk registers to ensure that they are being appropriately populated and that emerging high level risks are being escalated to strategic/corporate register.</li> </ul>	<p>Publica Business Manager for Corporate Responsibility</p> <p>Publica Business Manager for Corporate Responsibility</p>	<p>Chief Executive</p> <p>Chief Executive</p>	<p>January 2022</p> <p>February 2022</p>	<p>New risk management Policy to be presented to Audit and General Purposes Committee in February 2022.</p> <p>Governance Group reviewed operational risk registers in January.</p> <p>A separate Risk Group will now be established to review and share risk registers across Publica and the Councils.</p>
2. GREEN	Performance report	<ul style="list-style-type: none"> <li>Review the KPIs measured on the performance report to ensure they reflect the Council's current priorities and concerns.</li> </ul>	Publica Business Manager for Insight & Intelligence	S.151 Officer	March 2022	<p>A review of KPIs was undertaken during Autumn 2021 and Portfolio Holders were requested to contact service managers to understand the range of data collected /available.</p> <p>A mix of new and existing KPIs have been agreed along with a new reporting style. A Prototype of the new 'dashboard' style report has been created is expected to be used for Q3 performance reporting to March Cabinet</p>


3.	Constitution and schemes of delegation review	<ul style="list-style-type: none"> <li>To review and update the Council's constitution.</li> </ul>	Monitoring Officer	Monitoring Officer	March 2022	On course for completion by end March 2022
		<ul style="list-style-type: none"> <li>Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team.</li> </ul>	Publica Executive Director - Service Delivery	Chief Executive	March 2022	Local Leadership Team including Lead Director for Publica.
4.	Budget approvals	<ul style="list-style-type: none"> <li>Review of approvers on our Finance system to ensure that all workflow approvals go to an appropriate person.</li> </ul>	Publica Business Manager for Finance	S.151 Officer	March 2022	Included as part of a bigger review on Business World
		<ul style="list-style-type: none"> <li>Clarify responsibility and accountability of Publica Officers.</li> </ul>	Publica Business Manager for Finance	S.151 Officer	March 2022	Included as part of a bigger review on Business World
		<ul style="list-style-type: none"> <li>Provide financial management training to cover budget management.</li> </ul>	Publica Business Manager for Finance	S.151 Officer	March 2022	Provided as and when needed.

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5. GREEN	Project and programme management.	Improvement of Programme Management reporting across the portfolio of Publica / Council projects focusing on the consistency, completeness and timeliness of information provided.				
		<ul style="list-style-type: none"> <li>New framework for project and programme management to be rolled out.</li> <li>High level project risks to be escalated to Strategic/Corporate register.</li> </ul>	Publica Business Manager for Corporate Responsibility	Chief Executive	March 2022	The framework was launched in Oct 2020 and has been in use since then. The roll out of a Project Management Framework support library to support use of the framework was rolled out in October 2021.
			Publica Strategic Support Officer - Risk and Compliance	Chief Executive	January 2022	Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise. The Governance Group looked at a sample of project risk registers at their meeting in January 2022, although it has now been agreed that this task will move to a separate risk management group

 <b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>	<b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>
Council name	<b>West Oxfordshire District Council</b>
Name and date of Committee	<b>Audit and General Purposes Committee: Thursday 17 February 2022</b>
Report Number	<b>Agenda Item No. 7</b>
Subject	<b>Corporate Risk Register Updates and Updated Risk and Opportunity Management Strategy</b>
Wards affected	ALL
Accountable member	Councillor Michele Mead, Leader of the Council Email: <a href="mailto:michele.mead@westoxon.gov.uk">michele.mead@westoxon.gov.uk</a>
Accountable officer	Giles Hughes, Chief Executive Tel: 01993 861658 Email: <a href="mailto:giles.hughes@westoxon.gov.uk">giles.hughes@westoxon.gov.uk</a>
Summary/Purpose	To update the Committee on the changes to the Council's corporate risk register at the end of Quarter Two of 2020/21 and put before members a revised Risk and Opportunity Management Strategy for approval.
Annexes	<a href="#">Annex A</a> - Corporate Risk Register 2021/22 (Quarter 03) Annex B – Proposed Risk and Opportunity Management Strategy
Recommendation	(a) That the corporate risk register be noted (b) That the Risk and Opportunity Management Strategy at Annex B be approved
Corporate priorities	To provide assurance to the Committee that risks to the Council are being managed and appropriate actions are being taken to mitigate risk in accordance with the Council's priority to meet the current and future needs and aspirations of residents and to provide efficient and value for money services, whilst delivering quality front line services.
Key Decision	No
Exempt	No
Consultees/ Consultation	The Risk and Opportunity Policy has been shared with statutory officers, Executive Directors and Group Managers

## **I. BACKGROUND**

- 1.1. Risk and Opportunity Management is the process used to identify, evaluate and manage the whole range of business risks and opportunities facing an organisation. It is vital to ensure the effective operation of the Council and delivery of its Corporate Plan.
- 1.2. A risk can be defined as the potential of something happening which may have a negative impact on the Council's ability to deliver services, projects and achieve its objectives. Conversely, an opportunity will enhance the Council's ability to achieve and effectively deliver, however there are often risks inherent in pursuing opportunities. By being alert to this and putting in place mechanisms to manage both the risks and opportunities effectively, the Council will be in a better position to continue to deliver services, remain viable, continue to innovate and use resources more efficiently.
- 1.3. Risk management is not necessarily about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some element of risk taking is inevitable if the Council is to achieve its priorities and objectives. Effective risk management is about making the most of opportunities and about achieving defined objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.
- 1.4. Whilst historically the Council has managed strategic risks to varying degrees, little attention has been placed on the management of opportunities, furthermore a recent audit identified some inconsistencies in approach around the management of risk, specifically around operational and project risks. It is for those reasons that a new approach, coupled with robust reporting and management procedures are presented to the Audit Committee for approval by way of the Risk and Opportunity Management Strategy.

## **2. RISK REGISTER**

- 2.1. The register has been reviewed with a number of risk removed as either no longer relevant, or managed to a sufficient level of risk and passed back to the appropriate Business Manager as an operational risk.
- 2.2. Further to the new Risk and Opportunity Management Strategy, there will need to be further work to ensure significant risks and opportunities identified by Group and Business Managers are escalated for inclusion in the Corporate Register. This is work on-going and will be reflected in future registers reported to this Committee.
- 2.3. The current version of the Corporate Risk Register is attached at Annex A. The main changes, including the removed risks, are:
- 2.4. **WO030 The Council fails to manage its trees and vegetation:** Risk removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.
- 2.5. **WO012 The Council fails to comply with relevant information management legislation including GDPR and Transparency Agenda:** Removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.



- 2.6. **WO008 Cyber security WO009 Data Security:** These have been rewritten to reflect their significance. The overall level of risk has reduced with the introduction of various controls detailed in the middle column. However, the current level of risk has increased as new threats have emerged. The final column show the actions that are currently ongoing to meet these threats.
- 2.7. **WO003 If services delivered by other public sector organisations are reduced, this may result in extra demands on the Council:** Removed. This is not considered to be a risk at the current time.
- 2.8. **WO019 If Contractors do not comply with health and safety requirements, this could lead to financial and reputational implications:** Removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.
- 2.9. **WO027 If the number of appeals reaches a threshold, penalties and Government intervention will be triggered:** Removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.
- 2.10. **WO07 If there is severe weather the Council may be unable to deliver key services:** Removed. Managed to an acceptable level.
- 2.11. **WO025 If superfast broadband is not delivered within timescales then resident expectations will not be met:** Removed. Project complete.
- 2.12. **WO011 If major public events or incidents are not controlled or dealt with, this could lead to financial and reputational consequences:** Removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.
- 2.13. **WO031 If the Government does not provide adequate funding, the Council may not fulfil new expectations following exit from the EU:** Removed. This is not considered to be a risk at the current time.
- 2.14. **WO034 If health and safety procedures and risk assessments are not in place or being followed, there could be injuries or impact on health and wellbeing of staff and visitors:** Removed. This is no longer considered a corporate risk but will continue to be monitored at an operational level.
- 2.15. **WO005 & WO017 If the Council does not deliver a balanced Medium Term Financial Strategy (MTFS)/If unavoidable budget pressures exceed provision within the MTFS:** These have been merged and now appear as the new risk WO037.
- 2.16. **WO004 If local transport infrastructure deteriorates then access to services and employment will also be reduced:** This has been closed and replaced with WO038 to focus on transport issues surrounding the proposed improvements to the A40 corridor and planned development at Salt Cross Garden Village.
- 2.17. **WO028 If the Council fails to successfully implement the Local Plan and New National Planning Framework:** This has been closed and replaced with the new risk WO039, delivering the Local Plan housing requirements.

- 2.18. **WO010 If Contractors fail to meet their obligations under key contracts.** This has been closed and replaced with two new risks, WO040 (Waste and Recycling Services) and WO041 (Leisure Services).

### **3. RISK AND OPPORTUNITY MANAGEMENT STRATEGY**

- 3.1. As mentioned above, robust risk and opportunity management is vital to ensuring good governance and to the delivery of the Council's Corporate Plan. With that in mind officers have been working on a comprehensive review of existing policies, with a view to ensuring that risks and opportunities are effectively managed at all levels of the Council (and Publica).
- 3.2. To deliver comprehensive risk and opportunity management, and to ensure compliance with current audit recommendations, it is necessary for the Council to adopt a revised approach that captures how it manages both risks and opportunities across all levels and activities. This is encapsulated in the revised strategy document attached at Annex B. Members will note that in order to bring detail to the strategy and to ensure that all staff are aware of their roles and responsibilities, Publica have developed a Risk and Opportunity Management Guide. This document, which is attached to the Council Strategy as Annex A, seeks to supplement the Council's Strategy by setting out in detail the processes and procedures to be followed, bringing the management of risks and opportunities to life by using examples and setting clear requirements.

### **4. FINANCIAL IMPLICATIONS**

- 4.1. There are no direct financial implications.

### **5. LEGAL IMPLICATIONS**

- 5.1. None.

### **6. RISK ASSESSMENT**

- 6.1. None.

### **7. ALTERNATIVE OPTIONS**

- 7.1. Members could decide not to adopt the revised Strategy.

### **8. BACKGROUND PAPERS**

- 8.1. The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Previous version of Strategic Risk Register.

- 8.2. These documents will be available for inspection at the Council Offices at Woodgreen, Witney during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.

## West Oxfordshire District Council - Corporate Risk Register

MODERN COUNCIL SERVICES AND SUSTAINABLE FINANCE													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
WO-037	Government funding is being reduced so in order to operate within a reducing budget envelope, costs must be cut and income increased in order to maintain the current level of services.  Risk Logged: January 2022  Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	5	3	15	Investment strategy to increase revenues, ESIP project to reduce the cost of the Waste service, Check and challenge on budget growth requests, Finance monitoring and reporting				5	3	15		Difficulty in securing investments that meet PWLB requirements but still generate sufficient levels of additional income. Close project monitoring of the ESIP project required to ensure that sufficient change is delivered in time for the 23/24 budget
WO-040	Waste and Recycling: A general shortage of qualified HGV drivers along with uncertainty over future Covid variants could result in the Waste Contractor being unable to meet its obligations for waste and recycling collections.  Risk logged: January 2022  Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commissioning	5	4	20	<ul style="list-style-type: none"> <li>Regular meetings with Contractors to identify any major issues that may affect service delivery, agree contingency measures and feedback to the Council</li> <li>Agreement was reached to compensate the Council for wheeled bin failures</li> <li>Although Covid rates have fallen following the vaccination programme, Covid prevention measures are still in place, including crew 'bubbles', social distancing in the depots and effective cleansing of cabs</li> </ul>				4	3	12		14.01.22 Whilst there is 1 case of omicron, the staff member is isolating and therefore this is protecting other staff members effectively. It is unclear what effects further variants of the virus will have, but the effective control measures will remain in place.

WO-016	<p>If Publica does not deliver the agreed objectives in accordance with its business plan then the planned savings for the Council would not be delivered and consequently there would be a risk that services could not be delivered within budget.</p> <p>Risk logged: August 2017</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Group Finance Director</p>	4	3	12	<ul style="list-style-type: none"> <li>• Programme Board</li> <li>• Local Political Support / Shaareholder Forum</li> <li>• National Political Support</li> <li>• Early Engagement with employees and Unions</li> <li>• Funding provided to develop detailed business case</li> </ul>	2	2	4	2	3	6	↑	<p>17 January 2022 Increase - after a successful 2020/21 where the outturn demonstrated delivery of the overall savings target of £0.5m and additional one off savings of £0.16m Publica has largely delivered its business case targets. The target for 21/22 is a further £0.5m and whilst some steps are in place to deliver this there are pressures building within the organisation in respect of pay capacity to deliver council objectives. The Council has recently approved some additional resource to help resolve some of these issues and steps are being taken to increase resource and deal with pay issues where the labour market is tight. Any risk of under delivery against the West Oxon share of the target is low and falls within the definition of minor in the policy (less than £100k).</p>
WO-028	<p>If Publica or the Council is unable to recruit suitable staff and retain them, particularly in some key service areas then the level of service delivery could be reduced which would impact on residents/communities.</p> <p>Risk logged: March 2008</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Executive Director - Service Delivery</p>	3	3	9	<ul style="list-style-type: none"> <li>• Financial incentives (market force supplement scheme)</li> <li>• Work with partners to address skill shortages</li> </ul>	3	3	9	3	3	9	→	<p>13 Jan 2022 No change in rating. Quarterly performance reports enable any necessary mitigation to maintain service delivery levels to be discussed. A review of recruitment is underway and feedback from managers, staff (both Publica and Retained Council staff) clients and Councillors is being considered to help ensure the service meets users' needs and is both flexible and modern going forward. Career-graded posts are being introduced into a number of service areas to assist with retention and development of staff. A new professional development training offer has recently been promoted to staff as another retention measure.</p>
WO-013	<p>If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources.</p> <p>Risk logged: July 2015</p> <p>Risk Owner: Monitoring Officer Responsible Officer: Monitoring Officer</p>	4	4	16	<ul style="list-style-type: none"> <li>• Horizon scanning, awareness via professional publications</li> <li>• Respond to government consultations</li> <li>• Monitor potential changes in planning rules and their consequences e.g. penalties for not determining smaller applications on time, and failure to produce a Local Plan</li> </ul>	3	3	9	3	3	9	→	<p>No change in rating. The Council responded to the consultation on <b>Defra's Waste and Resources strategy</b>. The Strategy suggests that garden waste collection should be free which if imposed would have a significant financial impact on the Council. Defra has since published its consultations response which acknowledges the strong opposition from LAs and states this will need to be reconsidered. There are likely to be further developments with Statute once Brexit is concluded. Any financial implications will be considered as part of the update to the Council's MTFS</p> <p>No change in rating. There is currently a lot of interaction with govt agencies and the rate of change of requirements is higher than normal but this is also coupled with more regular interactions.</p>

WO-008	<p>Cyber Security: If the Council's IT System / infrastructure failed due to cyber-attacks and/or virus then system performance could be reduced leading to poor service delivery/financial impact.</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	5	4	20	<ul style="list-style-type: none"> <li>Blocking of USB and other devices</li> <li>PSN compliance</li> <li>Revised policies</li> <li>Staff awareness training</li> <li>BCP in place, reviewed and tested</li> <li>Enhanced encryption software and other specialist cyber tools</li> <li>Investment in cyber training for the ICT Team</li> <li>All partner Councils achieved PSN accreditation in Oct 2021</li> <li>Ongoing network Internal &amp; External Penetration checks</li> <li>Regular review of User Privileges</li> </ul>	3	2	6	4	3	12	↑	<p>Level of risk has increased to reflect recent events. Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks</p> <ul style="list-style-type: none"> <li>Submission for the re-accreditation of Cyber Essentials to be sent in February 2022</li> <li>Progress on the Cyber Security updates and Action Plan is being reported to the Council and Publica on a regular basis.</li> <li>Continual update of Information Asset Register</li> <li>Additional Phishing awareness training to educate employees on how to spot and report suspected phishing attempts planned</li> <li>Continual Password Audits across our network to evaluate weak passwords</li> <li>Detailed review of Business Continuity &amp; Disaster Recovery Plans in light of the GC situation.</li> <li>Ongoing investment in cyber training and a review of capacity planned</li> <li>security systems updated to monitor and specifically block attacks related to identified vulnerability</li> <li>All emails received from at risk location are quarantined and inspected by ICT staff before being released</li> <li>Security patches are applied to key system as soon</li> </ul>
WO-009	<p>Data Security: If there is a loss of data (both on site and as a result of remote/mobile working) / security failure in our IT systems then it could lead to a reduced level of service and have a negative impact on the Council's reputation and finances..</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	4	4	16	<ul style="list-style-type: none"> <li>Blocking of USB and other devices</li> <li>PSN compliance</li> <li>Revised policies</li> <li>Staff awareness training</li> <li>BCP in place, reviewed and tested</li> <li>Enhanced encryption software and other specialist cyber tools</li> <li>Investment in cyber training for the ICT Team</li> <li>All Councils have PSN accreditation, which compliments the Cyber Essential Plus.</li> </ul>	3	2	6	3	3	9	↑	<p>Level of risk has increased to reflect recent events. Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks.</p> <ul style="list-style-type: none"> <li>Additional online training to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR is planned.</li> <li>Additional Phishing awareness training to educate employees on how to spot and report suspected phishing attempts is planned.</li> <li>All emails received from at risk location are quarantined and inspected by ICT staff before being released</li> <li>Immutable Storage, Network segmentation, Backup &amp; DR processes in place (these are scheduled to be reviewed).</li> </ul>
WO-006	<p>If staff morale and motivation is low in Publica then the level of service delivered may be reduced in some services.</p> <p>Risk logged: March 2009</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Executive Director - Service Delivery</p>	4	5	20	<ul style="list-style-type: none"> <li>Regular reviews of change process</li> <li>Impact of change measured via Staff forum and staff sickness</li> <li>Comprehensive consultation and engagement process</li> <li>Change management training</li> <li>Joint Liaison Forum</li> </ul>	3	3	9	3	2	6	↓	<p>13 Jan 2022 The IIP report identified some areas of weakness for us to work on and we held a Q&amp;A session post sharing of IIP report. We have held some informal staff lunch get togethers to help re-introduce staff to the office environment and re-connect with colleagues face to face. We are delivering some key actions, including a new staff forum and relaunching the Trade Union liaison forum to help address some of the shortcomings identified in the IIP report.</p>



WO-038	<p>Failure to effectively integrate proposed improvements to the A40 corridor being taken forward through Oxfordshire County Council's HIF funded Smart Corridor project with the timing of planned development including Salt Cross Garden Village.</p> <p>Risk logged: January 2022</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Group Manager for Strategic Support</p>	4	4	16	WODC to continue to work closely with Oxfordshire County Council as highway authority in relation to the timing of delivery of the A40 Smart Corridor improvements. In parallel, WODC to continue working closely with developers and landowners in respect of the phasing of development and the timing of provision of supporting infrastructure including transport so as to ensure effective integration as far as possible.				3	4	12	<p>Oxfordshire County Council is currently progressing significant improvements to the A40 through its HIF Smart Corridor project which is now the subject of a planning application. As the scheme is funded through HIF, there are a number of milestones which will need to be met which creates a potential mis-match between the timing of these improvements and related improvements which are needed to support the delivery of some of the local plan strategic sites. An example of this is the provision of a new 'western development roundabout' which will provide the main point of access into Salt Cross Garden Village. Whilst the western roundabout is included in the current A40 planning application, there is currently no funding available for delivery as it falls outside the scope of the HIF funding. As such, whilst the roundabout is expected to ultimately be developer funded, there is no current funding available. Because of the timing of the proposed A40 improvements being taken forward through the HIF funding, there is a risk of the roundabout having to be retrospectively put into place after the substantive works to the A40 having been completed thus increasing cost and disruption. The same principle applies to the proposed underpass between Old Witney Road and Cuckoo Lane.</p>
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MEETING THE HOUSING NEEDS OF OUR CHANGING POPULATION																		
Risk ID		Description of Risk/Opportunity			Initial Risk Assessment			Existing Control, Mitigation or Contingency			Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
					impact	likelihood	score				impact	likelihood	score	impact	likelihood	score		
WO-039		If the overall Local Plan housing requirement to 2031 are not met, this may increase the risk of speculative development on non-allocated (windfall) sites in less suitable locations.  Risk logged: January 2022  Risk Owner: Chief Executive Responsible Officer: Publica Group Manager for Strategic Support			3	3	9	Progression of Garden Village AAP to adoption which will enable determination of the current outline planning application for that site. Officers are also working with other strategic site landowners and developers to put in place agreed masterplans which will enable other current or future applications to be determined. Elsewhere, potentially suitable sites will be considered through a forthcoming update of the Council's Strategic Housing Land Availability Assessment (SHLAA) as well as through pre-application discussions on sites which are considered to have realistic development potential.						3	3	9		There are two main considerations for housing land supply - the overall Local Plan requirement of 15,950 homes from 2011 - 2031 and the required, rolling supply of deliverable sites over the next 5-year period (currently 2021 - 2026). Because the adopted Local Plan is based on a 'stepped' housing requirement which increases in the second half of the plan period, it is becoming increasingly difficult for the District Council to be able to demonstrate an adequate 5-year supply. This is being compounded by the long-lead in times associated with delivery of the strategic sites which will provide 6,250 homes (40% of the overall requirement). Officers are working proactively with the relevant landowners and developers to expedite matters wherever possible.

STRONG LOCAL COMMUNITIES							
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment	Existing Control, Mitigation or Contingency	Previous Residual Risk Score	Residual Risk Assessment	Direction of Travel	Risk Response & Further Action



		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
WO-035	District Councils are required to provide rest centres for the Public during a Civil Emergency. If staff are unwilling to come forward and volunteer with the running of a rest centre, there is a risk that the Council will be unable to fulfil its duty in providing a safe rest centre.  Risk logged: January 2021  Risk Owner: Chief Executive Responsible Officer: Publica Group Manager for Strategic Support	3	3	9	<ul style="list-style-type: none"><li>• Role of Oxford County Council and the use of hotels as an alternative to rest centres.</li><li>• Small team of volunteers established (although some have left Publica in recent months).</li><li>• Training and support provided by the County Civil Protection Team.</li><li>• New staff have emergency planning incorporated in Job Roles.</li></ul>	3	3	9	2	2	4	↓	11 Jan 22 - risk reduced - emergency planning documents have now been updated - county council position now confirmed and small team of volunteers now set up

Key to Officers

Risk Owner

S.151 Officer: Elizabeth Griffiths

Monitoring Officer: Angela Claridge

Chief Executive: Giles Hughes

Responsible Officer

Publica Group Finance Director: Frank Wilson

Publica Executive Director - Service Delivery: Sue Pangbourne

Publica Business Manager for Business Support: Phil Martin

Publica Head of Legal Services: Susan Gargett

Publica Group Manager for Commissioning: Claire Locke

Publica Group Manager for Strategic Support: Andy Barge

Publica Business Manager for Data and Growth: Stuart Rawlinson

Publica Data Protection Officer: Tony Oladejo

Publica Business Manager for Development Control: Phil Shaw





# Risk and Opportunity Management Strategy

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## About this document

Risk and Opportunity Management Strategy – February 2022

Responsible officer: Business manager Corporate Responsibility

Approved by Audit and General Purposes Committee on 17 February 2022, due for review in February 2024.

To be retained for six months after policy review or replacement.

## **I. Strategy statement**

Our vision is to support West Oxfordshire to be fit for the future through:

- Climate Action
- Healthy Towns and Villages
- A Vibrant District Economy
- Strong Local Communities
- Meeting the Housing Needs of our Changing Population
- Modern Council Services and Sustainable Finance

As a local authority operating within a dynamic environment West Oxfordshire District Council faces ongoing challenges and needs to continuously review its strategic approach to ensure viability for the future. As a result, we look at alternative ways of empowering our communities and alternative approaches to working with partners. Whilst these changes create opportunities, they may also create significant risk and uncertainty.

This strategy is focused on setting out the principles, tools, techniques, advice and support required for effective risk and opportunity management, from strategic to operational activities. The key is to ensure that the management of the risk is not a process that is dealt with in isolation, but instead it should be embedded in every piece of work the Council does. Risk is unavoidable and the Council seeks to proactively manage it through the use of risk registers.

### **Objectives of the strategy**

The purpose of this strategy is to outline the overall approach to risk and opportunity management at West Oxfordshire District Council. It is acknowledged that some risks will always exist and will never be eliminated, but through effective mitigation can be managed to an agreed level at which risk can be tolerated.

The objectives of the risk and opportunity management strategy are to:

- Raise awareness of the principles and benefits of effective risk and opportunity management with all those responsible for the delivery of Council services
- Embed risk and opportunity management as a key part of strategic, operational, financial and project planning and management
- Embed risk and opportunity management into the culture of the Council
- Establish a systematic approach to the identification, assessment, management and review of risk and opportunity
- Identify and allocate roles and responsibilities for managing risk and opportunity
- Make it easy to clearly identify the key strategic and operational risks and opportunities
- Assess the likelihood of risks and opportunities occurring and their impact on the Council's objectives
- Ensure risks and opportunities are fully considered when identifying and responding to changing social, environmental and legislative requirements

These objectives will be achieved by;

- Establishing a clear risk and opportunity management process that is effectively communicated to all officers and Members
- Providing risk and opportunity management training to officers and Members
- Clearly defining roles and responsibilities for risk and opportunity management
- Maintaining and reviewing registers of strategic, operational and project risks and opportunities and assigning ownership for each task
- Identifying risk and opportunities in relation to working in partnerships / contracts

Fraud is a key risk to public service organisations with financial and reputational consequences. The Council and Publica has a responsibility to manage any risks associated with fraud, bribery and corruption effectively and ensure mitigating controls are in place. The Counter Fraud Unit maintains a separate Fraud Risk Plan and Fraud Risk Register.

The 'Risk and Opportunity Management Strategy' will be reviewed periodically to take account of changing legislation, government initiatives, corporate priorities and experience gained within the Council.

## **2. Introduction**

### **What is Risk and Opportunity Management?**

Risk and Opportunity Management is the process used to identify, evaluate and manage the whole range of business risks and opportunities facing an organisation.

A risk can be defined as the potential of something happening which may have a negative impact on the Council's ability to deliver services, projects and achieve its objectives. Conversely, an opportunity will enhance the Council's ability to achieve and effectively deliver, however there are often risks inherent in pursuing opportunities. By being alert to this and putting in place mechanisms to manage both the risks and opportunities effectively, the Council will be in a better position to continue to deliver services, remain viable, continue to innovate and use resources more efficiently.

*ALARM (the Association of Local Authority Risk Managers) defines Risk Management as follows;*

*"Risk Management is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives".*

Risk management is not necessarily about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some element of risk taking is inevitable if the Council is to achieve its priorities and objectives. Effective risk management is about making the most of opportunities and about achieving defined objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.

## Risk Appetite

A fundamental part of the Council's risk and opportunity framework is its appetite for risk. Risk appetite can be defined as 'the level of risk the Council is prepared to accept in pursuit of its corporate objectives'.

Risk appetites can be categorised as follows:

Averse	Cautious	Creative and Aware	Eager
<ul style="list-style-type: none"> <li>• Safe Business delivery options with low risks limited reward</li> <li>• Reluctant to take action given uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>• Safe delivery of options that have a medium degree of risk and potential for reward</li> <li>• Tight corporate control over change</li> </ul>	<ul style="list-style-type: none"> <li>• willing to consider all potential options that are most likely to result in success</li> <li>• Well evaluated risk taking</li> <li>• Learns from experience</li> </ul>	<ul style="list-style-type: none"> <li>• Eager to be creative and innovative</li> <li>• Higher rewards despite inherent risk</li> <li>• Willing to accept significant loss</li> <li>• Actions when results are unknown</li> </ul>

Risk appetite can help inform decisions about the nature and extent of risk mitigation activity required, or which initiatives should be pursued. The Council's risk appetite level is Creative and Aware, although this can change on a risk to risk basis. It is willing to consider all potential options but with well evaluated risks and learning from experiences.

## Benefits of Risk and Opportunity Management

Successful Risk and Opportunity Management is about ensuring that the Council has the right controls in place to provide sufficient mitigation from risks, without missing the opportunities for development.

Embedding Risk and Opportunity Management across the organisation can bring a number of benefits:

- Improved strategic, operational and financial management
- Better decision making
- Improved service delivery
- Better outcomes for customers
- Effective use of resources
- Taking advantage of key opportunities
- Effective mitigation of key risks
- Encourages a culture of innovation

- Identifying and controlling risks at an early stage means that major projects and opportunities are more likely to succeed

## Definitions

**Risk** can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives, service delivery and/or reputation”. It is the combination of the probability of an event occurring (likelihood) and its effect, should it occur (impact).

**Risk management** As defined by *ALARM (the Association of Local Authority Risk Managers)* is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives

Risk management does not only focus on the negative impacts but also on the positive opportunity impacts. This can lead to improved benefits / outcomes. Risks are divided into five categories:

Strategic Risks	Operational Risks	Contract Risks	Project Risks	Partnership Risks
<ul style="list-style-type: none"> <li>Risks that could have an impact on the successful achievement of the Council's long term core objectives, priorities, reputation and outcomes.</li> <li>Unable to be managed at service level</li> </ul>	<ul style="list-style-type: none"> <li>These risks could have a significant financial, reputational and service delivery impact on the Council</li> </ul>	<ul style="list-style-type: none"> <li>Risks that could have an effect on the successful achievement of the contract's outcomes/objectives in terms of delivery</li> </ul>	<ul style="list-style-type: none"> <li>Risks that could have an effect on the successful achievement of the project in terms of service delivery, benefits realisation and engagement with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Risks that could have an effect on the successful achievement of the partnership's objectives. These can be strategic and/or operational</li> </ul>

**Opportunities** management is the process used to identify, evaluate and manage the whole range of business opportunities for an organisation. An opportunity can be defined as ‘something happening which may have an impact on the achievement of the Council’s objectives in a positive way.’ Often internal and external factors can limit the benefit or impact potential improvements. Opportunities may include the following:

Customers	Competition	Resource	Technology and skills
<ul style="list-style-type: none"> <li>Identifying customer needs and demands to improve services</li> </ul>	<ul style="list-style-type: none"> <li>Looking for opportunities in the market</li> </ul>	<ul style="list-style-type: none"> <li>Assessing the Council's ability to leverage resource and/or streamline working practices</li> </ul>	<ul style="list-style-type: none"> <li>Harnessing the evolution of technology and developing/enhancing skills</li> </ul>

### 3. The Risk and Opportunity Management Process

The Council has in place a five-stage process for managing risks and opportunities:



This shows how managing risks and opportunities needs to be a continuous process in order to be successful. The process must be regularly repeated to identify new risks and opportunities, but also those risks and opportunities already identified must be reviewed regularly to ensure they are being effectively managed.

Most of the Council's operational and project risks are identified and managed by Publica. As such this Strategy should be read in conjunction with Publica's Risk and Opportunity Management Guide which sets out in detail the processes associated with the five stages of risk and opportunity management. The Guide is attached at Annex A.

### 4. Roles and Responsibilities

An approach that involves all appropriate Members and officers is required to ensure that risk and opportunity management is fully integrated and embedded into the culture of the Council. All officers and Members may have a role to play in identifying and assessing risk. However, there are certain roles within the Council that directly contribute to ensuring effective risk and opportunity management. These roles and responsibilities are outlined below.

Individual or Group	Role
Full Council	<ul style="list-style-type: none"> <li>➤ Approves the policy framework and budget</li> <li>➤ Supports and promotes an effective risk management culture</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>➤ Risk manages the Council in delivering its core purpose, priorities and outcomes</li> <li>➤ Considers and challenges the risks involved in making 'key decisions'</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>➤ Approves the Risk and Opportunity Management Strategy</li> <li>➤ Reviews risk management reports and makes recommendations</li> </ul>

Council Local Management Team	<ul style="list-style-type: none"> <li>➤ Agrees tolerance levels for risk</li> <li>➤ Agrees the appetite for risk</li> <li>➤ Receives updates on any new significant emerging risks and opportunities</li> <li>➤ Assigns responsibility for the Council's strategic risks</li> <li>➤ Prioritises opportunities detailed on the opportunity register</li> <li>➤ Ensures that risk and opportunity management is embedded in the culture of the organisation</li> <li>➤ Ensures consistency of approach to risk and opportunity management across the Council</li> <li>➤ Provides a quarterly report to Audit Committee on Strategic Risks</li> </ul>
Corporate Governance Group	<ul style="list-style-type: none"> <li>➤ Carries out quarterly 'spot checks' on operational and project risk registers to ensure that registers are being used within the framework</li> <li>➤ Offers advice and guidance on reporting of risks</li> </ul>
Publica Group Managers and Executive Directors	<ul style="list-style-type: none"> <li>➤ Act as a central point for coordination and dissemination of information on risk and opportunity</li> <li>➤ Review risk and opportunity management systems and their implementation on a regular basis</li> <li>➤ Raise awareness of risk and opportunity issues and the Council's approach to risk and opportunity management</li> <li>➤ Encourage and support development and effective implementation of the Risk and Opportunity Management strategy</li> <li>➤ Assist Business Managers to identify, assess and monitor operational risks and opportunities</li> <li>➤ Ensure a responsible officer is assigned to manage each significant risk</li> <li>➤ Identify resources to address the highest priority risks</li> <li>➤ Escalate significant emerging risks and opportunities to the Council's Local Management Team</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul>
Publica Business Managers and equivalent Council Managers	<ul style="list-style-type: none"> <li>➤ Identify team level risks and opportunities and lead reviews within their teams, as part of the operational planning process and on an ongoing basis throughout the year</li> <li>➤ Provide a quarterly update to Group Manager, in particular highlighting those risks that are emerging, recurring, high level (above 10) or may become strategic</li> <li>➤ Monitor progress against mitigation actions and updating risk registers on a quarterly basis</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul>

Business Manager – Corporate Responsibility	<ul style="list-style-type: none"> <li>➤ Responsible for ensuring that risk management processes are in place</li> <li>➤ Recommends changes to the Risk and Opportunity Management Strategy</li> <li>➤ Ensures that appropriate guidance and training is provided to staff as required.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>➤ Ensure that appropriate resources and importance are allocated to the risk and opportunity management process</li> <li>➤ Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented</li> <li>➤ Provide assurance that the risks for which they are the risk owner are being effectively managed.</li> </ul>
Project and Programme Managers	<ul style="list-style-type: none"> <li>➤ Establish and maintain Programme Risk and Issue Registers</li> <li>➤ Ensure project or programme risks are being identified, assessed, controlled, monitored and reported throughout the project's or programme's lifecycle</li> <li>➤ Escalate risks which have an impact on the ability to deliver the project or programme within the approved constraints of time, cost, quality and scope to the Project or Programme Board, relevant Publica Executive Director, Publica Group Manager and Publica Business Manager who will be responsible for discussing with the Council's Local Management Team</li> </ul>
All Staff	<ul style="list-style-type: none"> <li>➤ Consider risk and opportunity as part of their everyday work</li> <li>➤ Where appropriate draw their line manager's attention to risk, for instance where risk is increasing or a new risk or opportunity is identified.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>➤ Provides information and assurance on the reliability and effectiveness of internal controls</li> <li>➤ Highlights issues resulting from specific internal audits that should be considered by Publica Executive Directors, Publica Group Managers and Publica Business Managers and the Council Local Management Team</li> </ul>
Counter Fraud Unit	<ul style="list-style-type: none"> <li>➤ The Counter Fraud Unit is responsible for the prevention, detection and deterrence of fraud, bribery and corruption across the Council.</li> </ul>
Partners/Contract Monitoring Officers	<ul style="list-style-type: none"> <li>➤ Actively manage risk within the partnership / contract</li> <li>➤ Report on risk management issues to partnership / contract boards or equivalent.</li> </ul>



## **5. Embedding Risk and Opportunity Management**

For risk and opportunity management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day to day working. Monitoring of associated actions should be considered as part of a number of the Council's significant business processes;

- Corporate Decision Making – Addressing significant risks and opportunities
- Business Planning – Updating service plans to reflect operational risks and current priorities
- Project Management – Considering risks and opportunities linked to delivering the project outcomes before and throughout the project. This includes risks that have an effect on service delivery, benefits realisation and key stakeholders
- Partnership working – Establishing procedures to record and monitor risk and opportunities that may impact the Council or its partnership aims
- Commissioning - Identifying and keeping under review risks associated with all stages of the commissioning cycle
- Contract management – Identifying and keeping under review risks associated with all stages of contract management
- Insurance – Managing insurable risks and self-insurance arrangements

### **Culture**

Developing an effective risk and opportunity management culture is a critical part of the risk and opportunity management process and takes time. In building this culture it is important that:

- Lessons from activities that lead to loss or reputational damage or positive outcomes through improvements to services are shared and acted on.
- There is a clear analysis of the risks and a robust justification for decisions, enabling officers and Members to be more creative and innovative in progressing opportunities that benefit the Council and the district
- Discussion on risk and opportunity in any context is conducted in an open and honest manner.

## **6. Key Success Factors**

The following are crucial to the successful embedding of risk management.

- The implementation of this strategy must be endorsed by the Local Management Team and positively supported by all officers
- Risk management needs to be part of the annual business planning process
- Risks and opportunities should be incorporated within items for discussion as part of:
  - Strategy review
  - Budget approval meetings
  - Performance reviews
  - Project planning and review meetings
- There should be a regular update of the risk register by the managers who are accountable and responsible for their mitigation
- Training will be provided to all staff, appropriate to their level of responsibility.

**Annex A – Public Risk and Opportunity Management Guide**

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# Publica Risk and Opportunity Management Guide

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## About this document

Publica Risk and Opportunity Management Guide – November 2021

Responsible officer: Business manager Corporate Responsibility

Due for review in November 2023.

To be retained for six months after policy review or replacement.

## **1. Introduction**

Publica is required to provide services on behalf of its partner Councils and Clients, whilst at the same time ensuring the organisation remains robust in all its activities. This practical guide to strategic and operational<sup>1</sup> risk and opportunity management sets the standard of approach for risk and opportunity management by Publica.

Acknowledging the challenges of identifying and managing risks and opportunities across multiple partners, this guide has been designed to provide an easy step by step approach which can be used at both strategic and operational level. It provides the structures and processes that are needed to ensure risks and opportunities are identified, assessed and addressed in a standard way. It will:

- Provide standard definitions and language to underpin the risk management process
- Specify how risks and opportunities need to be identified and assessed consistently throughout the organisation
- Clarify the roles and responsibilities for managing risk and opportunities
- Set out an approach that meets current legislative requirements and follows best practice and relevant standards

This guide should be read in conjunction with the relevant Council's Risk and Opportunity Management Strategy which sets out the benefits of implementing risk and opportunity management effectively across all activities.

## **2. Embedding Risk and Opportunity Management**

For risk and opportunity management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day to day working.

Monitoring of associated actions should be considered as part of a number of significant business processes;

- Corporate Decision Making – Addressing significant risks and opportunities
- Business Planning – Updating service plans to reflect operational risks and current priorities
- Project Management – Considering risks and opportunities linked to delivering the project outcomes before and throughout the project. This includes risks that have an effect on service delivery, benefits realisation and key stakeholders
- Partnership working – Establishing procedures to record and monitor risk and opportunities that may impact a Council or Publica or their partnership aims
- Commissioning - Identifying and keeping under review risks associated with all stages of the commissioning cycle

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<sup>1</sup> In this document operational risk and opportunities includes those identified as part of service delivery, projects or contracts

- Contract management – Identifying and keeping under review risks associated with all stages of contract management
- Counter Fraud - The Counter Fraud Unit is responsible for the prevention, detection and deterrence of fraud, bribery and corruption across the Council.

## Culture

Developing an effective risk and opportunity management culture is a critical part of the risk and opportunity management process and takes time. In building this culture it is important that:

- Lessons from activities that lead to loss or reputational damage or positive outcomes through improvements to services are shared and acted on.
- There is a clear analysis of the risks and a robust justification for decisions enabling officers, Members and Board members to be more creative and innovative in progressing opportunities that benefit Publica or one or more of the Councils and their district.
- Discussion on risk and opportunity in any context is conducted in an open and honest manner.

## 3. Roles and Responsibilities

An approach that involves all appropriate Members, officers and the Publica Board is required to ensure that risk and opportunity management is fully integrated and embedded into the culture of Publica and the Councils. All officers, Members and the Publica Board have a role to play in identifying and assessing risk. However, there are certain roles that directly contribute to ensuring effective risk and opportunity management. These roles and responsibilities are outlined below.

Individual or Group	Role
Full Council	<ul style="list-style-type: none"> <li>➤ Approves the policy framework and budget</li> <li>➤ Supports and promotes an effective risk management culture</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>➤ Risk manages the Council in delivering its core purpose, priorities and outcomes</li> <li>➤ Considers and challenges the risks involved in making 'key decisions'</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>➤ Approves the Risk and Opportunity Management Strategy</li> <li>➤ Reviews risk management reports and makes recommendations</li> </ul>

Council Local Management Team	<ul style="list-style-type: none"> <li>➤ Agrees tolerance levels for risk</li> <li>➤ Agrees the appetite for risk</li> <li>➤ Receives updates on any new significant emerging risks and opportunities</li> <li>➤ Assigns responsibility for the Council's strategic risks</li> <li>➤ Prioritises opportunities detailed on the opportunity register</li> <li>➤ Ensures that risk and opportunity management is embedded in the culture of the organisation</li> <li>➤ Ensures consistency of approach to risk and opportunity management across the Council</li> <li>➤ Provides a quarterly report to Audit Committee on Strategic Risks</li> </ul>
Corporate Governance Group	<ul style="list-style-type: none"> <li>➤ Carries out quarterly 'spot checks' on operational and project risk registers to ensure that registers are being used within the framework</li> <li>➤ Offers advice and guidance on reporting of risks</li> </ul>
Publica Group Managers and Executive Directors	<ul style="list-style-type: none"> <li>➤ Act as a central point for coordination and dissemination of information on risk and opportunity</li> <li>➤ Review risk and opportunity management systems and their implementation on a regular basis</li> <li>➤ Raise awareness of risk and opportunity issues and the Council's approach to risk and opportunity management</li> <li>➤ Encourage and support development and effective implementation of the Risk and Opportunity Management strategy</li> <li>➤ Assist Business Managers to identify, assess and monitor operational risks and opportunities</li> <li>➤ Ensure a responsible officer is assigned to manage each significant risk</li> <li>➤ Identify resources to address the highest priority risks</li> <li>➤ Escalate significant emerging risks and opportunities to the Council's Local Management Team</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul>



Publica Business Managers and equivalent Council Managers	<ul style="list-style-type: none"> <li>➤ Identify team level risks and opportunities and lead reviews within their teams, as part of the operational planning process and on an ongoing basis throughout the year</li> <li>➤ Provide a quarterly update to Group Manager, in particular highlighting those risks that are emerging, recurring, high level (above 10) or may become strategic</li> <li>➤ Monitor progress against mitigation actions and updating risk registers on a quarterly basis</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul>
Business Manager – Corporate Responsibility	<ul style="list-style-type: none"> <li>➤ Responsible for ensuring that risk management processes are in place</li> <li>➤ Recommends changes to the Risk and Opportunity Management Strategy</li> <li>➤ Ensures that appropriate guidance and training is provided to staff as required.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>➤ Ensure that appropriate resources and importance are allocated to the risk and opportunity management process</li> <li>➤ Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented</li> <li>➤ Provide assurance that the risks for which they are the risk owner are being effectively managed.</li> </ul>
Project and Programme Managers	<ul style="list-style-type: none"> <li>➤ Establish and maintain Programme Risk and Issue Registers</li> <li>➤ Ensure project or programme risks are being identified, assessed, controlled, monitored and reported throughout the project's or programme's lifecycle</li> <li>➤ Escalate risks which have an impact on the ability to deliver the project or programme within the approved constraints of time, cost, quality and scope to the Project or Programme Board, relevant Publica Executive Director, Publica Group Manager and Publica Business Manager who will be responsible for discussing with the Council's Local Management Team</li> </ul>
All Staff	<ul style="list-style-type: none"> <li>➤ Consider risk and opportunity as part of their everyday work</li> <li>➤ Where appropriate draw their line manager's attention to risk, for instance where risk is increasing or a new risk or opportunity is identified.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>➤ Provides information and assurance on the reliability and effectiveness of internal controls</li> <li>➤ Highlights issues resulting from specific internal audits that should be considered by Publica Executive Directors, Publica Group Managers and Publica Business Managers and the Council Local Management Team</li> </ul>

Partners/Contract Monitoring Officers	<ul style="list-style-type: none"><li>➤ Actively manage risk within the partnership / contract</li><li>➤ Report on risk management issues to partnership / contract boards or equivalent.</li></ul>
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#### 4. The Risk and Opportunity Management Process

The Council's and Publica have agreed to adopt a five-stage process for managing risks and opportunities:



This shows how managing risks and opportunities needs to be a continuous process in order to be successful. The process must be regularly repeated to identify new risks and opportunities, but also those risks and opportunities already identified must be reviewed regularly to ensure they are being effectively managed.

Each stage of the process is set out in detail in this guide. To ensure effective risk and opportunity management and consistency of approach it is essential that the processes identified in this guide are followed.

##### Stage 1: Identifying the risks and opportunities

Identifying any areas which expose any of the Councils or Publica to uncertainty, both positive and negative. A systematic approach is to be applied to identify all strategic and operational risks and opportunities, taking into account knowledge of the service, the legal, social, political and cultural environment in which it exists and an understanding of our strategic and operational objectives. Risks have three elements;

- Cause – Source of the risk
- Risk – The risk that occurs
- Effect – The impact of the risk

Fundamentally, everyone has a part to play and may be involved in identifying and assessing risks. Only those risks and opportunities that are identified can be effectively managed, therefore the more comprehensive the approach to identifying risks, the better placed the organisation will be to manage the whole range of risks and opportunities it faces.

There are a number of different risks that an organisation faces that could result in financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation. Examples of these types of strategic and operational risk are detailed within Appendix A: Risk Categories.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym PESTLE, examples of risk from each category are detailed within the Checklist for Risk Identification (Appendix B)

Political	Linked to the possible failure to deliver our key objectives or Central Government policy
Economic	Our ability to meet our financial commitments. For example, poor budgetary control, inadequate insurance cover, etc.
Social	The risks relating to our ability to meet the effects of changes in demographic, residential or social economic trends and the changing needs of our customers
Technology	The ability to deal with technological change and the ability to use technology to address changing demands Legislative The ability to meet the legislative demands affecting us
Legal	Ensuring compliance with the law
Environmental	Risks relating to the environmental impact of our service delivery (e.g. energy efficiency, pollution, recycling etc)

Describing the risk well is important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk should be detailed. This should be recorded in the 'description of risk' column in the relevant strategic or operational risk register template (Appendix C). Typical phrases used to describe a risk, cause and effect are;

Description of Risk	Cause	Effect
Risk of....Failure to.....Failure of.....Lack of....Loss of.....Uncertainty of....Inability to.....Inadequate.....Partnership with.....Development of.....	Due to.....Because	Leads to.....Results in.....

A good way to capture the main elements to a risk or opportunity is to consider cause, event and effect:

<b>Cause</b>	If / As a result of ...	As a result of severe weather
<b>Event</b>	Then / There is a risk that ...	there is a risk that fieldworker staff will not be able to undertake their work
<b>Effect</b>	So / Which will result in ...	which will result in unhappy service users and increased complaints

### Identify the Opportunities

Opportunities identified at an operational level should be discussed, scored and escalated to your Group Manager who will liaise with the Council Local Management Team for potential improvements or savings to the Council and with Publica Executive Directors for Publica savings. All opportunities should be recorded in the Opportunity Register (Appendix D).

Opportunities could include:

- Reduce waste and inefficiency
- Improve staff skills/morale
- Generate cost savings or an income stream
- Streamlining working processes
- Make a difference to our communities
- Innovative ways to deliver the priorities in the Council's Corporate Plans and/or Publica Business Plan

## Stage 2: Assessing and evaluating the risks and opportunities

### Assessing and evaluating the risks

Following identification, the risks (strategic, operational project, contract or partnership) are evaluated and prioritised according to the possible impact if it did occur and the likelihood of the risk occurring. This initial score (stage 1) is based on the assessment of the pure risk,

i.e. prior to control measures being identified, and helps to make an assessment about the significance of the risks and how they will be managed.

Impact x Likelihood = Risk Rating

The aim is to minimise risk scores, by implementing controls and management actions.

It is important to remember that as risk management attempts to predict and describe potential future events, there is a degree of uncertainty and judgement in these assessments.

The Councils and Publica use a 5x5 assessment matrix for risks. The score should be entered into 'initial risk assessment' column within the risk register. See appendices C and D.

## **Assessing and evaluating the Opportunities**

Assessing the potential realisation of strategic and operational opportunities can include consideration of how to:

- Increase income/reduced expenditure from the innovation
- Protect and add value to the Council or Publica and stakeholders by supporting the achievement of the Council's or Publica's aims and objectives
- Calculate the return on investment for a particular project
- Improve strategic, operational and financial management
- Achieve more efficient use/allocation of resources within the Council and partners
- Promote innovation and change
- Improve customer service delivery and customer satisfaction
- Improve the organisation's reputation
- Optimise operational efficiency and, therefore, deliver efficiency gains

Following identification, the operational opportunities are evaluated and prioritised according to the positive impact to the Council or Publica and the likelihood of implementation.

The stage 1 assessment of opportunity is based on the initial assessment of impact and the likelihood.

Impact x Likelihood = Opportunity rating

The Council and Publica use a 5x5 assessment matrix for opportunities. The score should be entered into 'initial assessment of opportunity' column within the opportunity register. See appendix D.

## Using the Risk and Opportunity Matrix

When assessing a risk or opportunity for the first time you should assume there are no management actions in place. The second assessment is completed with those actions already in place to mitigate the risk. Any additional planned actions needed to reduce the risk further should be noted in the risk register.

The assessor should assign values for the identified 'impact (A)' and the 'likelihood of occurrence (B)'. By multiplying 'A' and 'B' together you get the rating score, which gives an indication of how important the risk/opportunity is. The thick black line is the general 'line of tolerance', although it should be noted that each Council may have a different level of tolerance for different types of risks. Those risks that are plotted above the line (score 10-25) are 'out of tolerance' and should be referred to the relevant Group Manager who will determine whether they should be escalated to the Council Local Management Team and Executive Directors.

### Risk

Green = Low Risk    Amber 9 = Medium Risk    Amber 10-12 = Medium Risk (above line of tolerance)    Red= High Risk

LIKELIHOOD (B)	Very Likely 5	5	10	15	20	25
	Likely 4	4	8	12	16	20
	Feasible 3	3	6	9	12	15
	Slight 2	2	4	6	8	10
	Very Unlikely 1	1	2	3	4	5
		Insignificant 1	Minor 2	Significant 3	Major 4	Critical 5
IMPACT RISKS (A)						

## Opportunities

Red= High Priority Opportunity    Amber = Medium Priority Opportunity    Green = Low Priority Opportunity

LIKELIHOOD (B)	Very Likely 5	25	20	15	10	5
	Likely 4	20	16	12	8	4
	Feasible 3	15	12	9	6	3
	Slight 2	10	8	6	4	2
	Very Unlikely 1	5	4	3	2	1
		Exceptional 5	Major 4	Significant 3	Minor 2	Insignificant 1
	POSITIVE IMPACT – OPPORTUNITIES (A)					

IMPACT RISKS		OPPORTUNITIES – POSITIVE IMPACT	
Severity of Impact (A)	Likelihood of Occurrence (B)	Positive Impact (A)	Likelihood of Occurrence (B)
1 – Insignificant (have no effect)	1 – very unlikely (hasn't occurred before)	1 – Insignificant (no effect available)	1 – very unlikely (hasn't occurred before)
2 – Minor (little effect)	2 – Slight (rarely occurs)	2 – Minor (little effect available)	2 – Slight (rarely occurs)
3 – Significant (may pose a problem)	3 – Feasible (possible, but not common)	3 – Significant (moderate improvement available)	3 – Feasible (possible, but not common)

4 – Major (will pose a problem)	4 – Likely (has occurred before, will again)	4 – Major (major improvement available)	4 – Likely (has occurred before, will again)
5 – Critical (immediate action required)	5 – Very likely (occurs frequently)	5 – Exceptional (exceptional improvement available)	5 – Very likely (occurs frequently)



### Stage 3: Managing risks and opportunities

Once a risk or opportunity has been identified and assessed, we must then consider the control measures necessary to effectively manage the uncertainty. Management actions should be identified which are appropriate, achievable and affordable and against which progress can be measured.

When looking at risks the aim of these management actions will be to limit exposure to the risk, ideally by managing the cause in the first instance. Conversely, in terms of opportunities the aim is to enhance the potential for the opportunity to be realised.

The table below outlines the response strategies for both risk and opportunity, which may assist in identifying more specific management actions.

<b>Risk Management Response Strategies</b>	<b>Opportunity Management Response Strategies</b>
<b>Tolerate</b> – decide to live with the risk without any further action, consideration will still be given to how the risk and consequences of such are to be managed should they occur.	<b>Enhance</b> – aim to increase the likelihood and/or impact of the opportunity in order to maximise the benefit
<b>Terminate</b> – usually by deciding to avoid a course of action or stop an activity	<b>Ignore</b> – minor opportunities may be ignored by adopting a reactive approach without taking any specific actions
<b>Transfer</b> – some financial risk can be transferred through insurance or liability transferred through contractual arrangement	<b>Share</b> – seek a partner/stakeholder able to manage opportunity, which may increase the likelihood of it happening and/or potential benefits
<b>Treat</b> – control the risk and take action to reduce either the likelihood of a risk occurring and/or the consequences	<b>Exploit</b> – seek to make the opportunity happen by taking aggressive measures to ensure the benefits from the opportunity are realised

The choice of action relies on a clear understanding of the Council's and Publica's risk tolerance and the availability of resources to either reduce the risk or implement the opportunity.

Once the mitigating actions have been identified, each risk can be assessed in terms of a residual score (stage 2) and target/level of tolerance score (stage 3) both within the Risk or Opportunity register.

- Residual score – the impact and likelihood that remains once management actions are in place

- Target score – the lowest score to which the risk should be managed through control actions, or the highest opportunity score that can be achieved through implementation of the management actions

We consider and record the residual risk to ensure that:

- Identified risks are prioritised in terms of their significance as it is not practical or possible to manage every risk all of the time; and
- Existing actions are relevant and effectively manage and/or reduce the impact or likelihood of the identified risks.

Opportunities will be considered on an individual basis by the Group Manager and/or Local Management Team, or the Publica Board and prioritised accordingly, taking into account the potential benefits and risks associated with each opportunity and the resource required to deliver.

## **Risk Tolerance**

Risk tolerance is best summarised as “the amount of risk an organisation is willing to accept, tolerate, or be exposed to any point in time”. For the Council and Publica these are risks below the line of tolerance within the risk matrix.

The Council’s risk tolerance will depend on which of its corporate objectives or priorities would be affected by the risk and the impact the risk would have on that priority should it materialise.

Publica’s risk tolerance will depend on which of the business plan objectives would be affected by the risk and the impact the risk would have on that priority should it materialise.

This flexible approach will allow us to make informed decisions in each risk situation. The Councils and Publica have agreed a line of tolerance for scores 9 or below on operational risk matrices.

Risks which appear above the tolerance line (10-25) are deemed to be unacceptable and will require further action to be taken to, manage them sufficiently to reduce the likelihood of the risk materialising or to mitigate the impact.

All risks, above the line of tolerance, feature on the strategic risk register and are reviewed by the Local Management Team and Audit Committee on a quarterly basis and if appropriate by the Publica Board as well. The risk tolerance level dictates the degree of risk action that should be applied to that risk.

<b>Risk Tolerance Level</b>	<b>Definition</b>
15-25 (red risks)	These risks feature on the strategic risk register as they are above the line of tolerance. These risks will require controls to reduce the likelihood and/or impact to the Council and/or Publica

9-12 (amber risks)	Risks scoring 10-12 are above the line of tolerance, these risks will be assessed by the Group Manager to agree if the risk can be reduced any further or can it be tolerated in that range, if no further mitigation can be identified. Risks scoring 10-12 will feature on the strategic risk register for
	monitoring and review. Whereas, risks scoring 9 sit below the line of tolerance are considered to be adequately controlled. These risks will feature within the appropriate operational risk register for monitoring and review. Occasionally risks that have been reduced to a risk score of 9 may continue to feature on the strategic risk register for two more reporting periods. If the risk does not re-escalate it will be transferred to the appropriate operational risk register.
1-8 (green risks)	These risks are considered adequately controlled. Risks scoring 8 will feature on the operational risk registers for monitoring and review. Risks scoring below 8 will be assessed by the Business Manager and could feature on the operational risk register.

#### **Stage 4: Reviewing the risks and escalation**

Risk and Opportunity Management is a continuous process and should be reviewed at least quarterly. New risks and opportunities will be identified throughout the year, similarly some will be closed and removed from the operational/strategic registers in the year, or where there is a likelihood of reoccurrence, remain on the register as closed risks. Assessments of impact and likelihood need to be reviewed in order to monitor the effect that mitigation actions are having on the risk or opportunity. Where appropriate, new mitigation actions may need to be identified to further reduce the risk or enhance the opportunity.

Where the relevant Group Manager agrees that an operational risk is scoring 10 or above it should be referred to Public Executive Directors for consideration with the Council Local Management Team about whether it merits inclusion on the Strategic Risk Register.

A risk is escalated if;

- The risk becomes too unwieldy to manage at operational level
- The risk remains very high even after mitigations are implemented
- The risk will impact on more than one service / project
- The risk moves outside the tolerance boundaries

The Strategic Risk Register is then reviewed and monitored on a quarterly basis by the

Local Management Teams and Audit Committee (or the Executive Directors and Publica Board) with particular focus on high priority risks including areas where significant progress has been made and/or new risks identified.

Business Managers will also review the opportunity registers on a quarterly basis. Where new opportunities are identified, the opportunity register should be completed to allow the opportunity to be scored and prioritised by the Group Manager.

Project risks should be reviewed by the project leads to consider their impacts. The project leads should update the operational risk register for their project(s) as necessary, taking into account external and internal changes as well as the risks experienced. Ensuring relevant project risks, such as IT systems or digital platform changes, are linked to, and takes account of, business continuity and emergency plans for the service area(s). Project leads should work with the programme manager to take account of the wider corporate considerations relating to their project risk register/s. Any risks should be discussed with the Project Sponsor and Group Manager at least quarterly to ensure that any significant project risks are escalated and monitored through the Council or Publica Strategic Risk Register, if relevant.

Contract risks should be reviewed by the contract monitoring officers within service areas. They should undertake a review of the risk within their contract(s) and consider their impact on the Council, updating the risk registers for their contract(s) as necessary, taking into account external and internal changes as well as the risks experienced. They should also ensure contract risk management is linked to, and takes account of, the relevant business continuity and emergency plans for the service area(s). Any risks should be discussed with the Group Manager at least quarterly to ensure that any risks are escalated and monitored through the Strategic Risk Register, if relevant. Contract monitoring officers should further ensure that processes are in place for risks identified by the contractor to be reviewed and escalated appropriately.

### **Stage 5: Reporting the risks**

Risk reporting is the final stage of the management cycle. The reporting process is to provide Members, management and Board Members (as appropriate) with the reports they need to manage risks. The relevant Group Manager is accountable for monitoring the risks within their service.

Risk information should be reported quarterly via the Local Management Team to their Council's Audit Committee and/or to the Executive Directors and Publica Board.

Effective Risk Reporting should;

- Provide relevant and sufficient risk information,
- Drive decision making and action,
- Focus on the most significant risks,

- Provide assurance that all risk exposures have been identified, assessed and mitigating controls evaluated.

## **Appendix A – Risk Categories**

There are two principal categories of risk that potentially face the Councils and Publics. These are strategic and operational.

### **Strategic Risks**

Political	Linked to the possible failure to deliver our key objectives or Central Government policy
Economic	Our ability to meet our financial commitments. For example, poor budgetary control, inadequate insurance cover, etc.
Social	The risks relating to our ability to meet the effects of changes in demographic, residential or social economic trends and the changing needs of our customers
Technology	The ability to deal with technological change and the ability to use technology to address changing demands Legislative The ability to meet the legislative demands affecting us
Legal	Ensuring compliance with the law
Environmental	Risks relating to the environmental impact of our service delivery (e.g. energy efficiency, pollution, recycling etc)

### **Operational Risks**

Professional:	Risks associated with the professional capacity and competence of our officers
Financial and resources:	Risks associated with poor resource management and good financial governance
Legal	The need to ensure our actions are legal
Physical	The need to ensure that our physical assets do not pose any risks to its staff or members of the public (e.g. fire hazards, health and safety, etc)
Contractual	Those risks associated with the failure of our contractors to deliver services to an agreed cost and quality specification
Technological	Risks associated with reliance on IT and other operational equipment
Environmental	Risks associated with pollution, noise or the energy efficiency of ongoing service operations
Staffing	Risks associated with low staff morale, poor management of wellbeing, communications and relationships and change management
Stakeholder Management and Communications	Risks associated with a failure to actively manage stakeholder engagement and communication

The above example categories represent a brief outline of the major elements of risk facing the Councils and Publica. It is important to review the above risks and their potential impact on each other as well as trying to alleviate the individual categories of risk.

## Appendix B – Checklist for Risk Identification

<b>Political</b>	Change in Government Policy Member support/approval Political arrangements
<b>Economic</b>	Demographics Economic downturn Budgetary pressures Loss of/reductions in income/funding Cost of living, interest rates, inflation Investment decisions Insurance cover
<b>Social</b>	Changing needs and expectations of customers – poor communication Reduced service delivery – impact on vulnerable groups Crime and disorder, health inequalities, safeguarding issues
<b>Technology</b>	ICT Security, availability Information – security, retention, timeliness, accuracy
<b>Legal</b>	Ensuring compliance with the law
<b>Environmental</b>	Recycling, energy efficiency, contamination, impact of planning or transportation Climate Change – more extreme events e.g. heatwaves and flooding Ecological issues

Appendix C – Example Risk Register’s


Operational Risk and Opportunity Register

PUBLICA OPERATIONAL RISKS																
GROUP:				GROUP MANAGER:												
SERVICE AREAS:																
ID	Description of Risk/Opportunity	Service Area	Category of Risk	Date Identified	Initial Risk Score			Internal Controls	Current/Residual Risk Score			Overall Change	Risk Response	Further Actions	Comments	Date Reviewed
					Original Impact	Original Likelihood	Original Risk Score		Likelihood	Impact	Risk Score					
							0				0	➔				
							0				0	➔				
							0				0	➔				
							0				0	➔				
							0				0	➔				
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## Strategic Risk Register

Strategic Risk Register														
Overarching strategic risks														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-016	Text Risk Owner: Group Manager - Strategic Support	4	4	16	Text	3	1	3	3	5	15	12	+	Text
Financial management & control														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-014	Text Risk Owner: Chief Finance Officer	4	4	16	Text	3	5	15	3	5	15	0	→	Text
Customer Focus														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-007	Text Risk Owner: Chief Executive	3	3	9	Text	3	2	6	3	2	6	0	→	Text
Organisational learning, staffing & development														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-003	Text Risk Owner: Chief Executive/Managing Director	3	4	12	Text	3	3	9	3	3	9	0	→	Text
Business processes														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-001	Text	3	4	12	Text	3	3	9	3	3	9	0	→	Text
Longer Term Risks														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-002	Text Risk Owner: Group Manager for Business Support	5	3	15	Text	4	2	8	4	2	8	0	→	Text



 <b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>	<b>WEST OXFORDSHIRE DISTRICT COUNCIL</b>
<b>Name and date of Committee</b>	<b>AUDIT AND GENERAL PURPOSES COMMITTEE 17 FEBRUARY 2022</b>
<b>Report Number</b>	<b>Agenda Item 8</b>
<b>Subject</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>
<b>Wards affected</b>	<b>N/A</b>
<b>Accountable member</b>	Councillor Suzi Coul, Cabinet Member for Finance Email: suzi.coul@westoxon.gov.uk
<b>Accountable officer</b>	Elizabeth Griffiths, Chief Finance Officer Tel: 01993 861188 Email: Elizabeth.Griffiths@westoxon.gov.uk
<b>Summary/Purpose</b>	To present a summary of the audit work concluded since the last meeting of this Committee.
<b>Annexes</b>	<b>Annex A – Report of Internal Activity 2021/22</b>
<b>Recommendation/s</b>	Please write recommendations using letters and italics as below. <i>a) That the Committee considers the report at Annex A and comments as necessary</i>
<b>Corporate priorities</b>	Delivering excellent modern services whilst ensuring the financial sustainability of the Council.
<b>Key Decision</b>	<b>NO</b>
<b>Exempt</b>	<b>NO</b>
<b>Consultees/ Consultation</b>	<b>N/A</b>

## **1. BACKGROUND**

- 1.1.** The Internal Audit Service is provided to this Council by SWAP Internal Audit Services (SWAP). SWAP is a local authority-controlled company.
- 1.2.** The report attached at Annex A sets out the work undertaken by SWAP for the Council since the last meeting of this Committee. It follows the risk-based auditing principles and, therefore, this is an opportunity for the Committee to be aware of emerging issues which have resulted from SWAP involvement.
- 1.3.** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

## **2. MAIN POINTS**

- 2.1.** The progress report enables the Audit and General Purposes Committee to monitor the work of the Internal Audit Service and ensure that it remains effective. It also provides the Committee with assurance opinions over areas reviewed within the reporting period, details of audit recommendations and the outcome of follow-up reviews conducted on previous audit recommendations.

## **3. FINANCIAL IMPLICATIONS**

- 3.1.** The Internal Audit Service is operating within the contract sum.

## **4. LEGAL IMPLICATIONS**

- 4.1.** None directly from this report. Internal Audit reviews consider compliance with legislation relevant to the service area under review.

## **5. RISK ASSESSMENT**

The weaknesses in the control framework, identified by the Internal Audit activity, continues to threaten organisational objectives if recommendations are not implemented.

## **6. BACKGROUND PAPERS**

- 6.1.** Internal Audit Reports

# West Oxfordshire District Council

## Report of Internal Audit Activity

January 2022

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## Contents

The contacts at SWAP in connection with this report are:

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- Appendices:

Appendix A – Internal Audit Definitions

Appendix B – Audit Plan Progress

Appendix C – Summary of Audit Assignments

Appendix D – High Priority Findings and Agreed Actions

Appendix E – Summary of Agreed Actions

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- No
- Limited
- Reasonable
- Substantial

#### Audit Framework Definitions

#### Control Assurance Definitions

<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					2020/21 Audits in Draft / In Progress at Annual Opinion			
Operational	Authority’s Response to Covid-19	Final Report	Medium Substantial	-				Reported in September
Key Financial Control	Accounts Payable	Final Report	High Reasonable	3		1	2	Reported in September
Key Financial Control	Payroll	Final Report	High Reasonable	1			1	Reported in September
ICT	Systems Admin	Final Report	Medium Reasonable	2		2		Reported in September
Key Control	Human Resources	Final Report	Medium Reasonable	5		2	3	Reported in September
Governance	Risk Management	Final Position Statement	N/A	-				See Appendix C
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1			1	Reported in September



Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
2021/22 Audit Plan								
Support	Business Grant Funding	Complete	N/A	-				Head of IA seconded to Council to support processing of Mandatory and Discretionary Business Grants from November onwards
Support	Business Grant Funding – Post Payment Assurance	On-Going	N/A	-				Head of IA working with Counter Fraud Manager to support post payment assurance review
Support	Business Grant Funding – ARG Scheme (January) (NEW)	In Progress		-				Support to administration of new ARG Scheme
Support	Business Grant Funding – Omicron Grants (January) (NEW)	In Progress						Support to administration of new Omicron Grant Scheme
Support	Environmental Services Improvement Programme	On-Going	N/A	-				Support to the Programme
Support	Ubico – New Shareholder	Complete	N/A	-				Support to Project Team
Operational	Accounts Payable	In Progress						Quarterly review of payments made. See Appendix C
Operational	Fire Risk Assessments	Final Report	High Reasonable	1		1		See Appendix C
Support	Civica – Merge of 3 Systems	Complete	N/A	-				Support to Project Team
Operational	Procurement Cards	In Progress						
Operational	Emergency Planning	Final Report	High Reasonable	4		3	1	See Appendix C
Operational	Election Expenses – Treatment of VAT	Audit Deferred						Request to defer audit to 2022/23 due to change in officers



Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement (Contract Management and Monitoring)	Final Report	High Reasonable	2			2	See Appendix C
Governance	Governance of Programmes and Projects	In Progress						
Operational	Publica Performance Information	In Progress						
Operational	Monitoring the Performance of Strategic Commissioned Services	In Progress						
Key Financial Control	Revenues and Benefits							
Key Financial Control	<ul style="list-style-type: none"> <li>Council Tax and National Non-Domestic Rates</li> </ul>	Draft Report						
	<ul style="list-style-type: none"> <li>Housing and Council Tax Benefits</li> </ul>	Draft Report						
Key Financial Control	Core Financials							
	<ul style="list-style-type: none"> <li>Accounts Payable</li> </ul>							
	<ul style="list-style-type: none"> <li>Main Accounting and Accounts Receivable</li> </ul>	In Progress						
	<ul style="list-style-type: none"> <li>Payroll</li> </ul>	In Progress						
	<ul style="list-style-type: none"> <li>Treasury Management and Bank Reconciliation</li> </ul>	In Progress						Request for further testing in respect of cashflow forecasting to be undertaken Qtr1 2022/23
Key Financial Control	Human Resources							

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Other Support Service provided by Publica <ul style="list-style-type: none"> <li>Procurement (Compliance with Strategy)</li> </ul>							
ICT	Vulnerability Management	In Progress						
ICT	Accounts with Admin Privileges	In Progress						
Grant Certification	Disabled Facilities Grants							
Grant Certification	Restart Grants	Complete						
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	On Going						
Other Audit Involvement	Working with the Counter Fraud Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

The following information provides a brief summary of each audit review finalised since the last Committee update

## Risk Management – Final Position Statement – September 2021

### Objective

To ensure the Councils' and Publica have a planned and systematic approach to the identification, evaluation, and management of risks to control the probability and/or impact of unfortunate events, or to maximise the realisation of opportunities.

### Executive Summary

Effective Risk Management is an important part of an organisation's ability to identify, assess and mitigate areas of concern or take advantage of opportunity that may affect, positively or negatively, the achievement of an organisation's business objectives and goals within their strategy.

As Service Provider for most Council services, Publica manage operational risk on behalf of the Council. An assurance audit for Risk Management was originally included in the agreed Audit Plans at WODC and Publica. Currently, work is being done to update the policy, processes, and compliance procedures. Previous audit recommendations which are not yet fully implemented including implementing robust and consistent working practices.

We have not offered an assurance opinion due to the planned improvements and current work ongoing, but we have agreed an action plan with the Business Manager based on our observations and suggestions, which when implemented, will enhance compliance with the policy and process.

We will undertake a further audit later in the year including following up on progress of the agreed actions and provide an assurance opinion. Where appropriate, we will also include specific Risk Management compliance tests within future Service Area audits to continually assess the general improvements being made in this area.

SWAP is looking to introduce a Risk Management Forum. The aim of this is to discuss such topics as common risks, analysis of strategic risks, frameworks used for risk management, horizon scanning and other items of interest. Officers and Members from across the Partnership will be welcome to join and contribute so ideas and best practice can be shared and learned from one another. The Business Manager – Corporate Services has advised she has already been contacted and confirmed her interest in the Forum.

## Fire Risk Assessments – Final Report – September 2021

### Audit Objective

To assess the arrangements and mechanisms in place to identify the risks associated with fire, and the resulting implementation of adequate and timely controls and actions to mitigate risks identified.

### Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

### Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	0
Total	1

### Risks Reviewed

If the arrangements in place to identify and mitigate fire risk are not adequate, this could result in fatalities and/or damage following a fire at a Council property.

### Assessment

Low

### Key Findings

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The Fire Risk Assessment Works Schedule supplied by Publica Property Services was incomplete and outdated.

Publica Property Services have agreed to review and update the document to ensure it is current and actions are SMART. This will ensure remedial actions can be effectively monitored and completed.



A temporary fire evacuation procedure was implemented and published on the Publica Portal in response to Covid-19. The Health and Safety Business Partner confirmed a new procedure is currently being developed for when more people return to the office.



Corinium Fire Safety Consultancy completed the most recent Fire Risk Assessment in 2019; the next assessment is due to be completed in 2022. Publica Health and Safety service area audits include a section on safety and maintenance aspects of fire prevention.



The Responsible Person, a Property Services Officer and a Health and Safety Officer meet to review the Fire Risk Assessment actions quarterly.

### Audit Scope

The scope of this audit covered the Elmfield and Woodgreen Offices, Witney.

Meetings were held with the Publica Health and Safety Business Partner and Publica Interim Joint Operations Manager, and we discussed;

- Fire Risk Assessments
- Fire Risk Assessment Action Plan and Remedial Actions
- Monitoring and Review

The 2021/22 Fire Risk Assessment works schedule maintained by Publica Property Services was also reviewed for the properties included in the scope.

### Other Relevant Information

The Regulatory Reform (Fire Safety) Order 2005 covers general fire safety in England and Wales. The Chief Executive Officer is the 'Responsible Person' and must ensure a fire safety risk assessment is carried out, implemented, and maintained. In most premises, local fire and rescue authorities are responsible for enforcing this fire safety legislation.

## Emergency Planning – Final Report – November 2021

### Audit Objective

To provide assurance the emergency planning framework supports local communities in an emergency.

### Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

### Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	3
Priority 3	1
Total	4

### Risks Reviewed

Ineffective emergency planning and responses result in non-compliance with statute and insufficient actions, causing damage to human welfare and the environment.

### Assessment

Low

### Key Findings



The Council Constitution and agreement between Publica and the Council do not clearly define civil contingency roles and responsibilities. These documents must be updated to ensure requirements are clear; any changes must be approved by Members.



None of the current gold commanders have undertaken training in the last 3 years. A training schedule will be introduced to ensure all officers and members are familiar with current emergency planning procedures.



There is no guidance for how to use WhatsApp securely. The Counter Fraud Unit are developing a Social Media Policy, which will include its use. Emergency Planning will liaise with Counter Fraud to ensure officers are aware of how to share information correctly in emergency planning WhatsApp groups.



The Emergency Planning Contact Directory contained officers who were no longer Publica or Council employees. Emergency Planning will liaise with HR to ensure they are notified of all leavers so the directory can be updated when required.



Publica is reviewing its Emergency Planning documentation. The Councils Flood Response Plan has been drafted and will be reviewed by the Environment Agency. All response plans are held on Resilience Direct, system used by the Local Resilience Forum (LRF). Publica officers regularly attend LRF meetings. Publica are due to undertake an emergency planning desktop training exercise in November 2021.

### Audit Scope

A review of Publica Emergency Planning documentation and procedures in place on behalf of WODC has been undertaken. We looked at a selection of controls in the below areas;

- Planning and implementation
- Information sharing and communication
- Ongoing management

Discussions were held with the Publica Business Manager – Corporate Responsibility and the Publica Risk and Resilience Specialist. A demonstration of the Resilience Direct system was provided.

The Emergency Planning Internal Contact Directory was reviewed to ensure it was current. And the Councils Flood Response Plan was checked to ensure it was in place and had been recently updated.

### Observations

- Publica's engagement with town and parish councils is currently inconsistent. The Risk and Resilience Specialist confirmed they plan to work with local communities, to help residents feel more supported prior to Publica officers arriving at an incident.
- The Publica Covid-19 risk register was regularly reviewed by the working group but the dates in the document do not support this; some risks are also missing internal controls and further actions. The Publica critical services list and risk of concurrent events document have no audit trail to support when they were created or last updated. These discrepancies should be addressed in the wider Publica risk management review which is currently being undertaken.

## Accounts Payable – Continuous Auditing Analysis - December 2021

### Audit Objective

The objective of the continuous review is to:

- Identify potential duplicate payments, summarise, and present to the AP team for remedial action,
- Review payments made on 'Sundry Supplier' codes to ensure genuine 'one-off' payments.

### Audit Scope

**1. Duplicate payments** – review covers a period of 2 years, checking for potential duplicate payments for the Council and between Councils and/or Publica and/or CBH. Findings have been summarised and reported to AP for further review and correction where necessary. Findings have been followed-up during the subsequent review.

**2. Sundry Suppliers** – review covers current quarter, checking for numerous payments made to a supplier. Where examples of these are identified they have been reported to AP for further review and where appropriate the creation of a specific supplier record on AP will be required.

Testing / Findings	Q1 (Aug 21)	Q2 (Nov 21)	Q3	Q4
<b>Duplicate Payments</b>				
Number of Duplicate Payments identified (paid twice by Council / Publica)	3	2		
Value of Duplicate Payments identified (paid twice by Council / Publica)	£7,114.86	£802.94		
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	1		
Value of Payments outstanding from previous quarter	n/a	£620.00		
Number of Duplicate Payments identified (paid by Council and Publica or by 2 Councils)	0	1		
Value of Duplicate Payments identified (paid by Council and Publica or by 2 Councils)	£0	£435.89		
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	n/a		
Value of Payments outstanding from previous quarter	n/a	£0		
<b>Sundry Suppliers</b>				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	2	1		
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier	4	2		
Supplier record created on BW	0	1		

### For Information

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

## Contract Management and Monitoring – Final Report - December 2021

### Audit Objective

To provide assurance that appropriate systems are in place to ensure that contracts are developed, managed, and monitored in accordance with the Council's policies and procedures.

### Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

### Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	2
Total	2

### Risks Reviewed

The Council does not follow legislative requirements or its own Procurement and Contract Rules.  
Ineffective contract management and monitoring arrangements leave the Council unable to deliver key services

### Assessment

Low

Low

### Key Findings

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Officers were unable to locate the final contract for the Talisman Business Centre grounds maintenance contract. A draft contract (unsigned), tender award documentation and requirements of monthly site visits was provided.

Official contract documentation ensures potential mis-understanding or disputes are mitigated as responsibilities will be clearly identified in a legally binding document.



Whilst day to day management and monitoring of the contract was in accordance with the tender award documentation, there was no evidence of any reviews of the contractor's business continuity arrangements.

Service area business continuity plans are in place and are being reviewed. However, discussing, and reviewing contractors' business continuity arrangements are key to ensuring minimal impact to service delivery, if a problem was to occur.



We have revisited the agreed actions that were made in the previous procurement audit and can confirm 4 have been implemented and one is in progress.

### Audit Scope

This work addressed the above objective and reviewed the controls operating in the following areas:

- Development of contracts including legal review
- Variation to contracts
- Management and monitoring of contracts

The Talisman Business Centre grounds maintenance contract was selected for review.

A virtual meeting with the Contract Manager and evidence provided has helped to inform the assurance opinion.

Testing undertaken has assessed the effectiveness of processes operating.

We also followed up recommendations from our previous Procurement & Contract Management audits.

### Further information

Actions have been agreed with Publica officers to ensure the above findings are actioned. All Publica officers involved with managing and monitoring any of the Council's contracts will be advised accordingly which in turn will improve the control environment.

Review of a contract that covered all 4 Publica councils found strong controls were operating. Changes may be required to the procurement approach due to the company being acquired by another.

Assurance has been offered over the controls that the service area(s) have in place for the Talisman Contract and the contract that covers 4 Publica Councils only. Absolute assurance cannot be provided in any audit and therefore undertaking a further audit of other Council contracts may provide additional assurances.



## High Priority Findings and Agreed Actions

## APPENDIX D

Audit Name	Priority	Finding	Agreed Action	Due Date / Rev Date	Responsible Officer	Update January 2022
Risk Management 45972	2	Sufficient Training, Support and Guidance should be provided to Managers.	<ol style="list-style-type: none"> <li>1. Obtain approval of the updated Risk Management Policy.</li> <li>2. The Risk Officer now attends Quarterly Management Meetings to increase visibility and discussion around Risk Management.</li> <li>3. Review and issue management guidance on Risk Management with the new template.</li> <li>4. Follow up with Training workshops on Risk Management Processes and 'how-to's' to encourage participation.</li> </ol>	Oct 2021  Ongoing  Oct 2021  Oct 2021	Business Manager – Corporate Responsibility	This will be reviewed in the follow-up audit
Risk Management 45973	2	Universal Risk Register Templates are to be issued, with consideration of dedicated Risk Management Tooling.	<ol style="list-style-type: none"> <li>1. Implement the agreed new template across all Service Areas.</li> <li>2. Consider the use of existing, or purchase of new Risk Management software.</li> <li>3. If appropriate, feed into the Training and Guidance programme.</li> </ol>	Oct 2021  Oct 2021  Oct 2021	Business Manager – Corporate Responsibility	This will be reviewed in the follow-up audit
Fire Risk Assessments 45890	2	The Fire Risk Assessments Work Schedule supplied (June 2021) is incomplete, outdated and actions are not SMART. Not all recommendations made by Corinium Fire Safety Consultancy in the Fire Risk Assessments were identified in the Work Schedule.	We will review and update the Fire Risk Assessments Work Schedule to ensure it is accurate, current, and actions are SMART. We will ensure the progress of all recommended actions can be easily tracked to completion	Dec 2021	Interim Joint Operations Manager	

# High Priority Findings and Agreed Actions

## APPENDIX D

Audit Name	Priority	Finding	Agreed Action	Due Date / Rev Date	Responsible Officer	Update January 2022
Emergency Planning 46168	2	Statutory responsibilities are not clearly defined.	We will; <ul style="list-style-type: none"> <li>review the agreements between Publica and the Councils</li> <li>clearly define roles and responsibilities and</li> <li>ensure the wording in the Constitutions is clear and not subject to interpretation. Any changes will be approved by Members.</li> </ul>	Dec 2021	Business Manager – Corporate Responsibility	
Emergency Planning 46080	2	Gold Commanders have not undertaken training in the last 3 years.	We will introduce a training schedule to ensure all officers and members undertake regular training, as appropriate to their roles.	Dec 2021	Business Manager – Corporate Responsibility	
Emergency Planning 46119	2	No guidance for the use of Emergency Response WhatsApp groups.	We will liaise with the Counter Fraud Unit and ensure the Social Media Policy and guidance for WhatsApp use is provided to all emergency response officers. This guidance will ensure officers share information relating to emergency incidents securely, and chats are removed from personal devices when necessary.	Dec 2021	Business Manager – Corporate Responsibility	
Systems Admin 45115	2	Previous Recommendations not implemented		Jan 2022	ICT Audit and Compliance Manager	
Systems Admin 45236	2	Some controls not as robust as expected		Jan 2022	ICT Audit and Compliance Manager	

## High Priority Findings and Agreed Actions

## APPENDIX D

Audit Name	Priority	Finding	Agreed Action	Due Date / Rev Date	Responsible Officer	Update January 2022
Accounts Payable 45450	2	Amendments to supplier accounts cannot be monitored.	We will contact Publica Business World On System Support & Maintenance to investigate how we can monitor amendments made to supplier accounts, and we will monitor account amendments weekly.	Sept 2021	AP Team Leader	This will be followed up during the annual Accounts Payable audit.
Human Resources 45249	2	Third parties and/or temporary staff working for or on behalf of the Council are not required to carry out mandatory training modules	Consideration will be given to providing access to individuals with access to the Publica/Council network and/or working on Publica/Council premises with access to mandatory training via the current e-learning systems in place, including temporary agency staff, external partnership workers and Members.	Mar 2022	Business Manager - HR	
Human Resources 45287	2	The Publica Learning and Development Guidance and associated forms (Training Brief form and Learning Contract) have not been fully approved by relevant Employee Trade Unions.	The Publica Learning and Development Guidance and associated forms will be submitted for review and approval by Employee Trade Unions, and upon approval will be submitted for formal adoption by Publica.	<del>Sept 2021</del> Nov 2021	Business Manager - HR	Revised Implementation Date

# High Priority Findings and Agreed Actions

## APPENDIX D

Audit Name	Priority	Finding	Agreed Action	Due Date / Rev Date	Responsible Officer	Update January 2022
Council Tax and NNDR 44610	2	The Revenues Technical Lead reviews suppressed accounts but is also able to add suppressions to accounts. To ensure there is separation of duties and mitigate against accounts being suppressed and not checked, the Revenues Technical Lead should have his suppression permissions removed.	To ensure there is separation of duties, the Revenues Technical Lead should have his suppression permissions removed.	Mar 2021	Business Manager – Operational Services	Discussed with Revenues and Benefits Manager as part of the 21/22 Audit. He advised (as per previous updates) the lead Officers need to be able to suppress accounts as part of operational activities. There's always the chance (should anything be wrong) that other officers will detect any issues, and this is a deterrent of individual wrong-doing. As below Chris advised he can monitor when this happens.  Action closed as risk accepted.
Housing Benefits and Council Tax Support 44592	2	At the time of audit work the Business Partner Accountant advised that due to the increased workload brought about by Covid-19, reconciliation of Housing Benefit has not been undertaken so far during this financial year.	It was confirmed that it will be undertaken as soon as workloads allow.	<del>Jan 2021</del> Mar 2022	Business Partner Accountant	This recommendation was followed up during the 21/22 Audit. The Chief Accountant responded as follows:  "We are currently working on the reconciliations to the GL and will forward when they are complete by the end of the week.  Usually, the reconciliation of Housing Benefit payments is done at year end but as I now have a replacement Accountant in post I will probably ask him to reconcile Benefit payments once before the end of the calendar year and then again at year end which I shall be happy to share with you."  Agreed to extend the recommendation to the year end to ensure this is done.

## High Priority Findings and Agreed Actions

## APPENDIX D

Audit Name	Priority	Finding	Agreed Action	Due Date / Rev Date	Responsible Officer	Update January 2022
ICT Incident Management 44560	2	As part of the Information Security framework of policies, the Incident Management Policy is out of date and requires review, update, and approval. Update of the policies has been impacted by the Covid-19 pandemic, and the need for a review is recognised by the ICT Audit & Compliance Manager.	ICT Audit and Compliance Manager will review and update all ICT Security Policies following the completion of the Cyber Security audit report. The aim to have drafted policies by April 2021 for circulation to all network users.	<del>Apr 2021</del> Mar 2022	ICT Audit and Compliance Manager	The refresh and update of all ICT Policies is in progress and will be subject to consultation.  Revised implementation date
ICT Incident Management 44562	2	There is a lack of detailed standard operating procedural documentation. Incident management investigation is currently based on a high-level process flow-chart denoted in the Incident Management policy; however, this lacks detailed information on how to conduct an incident investigation.	We have now commenced with documenting our cyber incident and investigation managements procedures	Jan 2022	ICT Audit and Compliance Manager	Ongoing  The ICT Audit and Compliance Manager is working with the Security Engineer on an incident playbook that define the procedures and steps to be taken during an incident investigation. On target for completion by January 2022.  Will be reviewed in the Vulnerability Management audit
Council Tax and NNDR 43345	2	Periodic review (quarterly) of accounts in credit should be undertaken and action taken to return monies that are not due to the Council. These actions must be documented on customer accounts to provide an audit trail. Where monies are unable to be refunded, appropriate accounting actions must be undertaken to remove the credit value from the CT / NNDR system.	Putting into place a periodic report of credit accounts to be followed up by Revenues Officers	<del>Mar 2020</del> Dec 2021	Business Manager – Operational Services	The Revs Operational Lead has confirmed and provided evidence this recommendation is being addressed by 2 members of the wider team.  Agreed Action Completed

## Summary of all Agreed Actions from April 2019 and Progress against them

WODC ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	0	0	7	7
Open and current	0	0	0	0
Open and Outstanding/Overdue Subject to follow up	0	0	0	0
Open with date extended	0	0	0	0
Closed	0	0	7	7

PUB ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	0	25	26	51
Open and current	0	8	7	15
Open and Outstanding/Overdue Subject to follow up	0	1	5	6
Open with date extended	0	6	3	9
Closed	0	10	11	21