

# Governance Committee

Tuesday, 6th February, 2024, 6.00 pm

Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH  
and [You Tube](#)

## Agenda

### 1 Apologies for absence

### 2 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

### 3 Minutes of the Last Meeting

(Pages 3 - 6)

Minutes of the meeting held on Tuesday, 28 November 2023 to be agreed and signed as a correct record.

### 4 External Auditor's Report

(To Follow)

Report of Grant Thornton to follow.

### 5 Final Audit Findings Report

(To Follow)

Report of Grant Thornton to follow.

### 6 Statement of Accounts 2022/23

(To Follow)

Report of the Director of Finance to follow.

### 7 Internal Audit Progress Report

(Pages 7 - 70)

Report attached.

### 8 Risk Management Strategy

(Pages 71 - 86)

Report attached.

Chris Sinnott  
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillors  
Colin Sharples (Chair), Wesley Roberts (Vice-Chair), Damian Bretherton,  
Peter Gabbott, Pete Pillinger, Margaret Smith and Angela Turner

The minutes of this meeting will be available on the internet at  
[www.southribble.gov.uk](http://www.southribble.gov.uk)

#### Forthcoming Meetings

6.00 pm Tuesday, 26 March 2024 - Shield Room, Civic Centre, West Paddock,  
Leyland PR25 1DH

**Minutes of** Governance Committee

**Meeting date** Tuesday, 28 November 2023

**Members present:** Councillors Colin Sharples (Chair), Wesley Roberts (Vice-Chair), Damian Bretherton, Peter Gabbott, Pete Pillinger, Margaret Smith and Angela Turner

**Officers:** Chris Moister (Director of Governance), Louise Mattinson (Director of Finance and Section 151 Officer), Jean Waddington (Principal Financial Accountant), Neil Halton (Principal Management Accountant) and Clare Gornall (Democratic and Member Services Officer)

**External attendees:** Matt Derrick (Public Sector Audit Senior Manager) (Grant Thornton)

**Other members:** Councillor Phil Smith (attending in person); and  
Councillors Lou Jackson, Elaine Stringfellow, Caleb Tomlinson, Matthew Tomlinson, and Karen Walton (attending virtually).

**Public:** 0

## 28 Apologies for absence

None.

## 29 Declarations of Interest

There were no declarations of interest.

## 30 Minutes of the Last Meeting

**Resolved:** That the minutes of the meeting held on 26 September 2023, be agreed and signed as a correct record.

## 31 Draft Audit Findings Report 2022-2023

Matt Derrick, External Auditor (Grant Thornton) presented the draft Audit Findings Report 2022-23.

Mr Derrick reported that there would need to be an adjustment to the accounts arising from the fact the pension fund valuation was now a £12.5m net asset (i.e. pension assets were now exceeding pension liabilities). Following a recent external assessment by the fund actuary, it had now been confirmed that the pension fund would not be categorised as an asset and a decision would need to be taken as to how this should be represented in the final Statement of Accounts.

# Agenda Item 3

2

It was noted that it was unusual for a pension fund to be in surplus. It was highlighted that pension investments were particularly sensitive to interest rates, so the value may have actually fallen since March 2022. Mr Derrick indicated that the Lancashire Pension Fund was revalued every 3 years.

Louise Mattinson, Director of Finance indicated that the Final Audit Findings Report 2023-23 with full Management Responses (including progress with regard to procurement recommendations), would be submitted to Governance Committee in January 2024.

Arising from a query in relation to a formal policy for cyber security (page 17), Louise Mattinson indicated that she had passed on the matter to the Director of Customer and Digital, Asim Khan, for a response.

**Resolved** – That the report be noted.

## 32 Statement of Accounts 2022/23

Jean Waddington, Principal Financial Accountant, presented a report of the Director of Finance for approval of the Statement of Accounts 2022-23. As the external audit had not yet been fully completed, the report recommended that the Director of Finance, in consultation with the Chair of the Governance Committee, should approve any further non-material amendments to the Statement of Accounts, if necessary. However, if the Director of Finance is of the opinion that the amendments are material to the financial position of the council, Governance Committee should be reconvened to approve the new Statement of Accounts.

Ms Waddington explained that unfortunately, it would not be possible to meet the statutory deadline of publishing the Audited Statement of Accounts by 30 November 2023, however, it was hoped that would be actioned in December/January.

With regard to the pie charts on page 81 (“Where the money was spent” and “Where the money came from”), members requested that the actual figures be included rather than percentages.

With regard the financial risks identified arising from the Government’s annual financial settlement, Louise Mattinson stressed that the Council was lobbying central government for a longer term financial settlement.

Arising from a query regarding the financial standing of the council compared to other councils, Louise Mattinson indicated that she would circulate a copy of the CIPFA Resilience Report that provides comparison between South Ribble BC and its ‘nearest neighbour’ comparators – including Chorley Council. The report was based on the data published by CIPFA for 2021/22 and had been presented to the Committee on 23<sup>rd</sup> May 2023 – the same data was expected for 2022/23 around March/April 2024 which would be brought to Committee for review and information.

It was noted that New Longton had been omitted from the breakdown of geographical areas within the Narrative Report section of the Annual Statement of Accounts and would be included in the final report.

# Agenda Item 3

3

## **Resolved:**

1. To approve the Statement of Accounts for 2022/23 (Appendix A), subject to any minor amendments identified during the final stages of the completion of the External Audit by Grant Thornton, which, in the opinion of the Director of Finance (Section 151 Officer), are minor in nature, i.e. defined as non-material to the finance position of the council;
2. To delegate authority to the Director of Finance, in consultation with the Chair of the Governance Committee, to make such amendments;
3. If amendments are identified during the final stages of the completion of the External Audit by Grant Thornton, which the Director of Finance considers to be material to the financial position of the council, the Governance Committee will be reconvened to approve the new Statement of Accounts;
4. To authorise the Director of Finance and Chair of Governance Committee to sign the Letter of Representation (Appendix B).

## **33 Treasury Management Mid Year Review 2023/24**

Jean Waddington, Principal Financial Accountant presented a report of the Director of Finance on Treasury Management performance and compliance with Prudential Indicators for the period end 30 September 2023.

The report also presented monitoring figures for the quarter ended 30<sup>th</sup> September 2023, including updated interest rate forecasts from Link Asset Services.

**Resolved :** That the report be noted.

## **34 Constitution Update**

The Director of governance, Chris Moister, presented a report informing members of proposed and consequential amendments to Part 2: Governance – how we run the Council and decisions in the Council's Constitution.

**Resolved:** That the Committee notes the proposed changes detailed in the report and recommends them to Full Council for approval.

Chair

Date

This page is intentionally left blank

# Agenda Item 7



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 6 February 2024

## Internal Audit Interim Report as at 31<sup>st</sup> December 2023

Is this report confidential?	No
------------------------------	----

Is this decision key?	No
-----------------------	----

### Purpose of the Report

1. The purpose of this report is to advise members of the work undertaken in respect of the Internal Audit Plan from September 2023 to December 2023 and to give an appraisal of the Internal Audit Service's performance to date.

### Recommendations

2. Members are asked to note the position with regard to the Internal Audit Plan.

### Reasons for recommendations

3. The production of reports setting out progress against the audit plan is a key requirement of the Public Sector Internal Audit Standards.

### Other options considered and rejected

4. Not applicable.

### Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

<b>An exemplary council</b>	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

# Agenda Item 7

## Background to the report

- The Internal Audit Plan for the six months April to September 2023 was approved by this Committee at its meeting in March 2023 and provides for 141 days of audit work. A further six-month plan covering the period October 2023 to March 2024 was approved at the meeting in September 23 and provides for a further 133 days of audit work. Successful delivery of the two combined six-month plans will mean that Internal Audit will have delivered in total 274 audit days.

## Internal Audit Reports

- Appendix A** provides a snapshot of the overall progress made in relation to the audit plans, indicating which audits have been completed and their assurance rating, those which are in progress and those that have yet to start.
- The table below highlights the main pieces of work undertaken during the period, together with any issues identified where applicable:

Name of Review	Assurance Rating	Comments
Council Tax Policies	Substantial	A copy of this report is included at <b>Appendix B</b>
Physical Security and Environmental Controls	Limited	A copy of this report is included at <b>Appendix C</b>  Due to the risks posed with the current arrangements, all agreed management actions are due to be implemented by the end of March 2024 and an update will be provided to the committee at the meeting in May 2024.
Driver Licence Checks	Limited	A copy of this report is included at <b>Appendix D</b>  All agreed management actions were agreed to be implemented by the end of March 2024 and all have now been implemented in full.
General Data Protection Regulations – Transparency	Adequate	A copy of this report is included at <b>Appendix E</b>
Asset management - Inventories	Adequate	A copy of this report is included at <b>Appendix F</b>

- In addition to the completion of the above reviews, Internal Audit continue to contribute to the various project teams and groups providing advice and guidance on internal control, risk management and governance.



# Agenda Item 7

## Internal Control System

10. To provide members with an overview of the assurance ratings awarded to date, the table below provides a summary of ratings awarded for each level of assurance for the Internal Audit Plan 23/24.

Assurance Rating	Definition	Number of Reviews
Full	the Authority can place complete reliance on the controls. No control weaknesses exist.	0
Substantial	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.	1
Adequate	the Authority can place only partial reliance on the controls. Some control issues need to be resolved.	4
Limited	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist	3

11. For all the reviews completed to date, management have accepted all the findings and the agreed actions in these reports will be followed up and reported on at future meetings of this committee.

## Internal Audit Performance

12. **Appendix G** provides information on Internal Audit performance as at 31st December 2023. The majority of indicators have either been achieved or just below the target to date with further details provided below.

### *Planned time used and percentage plan completed.*

The audit plan for 2023/24 is on track to be delivered and this is particularly pleasing given the disruption faced due to the change in resource during the year and the training needs of the new officers.

### *Percentage satisfaction rating.*

Satisfaction with the Internal Audit Service and the quality of the reviews undertaken remains consistently high.

### *Percentage of agreed actions implemented by management.*

Members will be aware that following Covid, the Council was faced with a large number of unimplemented agreed audit actions. Whilst it is accepted this has taken some time, the number of outstanding audit actions are now at pre covid levels with only a small number of actions from audit reviews prior to 2022/2023. An exercise has been undertaken to review the "older" actions to ensure they are still relevant and achievable. Although still below the target implementation rate of 90%, I am confident that this will be achieved by the end of March 2024.

# Agenda Item 7

## Climate change and air quality

13. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

## Equality and diversity

14. The material presented and discussed in this report has no direct implications on equality and diversity.

## Risk

15. Risk management is a key role of the Governance Committee and this report highlights risks where they exist.

## Comments of the Statutory Finance Officer

16. Not applicable.

## Comments of the Monitoring Officer

17. Not applicable.

## Background documents

There are no background papers to this report.

## Appendices

- Appendix A – Internal Audit Plan as at 31<sup>st</sup> December 2023  
Appendix B – Internal Audit Review of Council Tax Policies  
Appendix C – Internal Audit Review of Physical Security and Environmental Controls  
Appendix D – Internal Audit Review of Driving Licence Checks  
Appendix E – Internal Audit Review of GDPR Transparency  
Appendix F – Internal Audit Review of Asset Management – Inventories  
Appendix G – Internal Audit Performance Indicators as at 31<sup>st</sup> December 2023

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Head of Audit & Risk)	dawn.highton@southribble.gov.uk	01772 376639	3.1.24

Internal Audit Plan - April 2023 to March 2024	QTR	Status of Review	Assurance Rating
--	-----	------------------	------------------

<b>CORPORATE AREAS</b>			
Annual Governance Statement	1	Complete	Not applicable
Anti-Fraud & Corruption	ALL	On-going over the 12 months	Not applicable
NFI	ALL	On-going over the 12 months	Not applicable
<b>CUSTOMER &amp; DIGITAL</b>			
<b>Customer Services</b>			
Revenues and Benefit project support	ALL	On-going over the 12 months	Not applicable
Council Tax Policies	2	Complete	Substantial
Sundry Debtors – Aged Debts	1	Complete	Limited
Write off Process	4	Due to commence Q4	
CAPITA migration	1	Deferred	
<b>ICT</b>			
Physical Security & Environmental Controls	2	Complete	Limited
Back up and Disaster Recovery	4	Due to commence Q4	
<b>Neighbourhoods</b>			
Closed Graveyards	2	Deferred	
<b>PROPERTY AND PLANNING</b>			
Building Control	1	Complete	Adequate
Community Infrastructure Levy	3	In progress	
Commercial Directorate Development Group	ALL	On-going over the 12 months	Not applicable
Project support	ALL	On-going over the 12 months	Not applicable
<b>COMMUNITIES</b>			
Housing Standards	3	In progress	
<b>COMMUNICATIONS AND VISITOR ECONOMY</b>			
Event Management	4	Due to commence Q4	
<b>CHANGE AND DELIVERY</b>			
Performance Management / Data Quality	1	Complete	Adequate
Driver Licence checks	2	Complete	Limited
Business Grants	3	In progress	

Internal Audit Plan - April 2023 to March 2024	QTR	Status of Review	Assurance Rating
---	-----	------------------	------------------

<b>GOVERNANCE</b>			
General Data Protection Regulations	2	Complete	Adequate
Management of assets (Inventories)	3	Complete	Adequate
Risk Management	4	Due to commence Q4	
<b>FINANCE</b>			
Bank Reconciliation and cash flow forecasting	4	Due to commence Q4	
<b>GENERAL AREAS</b>			
Post Audit Reviews	ALL	On-going over the 12 months	Not applicable
Contingency / Irregularities	ALL	On-going over the 12 months	Not applicable
PSIAS – Peer Review	ALL	Complete	Not applicable
Residual Work from 2022-2023	1	Complete	Not applicable
Internal Audit Effectiveness Review	4	To commence Q4	
Committee Reporting / Effectiveness Review	All	On-going over the 12 months	Not applicable

South Ribble Council &  
Chorley Council

Final  
Internal Audit Report

# Council Tax Policies 2023/2024

Audit Assurance: Substantial  
Auditor: Jacqui Murray  
Date Issued: 12<sup>th</sup> December 2023



Cert No: 20128  
ISO 9001



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>The Local Government Finance Act 1992 (section 13A (1) (c)) and the Local Government Act 2003 Section 76 gives Councils the discretion to reduce a part or all of the Council Tax liability. Discretion is permitted where it is satisfied that the Council Taxpayer would suffer financial hardship if it did not do so. The Council meets this requirement via its Council Tax Support Scheme and Council Tax Discretionary Reductions Policy.</p> <p>Additionally, the Local Government Finance Act 2012 amended the Local Government Finance Act 1992 allowing local discretion over the implementation of certain discounts in place of statutory exemptions. The amendment also allows for the use of premiums for certain long term empty premises. In July 2018 an amendment to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act has given local authorities powers to charge greater Council Tax premiums on homes that have been empty and unfurnished for more than 2 years. Both Councils have established a Council Tax Local Empty Homes Discount and Exemptions Policy setting out their approach.</p> <p>The review is included in the 2023/24 Audit Plan approved by the Governance Committee on 7<sup>th</sup> March (SRBC) and 15<sup>th</sup> March (CBC) 2023.</p>
2	<p>This review will assess the approval procedure for the schemes outlined above and assess compliance with eligibility criteria set out within each scheme/policy.</p>

<b>Audit Objectives</b>	
3	<p>The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.</p>
4	<p>The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.</p>
5	<p>The audit will focus on specific risks where the controls in place mitigate a gross red / amber risks to a residual green risk. In addition, all fraud risks and performance management data will be included within our work.</p>

<b>Audit Assurance</b>	
6	<p>This is the first review of Council Tax Policies for both Chorley and South Ribble.</p>
7	<p>The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.</p>
8	<p>Appendix A shows the risks recorded on GRACE specific to the policies outlined above and the assurance opinion awarded to each. Our evaluation of the reliance we can place on the three lines of defence is also shown.</p>
9	<p>Our work has established that both Council's have suitable policies in place to assist Council Taxpayers on low income or suffering financial hardship; and have adopted a local policy setting out their approach to dwellings that have been empty for a prolonged period of time. It can be confirmed that policies are subject to regular review, appropriately approved and openly available to the public on each Council's website.</p> <p>Sample testing of taxpayers that had received an award via the Council Tax Support Scheme confirmed that awards had been made in accordance with the policy, a good level of information was retained to support the award, supporting evidence had been sought and retained, and the customer had been appropriately informed of the award. It was identified that original applications were not available for some</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

long-term award recipients (10+ years) due to a historical change of system however, each record contained further evidence of customer review and ongoing reconfirmation of income status. No award recipients were identified for the newly updated Council Tax Discretionary Reductions Policy (DRP) since its implementation in April 2023 therefore the control evaluation assessment below for risks 3, 4 & 5 does not include the outcomes of sample testing for this policy.

No issues were identified with the application of discounts/premiums sampled taxpayers falling within the remit of the Council Tax Local Empty Homes Discount and Exemptions Policy.

New updated procedure notes/training guidance is in the process of being developed to support new officers and these should be implemented and distributed as soon as practicable.

Supervisory/quality checks of officer administration have not been undertaken for the period under review and should be introduced to ensure that established controls are being adhered to, and to reduce the risk of errors and/or omissions not being identified.

There are only a couple of improvements to be made to strengthen the current operational arrangements which are detailed in the action plan at Appendix B.

For these reasons, a **Substantial** assurance rating has been awarded for this review.

**Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	Control Evaluation
<b>Risk 1 - Suitable schemes/policies have not been approved and adopted by the Council</b>	
Policies approved by appropriate Committee	Working as Intended
Policies are subject to regular review	Working as Intended
Revenues & Benefits Team are aware of policy/policies are accessible	Working as Intended
Policies are available to Council Tax customers	Working as Intended
<b>Risk 2 - Failure to inform residents of the help available</b>	
Policies are available to Council Tax customers	Working as Intended
Customer Services/Revenues and Benefits Team advise customers of policies.	Working as Intended
<b>Risk 3 - Applications are not correctly assessed, and an incorrect award is made **</b>	
Applications correctly identified and processed	Working as Intended
Applications correctly assessed against scheme criteria	Working as Intended
Applications correctly approved	Working as Intended
Supervisory checks	Action 2
Applicant notified of award	Working as Intended
<b>Risk 4 - Inconsistent application of policies **</b>	
Applications correctly identified and processed	Working as Intended
Applications correctly assessed against scheme criteria	Working as Intended
Applications correctly approved	Working as Intended
Supervisory checks	Action 2
Officer knowledge and training	Working as Intended
Revenues & Benefits Team are aware of policy/policies are accessible	Working as Intended

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>Risk 5 - Inadequate records of eligibility are maintained **</b>	
Capita system contains full details of awards	Working as Intended
Capita system provides notes facility to aid with claim progression/tracking customer interaction	Working as Intended
Information@work is used to retain customer documentation and correspondence	Working as Intended
System maintains a full audit trail of claim status	Working as Intended
Guidance notes/procedure notes are available.	Action 1
<b>Risk 6 - Appeals are not processed fairly.</b>	
Appeals follow the process outlined in the approved policy	Working as Intended

\*Additional risks and controls identified by Internal Audit to be added to GRACE

\*\* No DRP awards available for testing within the review period.



## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
Council Tax Policies	Management		Internal Audit	Both Councils have suitable approved policies in place in accordance with the respective Local Government Finance Acts. Reliance can be placed on the 1 <sup>st</sup> Line of Defence as sample testing confirmed good application of the policy. This can be further strengthened by reintroducing periodic quality checks of officer administration.

### Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
<b>Risk 1</b> - Suitable schemes/policies have not been approved and adopted by the Council		✓		
<b>Risk 2</b> - Failure to inform residents of the help available	✓			
<b>Risk 3</b> - Applications are not correctly assessed, and an incorrect award is made			✓	
<b>Risk 4</b> - Inconsistent application of policies			✓	
<b>Risk 5</b> - Inadequate records of eligibility are maintained		✓		
<b>Risk 6</b> - Appeals are not processed fairly.	✓			
<b>OVERALL AUDIT OPINION</b>		✓		

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>MANAGEMENT ACTION PLAN</b>
-------------------------------

NO.	FINDING	AGREED ACTION	OFFICER & DATE
1	<p>Our review acknowledged that some training/system notes are available to aid officers with the Academy Council Tax system processes, and the Council's website provides a detailed guidance on the Council Tax Support Scheme/Council Tax Discretionary Reductions Policy and the Local Empty Homes Discount and Exemptions Policy.</p> <p>Detailed procedure notes/training guidance are in the process of being developed to support new officers, this should be completed as soon as practical and clearly outline:</p> <ul style="list-style-type: none"> <li>• all key processes.</li> <li>• the level of information that is required to process awards.</li> <li>• the supporting documentation/checks to be undertaken.</li> </ul>	The Benefits Manager will ensure that procedure notes are completed and made available to the team to support new officers and ensure continuity of process.	Ann Bibby  June 2024
2	<p>Although no errors were identified during sample testing, we were advised that supervisory/quality checks of officer administration have not been undertaken for the period under review.</p> <p>Supervisory/quality checks should be introduced to ensure that established controls are being adhered to, and to reduce the risk of errors and/or omissions not being identified.</p>	The Revenues Manager and the Benefits Manager will assess processes and ensure that supervisory checks/quality checks are re-introduced to key areas to ensure that established controls are being adhered and the risk of errors and/or omissions not being identified is reduced.	Debbie Butterworth/Ann Bibby  June 2024

# Internal Audit Report

## Chorley Council and South Ribble Borough Council Physical Security and Environmental Controls

Date October 2023

Version 1.0



**Salford Technical Audit Services**

Providing IT audit services since 2003

## Internal Audit Team and Key Contacts

Client Lead – Internal Audit	Dawn Highton - Head of Audit and Risk		
Client Lead - ICT	Emma Marshall – Head of ICT		
Report Author	Angela Fletcher	Client Technical Audit Manager	angela.fletcher@salford.gov.uk
Reviewed By	Gary Marland	Head of Technical Audit	gary.marland@salford.gov.uk

# Audit Overview

Overview	Audit Objectives
<p>Chorley Council and South Ribble Borough Council have a shared ICT service, supported by three separate data centres and a key comms room.</p> <p>Robust physical security and environmental controls at all data centres are key to ensuring continuity and availability of data and services.</p> <p>Inadequate physical security can lead to unauthorised access to critical systems which could lead to loss of service and data.</p> <p>Additionally, insufficient environmental controls could also affect the availability of the councils' critical IT infrastructure, e.g., fire, flood, power loss.</p>	<p>The objective of this review was to verify whether there are appropriate controls in place to minimise the key risks associated with the management and operation of the councils' data centres.</p> <p>The audit concentrated on the following areas:</p> <p>Physical Security</p> <ul style="list-style-type: none"><li>• Perimeter Access</li><li>• External and Internal Access Controls</li><li>• CCTV</li></ul> <p>Environmental Controls</p> <ul style="list-style-type: none"><li>• Fire Protection</li><li>• Water / Flood Protection</li><li>• Environment – Air Quality, Temperature, Sound level.</li><li>• Cooling</li><li>• Power / Electrical Protection</li><li>• Equipment Positioning / Flooring</li></ul>

## Opinions and Approach

Any opinions and actions arising from the review will be based on interviews with key staff, an evaluation of the documentation in place and observations made when assessing systems and procedures.

Internal Audit performs its work in accordance with its Charter, the Public Sector Internal Audit Standards, and Code of Ethics.

The auditors are alert to indicators that fraud, corruption or bribery may have occurred and consider procedural weaknesses / opportunities that could increase the risk of occurrence. In the event that any concerns were identified, they will have been discussed with management, and

reflected in the report detail and action plan. There were no impairments to the independence and objectivity of assigned auditors in relation to the work to be undertaken.

# Executive Summary

## Risk Opinion

The review of Physical Security and Environmental Controls for the Chorley and South Ribble data centres and comms room concluded that key risks are not being mitigated to an acceptable level.

There are significant concerns regarding several critical areas, including unauthorised physical access, absence of internal CCTV surveillance, deficient fire suppression systems, power protection and water ingress risks, all of which have reflected the lower risk opinion score.

The consequence of failing to mitigate these significant risks could lead to both councils losing critical IT services. Following this review, it is advised that an urgent assessment of the recovery timeframes of key services must be formally assessed should the data centres not be available.

As a result, we have made eleven priority 1 recommendations and one advisory point that, if implemented, will enhance the current control environment.

## Risk Opinion Score



The scale above is an indication of the level of control measures in place to manage risk. See Appendix B for more details.

Scope/Objective	Recommendation Reference <sup>1</sup>		
	1	2	Advisory
Perimeter Access	R1	-	-
Access Control Systems	R2	-	-
Visitor Management	R3	-	-
CCTV	R4	-	-
Fire Detection and Suppression Systems	R5	-	-
Water/Flood Protection	R6	-	-
Environment – Air Quality, Temperature, Sound Levels	R7	-	A1
Cooling	R8	-	-
Power/ Electrical Protection	R9 and R10	-	-
Equipment Positioning/ Flooring	R11	-	-
<b>Total</b>	<b>11</b>	<b>0</b>	<b>1</b>

<sup>1</sup> See Appendix B for more detail on the Recommendation priorities.



# Summarised Findings and Actions Required

## Objective Area: Physical Security

Findings	Recommendation	Priority* (1,2, Advice)	Management Response
<p><b>Perimeter Security</b></p> <p>All data centres are discreetly located across various council owned buildings. None of the data centres display visible signage indicating their purpose. For ease of reporting, Chorley’s data centres are referred to as DC1 and DC2, and South Ribble’s data centre is referred to as DC3 and a key comms room is referred to as CR4. It is acknowledged that there are plans to close DC2 and existing equipment will be relocated. (NB: Timescales not known)</p> <p>Perimeter security is provided by CCTV surveillance systems which monitor the outer premises and entry points to the buildings. The data centres are in strong building structures which provide security against unauthorised physical access attempts. DC3 features high-level windows equipped with blinds, ensuring no visibility from the outside. However, none of the data centres have intrusion detection systems in place.</p> <p><b>Conclusion:</b></p>	<p><b>R1</b> - Management should implement intrusion detection systems at all data centres to enhance security against unauthorised physical access.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation.</p> <p>Responsible person/title: Head of Property and Development</p> <p>Timescale: 31<sup>st</sup> March 2024</p>

<p>The risk of unauthorised physical access to the data centres is increased due to the absence of intrusion detection systems.</p>			
<p><b>Access Control Systems</b></p> <p>Of the 4 rooms visited only two operate a secondary access control for enhanced security.</p> <ul style="list-style-type: none"> <li>• DC1 - IT staff require an office access pass to enter a dedicated room followed by keys from the civic team to access the data centre itself. However, there is a significant control gap as the team hand out the keys without verifying the identity of the recipient.</li> <li>• DC3 - IT staff need an office access pass to first enter an intermediary room after which a generic code, known solely to IT personnel, is used to access the data centre itself.</li> <li>• DC2 and CR4 rely solely on single-factor authentication using office access passes.</li> </ul> <p><b>Conclusion:</b></p> <p>The risk of unauthorised access is increased, where access is a single access control point.</p>	<p><b>R2</b> - Management should install a secondary access control security feature, either through a physical lock or ideally using an additional biometric access control system (face or fingerprint), that will also provide increased tracking of access.</p> <p>A register of authorised users and a log should be maintained in DC1 to enhance the control over access.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation. HFX Door entry system to be used where appropriate.</p> <p>Responsible person/title: Head of Property and Development</p> <p>Timescale: 31<sup>st</sup> March 2024</p>
<p><b>Visitor Management</b></p> <p>DC1 and DC2 have no formal visitor access procedures in place. There have been several occasions where Property Services have provided maintenance contractors with access to DC1, without notifying the IT department, which resulted in contractors being left unsupervised.</p> <p>Visitors to DC3 are accompanied and supervised, however, visits are not logged. CR4 is shared with DWP</p>	<p><b>R3</b> - Management should implement formal visitor management procedures, including access requests, sign-in/out processes and robust identification verification. Visitors should be accompanied by authorised IT personnel at all times and regular audits of access logs should be undertaken to enhance</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of Property and Development</p>

<p>and operates an appropriate visitor access request procedure which ensures visitors are always supervised.</p> <p><b>Conclusion:</b></p> <p>The risk of a security incident as a result of unauthorised or unsupervised access is increased due to the lack of formal visitor management procedures and insufficient oversight of visitor activities within the data centres.</p>	<p>security of the data centres and the data held within them.</p>		<p>Timescale: 31<sup>st</sup> December 2023</p>
<p><b>CCTV</b></p> <p>None of the data centres/comms rooms have CCTV cameras installed. This absence means that while external areas might have some level of surveillance, the internal parts of the data centres remain exposed.</p> <p><b>Conclusion:</b></p> <p>The lack of CCTV cameras within the data centres increases the risk of unauthorised access and security breaches.</p>	<p><b>R4</b> - Management should install CCTV cameras in all sensitive rooms and ensure they feature active monitoring and real-time alerts to improve security through prompt threat detection and response.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of ICT</p> <p>Timescale: 31<sup>st</sup> December 2023</p>

## Objective Area: Environmental Controls

Findings	Recommendation	Priority* (1,2, Advice)	Management Response
<p><b>Fire Detection and Suppression Systems</b></p> <p>Several concerns are noted regarding the fire detection and suppression systems across the data centres:</p> <ul style="list-style-type: none"> <li>• While all data centres are equipped with fire suppression systems, only DC3 has an Alert Management System for critical temperature notifications.</li> <li>• DC1 staff are untrained in the proper use of their fire suppression system, endangering infrastructure and potentially lives.</li> <li>• Flammable materials are stored near DC1.</li> <li>• DC2 has insufficient fire suppression measures and noted cable damage due to rodents.</li> <li>• Fire suppression cylinder stretch tests for DC3 and CR4 are urgently due, with current certifications expiring in November 2023.</li> </ul> <p><b>Conclusion:</b></p> <p>The risk of fire damage is significantly increased as a result of the concerns raised above.</p>	<p><b>R5</b> - Management should swiftly address the highlighted concerns. This includes offering comprehensive fire suppression training for key IT staff, regular maintenance and testing of fire suppression systems, including required stretch testing of canisters and removing any combustible materials stored nearby.</p> <p>It is strongly advised that all data centres fire suppressant systems should be linked to an effective environment alert management system, that can send audible alarms both internally to IT rooms and alerts via emails and text to key on call staff.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of Audit and Risk</p> <p>Timescale: 31<sup>st</sup> December 2023</p> <p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of Property and Development</p> <p>Timescale: 31<sup>st</sup> March 2024</p>

### Water/Flood Protection

There are no water ingress detection systems to identify potential water intrusion in any of the data centres.

- There are concerns about damp-proofing of DC1 which is situated in a basement.
- There is an inherent problem of water ingress into a basement room adjacent to DC1. Sandbags are positioned at the door as a way of protecting DC1 from the water ingress.
- Servicing of the air conditioning at DC2 resulted in a significant water leak that went undetected for two days.
- There are toilets situated directly above DC2 and a water pipe located directly above DC1 creating additional water-related risks.
- While the DC3 offers some protection from flooding with its raised floor, comprehensive water diversion measures to safeguard critical areas and infrastructure are insufficient.

#### Conclusion:

The risk of flooding in the data centres is increased as a result of the issues highlighted above.

### Environment – Air Quality, Temperature, and Sound Levels

All data centres lack systems to monitor air quality or humidity. As none of the rooms are occupied with staff and operate a 'lights out approach', sound risks are not applicable, unless staff are in the rooms for long periods of time.

**R6** - Management should consider installing water ingress detection systems in all data centres and have them linked to an effective environment alert management system. This will provide an early warning system to allow key IT staff to provide a timely response to either move critical servers or initiate a controlled shut down.

Critically the inherent water ingress issue at DC1 should be assessed and rectified at the earliest opportunity.

The location of all cooling systems should be evaluated to mitigate the risk of water ingress near any electric system i.e., server racks.

P1

Response: Agreed to implement recommendation

Responsible person/title:  
Head of Property and Development

Timescale: 31<sup>st</sup> March 2024

**R7** - Management should explore the implementation of air quality and humidity alert systems in all data centres to maintain optimal environmental conditions.

P1

Response: Agreed to implement recommendation

Responsible person/title:  
Head of Property and Development

<p><b>Conclusion:</b></p> <p>There is a greater risk of inefficiency, higher energy consumption, and potential overheating in the data centres due to inadequate air quality, temperature controls.</p>	<p><b>A1</b> - Risk assessments should be undertaken on the sound levels of the data centres and guidance should be sought on what is considered a safe period of time to remain inside the data centre during servicing and maintenance. It should be noted that ear protection should be worn when operating in areas above 85 dB(A). As the average data centre is over 90dB(A) then ear protection should be available in all rooms.</p>	<p>A1</p>	<p>Timescale: 31<sup>st</sup> March 2024</p> <p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of ICT</p> <p>Timescale: 31<sup>st</sup> December 2023</p>
<p><b>Cooling</b></p> <p>We noted the following observations in relation to air cooling:</p> <ul style="list-style-type: none"> <li>• DC1 maintains its air conditioning at an excessively low temperature, which could lead to higher than necessary costs.</li> <li>• DC2 lacks dedicated cooling, increasing the potential for overheating.</li> <li>• DC3 has a temperature monitoring system, but its alert feature for IT staff about temperature changes is not working.</li> <li>• CR4 utilises a cycling air conditioning system to optimise energy efficiency.</li> </ul>	<p><b>R8</b> - Manufacturers recommended cooling tolerances should be identified and cooling settings should be adjusted and aligned to maximise operational performance and reduce energy costs.</p>	<p>P1</p>	<p>Response: <b>implemented</b>      <b>Action</b></p> <p>Responsible person/title:</p> <p>Timescale:</p>

<p><b>Conclusion:</b></p> <p>There is a greater risk of overheating and potential fire due to the lack of monitoring of the cooling systems deployed. Also, as energy costs are considerable, cooling rooms at below manufacturers recommended levels will be wasting energy.</p>			
<p><b>Power/Electrical Protection - UPS</b></p> <p>DC1, DC2 and CR4 do not have the UPS (uninterrupted power supply) system connected to any environment alert management system, which can result in delays in identifying UPS malfunctions.</p> <p>A concerning observation is that if the DC1 building experiences a power loss, the server room's lighting is compromised, potentially impacting the ability of IT personnel to undertake disaster recovery actions.</p> <p>In contrast, DC3 is equipped with UPS and generator systems that are connected to an environment alert management system. This provides a timely alert via email and text to key IT staff.</p> <p>The DC3 and CR4 UPS and generator undergo annual servicing and tests, which is important for their reliability in critical scenarios.</p> <p><b>Conclusion:</b></p> <p>Due to the issues highlighted above, there is an increased risk of power disruptions and data loss at DC1, DC2 and CR4.</p>	<p><b>R9</b> - Management should consider connecting the UPS to an environment alert management system to allow early detection of a malfunction.</p> <p>All data centres should have emergency lighting, which can operate during a power outage to enable staff to undertake effective disaster recovery operations.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of Property and Development</p> <p>Timescale: 31<sup>st</sup> March 2024</p>

<p><b>Power/Electrical Protection – Backup Generators</b></p> <p>There have been no live tests of the backup generator at DC1 to verify system readiness during critical power interruptions.</p> <p><b>Conclusion:</b></p> <p>There is an increased risk that power will not continue to be provided to DC1 once the UPS batteries fail (Usually after 30 minutes) should the backup generator fail to operate as expected.</p>	<p><b>R10</b> – Backup generators should be tested at least weekly to ensure that they will effectively operate when required.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of Property and Development / Head of Operational Assets</p> <p>Timescale:31<sup>st</sup> March 2024</p>
<p><b>Equipment Positioning/Flooring</b></p> <p>In most respects, equipment positioning and flooring in the data centres are managed adequately, allowing for optimal airflow and facilitating maintenance of server racks and cable management systems. However, there are a couple of challenges as follows:</p> <ul style="list-style-type: none"> <li>• DC2, as previously mentioned, faces challenges related to targeted cooling and rodent-related cable damage beneath the floor.</li> <li>• DC2 and DC3 have substantial IT equipment stored within them. This excess storage not only raises concerns about accessibility but also poses potential fire and safety hazards.</li> </ul> <p><b>Conclusion:</b></p> <p>The storage of IT equipment, particularly in DC3 increases the risk of both safety incidents and operational disruptions.</p>	<p><b>R11</b> - Management should remove the excess IT equipment stored within the data centres to adhere to safety standards, ease access, and reduce the likelihood of operational disruptions.</p>	<p>P1</p>	<p>Response: Agreed to implement recommendation</p> <p>Responsible person/title: Head of ICT</p> <p>Timescale:31<sup>st</sup> March 2024</p>





## Appendix A: Risk opinion score definitions

Risk Opinion Score	Rationale
The risk opinion score reflects how well risks are managed in the area under review and is based on the auditor's judgement taking in to account the number/priority of recommendations made and the overall level of risk exposure including the impact on the organisation as a whole. No scientific formulae can be applied as some areas/objectives may be considered to have a higher weighting factor over other areas/objective.	
8-10	The range of scores indicate that the controls in place are very effective. Rarely will an auditor award a score of 10 as this would indicate that all risks are being managed effectively and there are no control issues to report.
5-7	The range of scores indicate that the controls in place are reasonably effective.
3-4	The range of scores indicate that the controls in place are limited in their effectiveness.
1-2	This range of scores indicate that the level of control in place is minimal. If necessary, we may request that the executive management team assess the potential impact on the organisation and take urgent action.

## Appendix B: Recommendation priority definitions

Recommendation Priority	Rationale
1	The recommendation is <b><u>essential</u></b> to the management of risk within the area under review.
2	The recommendation is <b><u>important</u></b> to the management of risk within the area under review.
Advisory	This is a suggestion intended to enhance the existing management of risk within the area under review.

## Proprietary Information

The content of this document is considered proprietary information and should not be disclosed outside of the client organisation. Salford Technical Audit Services (STAS) gives permission to copy the contents of this report for the purposes of disseminating information within the client organisation, authorised/affected third parties or any regulatory agency. In the event that, pursuant to a request which the client organisation has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder, the client organisation is required to disclose any information contained in this document, it will notify STAS promptly and will consult with STAS prior to disclosing such document.

This page is intentionally left blank

South Ribble Council and  
Chorley Council

Final  
Internal Audit Report

# Driving Licence Checks 2023/2024

Audit Assurance: Limited  
Auditor: David Holgate  
Date Issued: 26<sup>th</sup> October 2023



Cert No: 20128



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>The Council will seek to encourage safe driving practices and behaviour, and reduce the risks associated with employees driving on work related matters; as such the checking of driving licences for all employees who drive on Council business is an integral process and helps the Council meet its responsibilities under The Road Traffic Act 1988, the Health and Safety at Work etc. Act 1974 and The Management of Health and Safety at Work Regulations 1999 (as amended).</p> <p>The review is included in the 2023/24 Annual Audit Plan approved by the Governance Committee on the 7th March 2023 (CBC) &amp; 15th March 2023 (SRBC).</p>

<b>Audit Objectives</b>	
2	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
3	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.
4	<p>This review will assess the policies and procedures that the Council have implemented to meet its legal obligations and consider whether driving licence checks are being undertaken in accordance with the standards set out within.</p> <p>No fraud risks or performance management data were identified for inclusion.</p>

<b>Audit Assurance</b>	
5	This is the first review of Driving Licence Checks for both Chorley and South Ribble.
6	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
7	<p>Our review identified that both Councils have committed to undertake a programme of Driving Licence checks for all officers that carry out work related driving to help meet the requirements of various Road Traffic Acts and Health and Safety legislation outlined above (Paragraph 1) and the expectations of our insurance provider. It can be confirmed that a level of checking is being performed across both Council's with HR undertaking the majority of this function centrally utilising the Continuum system. The exception to this is South Ribble Waste Services where a local procedure is in operation for the waste fleet drivers, and the Leisure Companies whose arrangements currently lie outside of the Council approach.</p> <p>Employers need to have policies and procedures in place to ensure that vehicles (irrespective of who owns them) and drivers are safe and legal to be on the road, however neither Council has adopted a policy that formally sets out its responsibilities and requirements.</p> <p>Sample testing conducted against the current established practices operational within HR for each Council highlighted that checks were not being routinely undertaken at the prescribed frequencies and a number of staff have not been included within the programme of checks.</p> <p>Both Council's utilise the Continuum online platform for Driving Licence validation services with a separate profile and login maintained for each Council. Testing of the information held within Continuum highlighted that 39% of the 67 sampled officer records had at least one error or omission with at least one of the following weaknesses typically identified:</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

- The Continuum record cannot currently be considered a complete and comprehensive record as testing identified that 21% of the 67 officers sampled drive for work purposes and have not been added to the Continuum system;
- Examples of drivers assigned to the wrong Councils profile and/or officers categorised incorrectly within Continuum, both impacting on the frequency of checks undertaken;
- Wider testing of all registered Continuum users identified a number of expired/missing consent forms, 7% for Chorley and 21% for South Ribble. Valid consent is essential to ensure checks are permitted and can be undertaken in a timely manner.

Furthermore, it was evident within our tested sample that officers who are undertaking work related driving in their own vehicle are more likely to be missed from the Continuum programme of Driving Licence checks mainly due to the fact that an initial check was not performed when they first joined the organisation. New starter procedures should be strengthened to ensure that when it is a requirement of the post to hold a valid driving licence consent for checks should be sought and undertaken prior to the commencement of their new role. Staff members from Chorley Leisure Limited and South Ribble Leisure Limited have not had their driver status assessed by HR and have not been included in any new starter/ongoing programme of checks as no request for these services have been made by the Leisure Companies and have not been included within existing Service Level Agreements.

Although it is evident that a level of Driving Licence checks is operational at both Councils, it cannot be confirmed that this is undertaken in a consistent and methodical manner to ensure that all officers that undertake work related driving have been identified; or those that have been identified have their driving licence re-checked at the accepted frequency. Moreover, the lack of an approved 'Driving at Work' policy has allowed deviations from the established procedures and a lack of clarity regarding the responsibilities of HR, Line Managers, and the officers themselves and both Councils may struggle to demonstrate to their insurance providers that they have effective and pro-active procedures in place to comply with legislation and manage driving-related risks. For these reasons, a **Limited** assurance rating has been awarded.

#### **Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	Control Evaluation
<b>Risk 1 – The Council has not defined its approach to encouraging safe driving practices at work.</b>	
Driving safely policy in place.	Action 1
Responsibility for checking licences is clear.	Action 1, 2, 3 & 6
Policy is easily accessible.	Action 1
Driving licence requirements clearly defined.	Action 1 & 3
Category of drivers identified.	Action 1, 3 & 6
Escalation protocols are clear.	Action 4
<b>Risk 2 – Driving licence checks are not being performed leading to unsafe/banned employees driving for the Council.</b>	
Driving licence requirements clearly defined.	Action 1 & 3
Escalation protocols are clear.	Action 4
Continuum (Licence Bureau) system up to date and accurate.	Action 7
Checks conducted as per agreed process.	Action 2, 3, 4 & 5
Consent forms obtained for each driver.	Action 7
New employees/drivers are checked in a timely manner.	Action 6 & 8
Records maintained for an audit trail.	Working as intended
<b>Risk 3 – Failure to meet obligations under Road Traffic Act/Health &amp; Safety at Work Act.</b>	
Driving safely policy in place.	Action 1
Legislative requirements are clearly outlined within the policy.	Action 1
Responsibility for checking licences is clear.	Action 1, 2, 3 & 4
Supervisory checks undertaken to ensure consistency.	Action 9

\*Additional risks and controls identified by Internal Audit to be added to GRACE

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'



## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
Driving Licences	HR	Line Managers	Internal Audit	<p>Although a level of driving licence checks is currently being undertaken, reliance cannot be consistently placed on the first line of defence until this is undertaken in a consistent and methodical manner.</p> <p>Adoption of a 'Driving at Work' policy would clarify roles and responsibilities and further strengthen the 1<sup>st</sup> and 2<sup>nd</sup> Line of Defence.</p>

### Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
<b>Risk 1 – The Council has not defined its approach to encouraging safe driving practices at work.</b>				✓
<b>Risk 2 – Driving licence checks are not being performed leading to unsafe/banned employees driving for the Council.</b>				✓
<b>Risk 3 – Failure to meet obligations under Road Traffic Act/Health &amp; Safety at Work Act.</b>				✓
<b>OVERALL AUDIT OPINION</b>				✓

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>MANAGEMENT ACTION PLAN</b>
-------------------------------

NO.	FINDING	AGREED ACTION	OFFICER & DATE
<b>Policies and Procedures</b>			
1	<p>Our review highlighted that both Council's do not have a policy in place to assist compliance with statutory legal requirements associated with work related driving and as such neither Council has formally approved a corporate procedure that sets out the following in relation to the checking of driving licences:</p> <ul style="list-style-type: none"> <li>• Requirement for driving licence checks to be undertaken and periodically reperformed;</li> <li>• Officer and organisational responsibility for checks;</li> <li>• The categorisation of officer driver status;</li> <li>• The nature and frequency of checks to be undertaken.</li> </ul> <p>It is essential to ensure that everyone driving on behalf of the Council has the appropriate licence to carry out their roles; and the Councils need to ensure that a suitable policy is in place to reduce risks associated with work related driving, meet the provisions of road traffic and health and safety legislation, and the expectations of the insurer.</p>	<p>The Head of HR has submitted a 'DVLA Checks and Compliance' report to SMT and has received approval to draft a new 'Driving at Work' policy. This will seek to provide clarity on the following areas in relation to driving licence checks:</p> <ul style="list-style-type: none"> <li>• Responsibilities of the Council, managers and employees;</li> <li>• The arrangements for driving licence checks that will be adopted going forward.</li> </ul> <p>This will include wider considerations in relation to driving such as insurance, road tax, and MOT requirement; setting out the standards of safe driving expected by all Council employees.</p> <p>The Head of HR will lead the development and implementation of the policy with input and assistance from the Health &amp; Safety Team.</p>	<p>Hollie Walmsley / H&amp;S Team</p> <p>December 2023</p>
2	<p>Our review identified that it is evident that both Councils have committed to undertake a programme of Driving Licence checks and that a level of checking is being performed across both Council's with HR undertaking the majority of this function centrally utilising the Continuum system. The exception to this is South Ribble Waste Services where a local procedure is in operation for the waste fleet drivers.</p>	<p>The Head of HR confirmed that all Council departments will utilise the Continuum System for driving licence checks and Waste Services officers will be added to the system as soon as possible. Going forward a programme of six-monthly checks will be adopted for HGV fleet drivers.</p>	<p>Hollie Walmsley</p> <p>November 2023</p>

	<p>Although no issues were highlighted with the local procedure operational for fleet drivers within Waste Services, to ensure continuity of process and make certain checks are being performed to the correct standard/frequency across the whole organisation, consideration should be given to adopting the same methodology/system for checking licences across all service areas.</p>		
3	<p>In the absence of a formal policy an established process has been followed by HR categorising the nature of the driving undertaken for the Council and providing repeat checks at a specified frequency. Testing was performed on a sample of officers across both Council's to ensure that checks had been performed as outlined and the following anomalies were identified:</p> <ul style="list-style-type: none"> <li>• Chorley and South Ribble have a different category of drivers and a different frequency of checks in operation;</li> <li>• Examples of officers for both Councils where checks had not been undertaken at prescribed frequency;</li> <li>• Examples of shared services officers in receipt of travel allowance that drive their own vehicle for work purposes and have never had their driving licence details checked.</li> </ul> <p>Consideration should be given to formalising the categorisation of driver status and aligning the frequency of checks across both Councils given the similar nature of jobs that exist at both authorities and the large number of officers that work within shared services across both organisations. Once established checks should be carried out as per the agreed approach.</p>	<p>The new 'Driving at Work' policy outlined in Action 1. will include the categorisation of driver status and the frequency that automated repeat checks will be undertaken. This be aligned across both councils to ensure a consistent approach is adopted for Chorley, South Ribble and Shared Services employees.</p>	<p>Hollie Walmsley  December 2023</p>
4	<p>The HR Consultant advises Line Managers on a discretion only basis of motoring offences that have been notified via the Continuum system.</p>	<p>The new 'Driving at Work' policy outlined in Action 1. will affirm officer responsibilities to advise their Line Manager of motoring convictions/offences they have been charged with,</p>	<p>Hollie Walmsley</p>

	Line Managers are knowledgeable of their teams tasks and job descriptions and best placed to understand the driving requirements of the service, therefore, they need to be advised when officers have been cautioned, summoned or convicted for a motoring offence so that they can discuss what (if any) action is necessary.	particularly if this has occurred whilst driving a council vehicle or whilst on Council business in their own car.  The policy will also set out the standards of safe driving expected by all Council employees; and provide guidance to Line Managers setting out their responsibilities so that there is an understanding of what action may/may not be necessary when a Continuum notification has been received.	December 2023
<b>Driving Licence Checks</b>			
5	Our testing, and subsequent reconciliations undertaken by HR, identified a number of officers working for the Councils for a significant period of time that drive a Council vehicle, and/or their own vehicle for work related activities where it could not be confirmed that any checks of their driving licence had been undertaken.  All officer records should be reviewed to ensure that their council driving status has been correctly identified to enable the appropriate check to be undertaken as soon as practicable.	The Head of HR has submitted a 'DVLA Checks and Compliance' report to SMT and has received approval to adopt an 'opt-out' approach to identifying officers that need to have their driving licence checked. A full staff report will be presented at SLT to clarify managers understanding of work-related driving and to seek the identification of employees that do not drive a Council vehicle, and/or their own vehicle for work related activities.  Once this information has been acquired, all employees of the Council who have not currently been checked will be added to the Continuum system, consent will be sought, and they will be checked as a matter of urgency.	Hollie Walmsley  November 2023
6	Testing identified that no driving licence checks are currently being carried out for Chorley Leisure Limited or South Ribble Leisure Limited. As a number of staff members operate across multiple sites the driving requirements of the leisure companies should be assessed and staff checks should be incorporated within the relevant Council's Continuum System.	The Head of HR will seek clarification with each Leisure Company with their requirements in relation to driving licence checks and will provide options for The Board to consider to ensure compliance with legislation.	Hollie Walmsley  November 2023
<b>Continuum System – Driving Licence Validation Services</b>			

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

7	<p>Both Councils utilise the Continuum online platform for Driving Licence validation services with a separate profile and login maintained for each Council. A review of the current information held within the Continuum system for our sampled officers across both Councils identified:</p> <ul style="list-style-type: none"> <li>• The Continuum record cannot currently be considered a complete and comprehensive record as testing identified that 21% of 67 sampled officers drive for work purposes and have not been added to the Continuum system;</li> <li>• Examples of drivers assigned to the wrong Councils profile;</li> <li>• Examples of officers categorised incorrectly within Continuum impacting on the frequency of checks undertaken;</li> <li>• A number of expired or missing consent forms were identified. Valid consent is essential to ensure checks are permitted and can be undertaken in a timely manner. Wider testing of the whole system showed that 14% of registered drivers across both councils had expired/missing consent forms.</li> </ul> <p>It is essential that the information held within Continuum is accurate and up to date to ensure that checks can be conducted in a timely and reliable manner. A data cleansing exercise should be conducted to correct errors and omissions and remove any records for employees no longer working for either organisation.</p>	<p>The Head of HR confirmed that work has already commenced to correct the issues identified and a full reconciliation/validation exercise will be completed imminently ensuring a comprehensive and updated system is in place for each Council.</p> <p>As outlined in Action 5. above all employees of the Council who have not currently been checked will be added to the Continuum system, consent will be sought, and they will be checked as a matter of urgency.</p>	<p>Hollie Walmsley  December 2023</p>
<b>New Starters</b>			
8	<p>Testing highlighted examples where new officers who would be undertaking work related driving in their own vehicle did not have an initial check of their driving licence undertaken and were subsequently missed from the ongoing programme of Driving Licence checks. Where it is a requirement of the post to hold a valid driving licence all new starters should be approached to provide</p>	<p>As outlined in Action 5. above an 'opt out' approach will be adopted to identify officers that need to have their driving licence checked, this approach will also extend to the Council's 'New Starter' procedures with Line Managers providing confirmation that the officer will not be required to drive for work-related activities. This requirement will also</p>	<p>Hollie Walmsley  December 2023</p>

	<p>consent for checks to be undertaken prior to the commencement of the role.</p> <p>The HR service should review the new starter process to ensure that a new member of staff is approached to provide consent for checks to be undertaken prior to the commencement of their new role.</p>	<p>be incorporated within the new recruitment system when it is introduced imminently.</p> <p>Furthermore, a 'New Starter' report will be utilised as an additional check to ensure all individuals have provided consent and have been added to Continuum.</p>	
<b>Managerial Oversight</b>			
9	<p>No supervisory checks are currently in place. A periodic spot check of the system should be introduced to ensure that the procedures operate as agreed and driving licence checks are completed and up to date.</p>	<p>The HR Team will undertake spot checks of the system on a six-monthly basis to ensure the systems are operating as outlined in the new 'Driving at Work' policy (see Action 1.).</p>	<p>Hollie Walmsley  January 2024</p>

South Ribble Council &  
Chorley Council

Final  
Internal Audit Report

# GDPR Transparency

## 2023/2024

Audit Assurance: Adequate  
Auditor: Linsey Roberts  
Date Issued: 15<sup>th</sup> December 2023



Cert No: 20128



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>UK organisations that process personal information need to comply with the Data Protection Act 2018/UK General Data Protection Regulations (UK GDPR). Organisations are required to adhere to the seven key principles that lie at the heart of the GDPR regime. Failure to comply with the principles may leave the Council open to substantial fines (up to £17.5 million, or 4% of annual turnover, whichever is higher).</p> <p>This review included the following elements of the first principle ‘lawfulness, fairness and transparency’:</p> <ul style="list-style-type: none"> <li>• You must use personal data in a way that is fair. This means you must not process the data in a way that is unduly detrimental, unexpected or misleading to the individuals concerned.</li> <li>• You must be clear, open and honest with people from the start about how you will use their personal data.</li> </ul> <p>This is especially important in the following situations, and formed the focus of the review:</p> <ul style="list-style-type: none"> <li>• individuals have a choice about whether they wish to enter into a relationship with the Council. If individuals know at the outset what their information will be used for, they will be able to make an informed decision; also</li> <li>• when the Council has no direct relationship with the individual and collects their personal data from another source.</li> </ul> <p>This review is included in the 2023/24 Annual Audit Plan approved by the Governance Committee on the 7<sup>th</sup> March (SRBC) and 15<sup>th</sup> March (CBC) 2023.</p>

<b>Audit Objectives</b>	
2	<p>The overall objective of the audit is to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the risks listed below are being sufficiently managed.</p> <ul style="list-style-type: none"> <li>• The data subject is not informed about how their personal data will be used;</li> <li>• The personal data is processed in a way that is detrimental, unexpected or misleading to the individual.</li> </ul> <p>Whilst it was originally anticipated that the review would also include evidence of consent, due to the complexity of the differing types of service the Councils are now providing, it was decided that this would warrant a separate review and will be considered for future audit plans.</p> <p>A sample of 10 Chorley Council, 12 South Ribble and 3 shared service areas were reviewed to assess compliance with the requirements set out in guidance supplied by the Information Commissioners Office.</p>
3	<p>The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.</p>

<b>Audit Assurance</b>	
4	<p>On an annual basis, a review of a GDPR principle is undertaken, and this was the first time a review considered the transparency aspects of the regulations.</p>
5	<p>The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.</p>



6	Our evaluation of the reliance we can place on the three lines of defence is shown in Appendix B.
7	<p>To ensure both Councils comply with UK GDPR and the Data Protection Act, shared data protection policies are in place, up to date and readily available for officers. Mandatory GDPR training is provided to ensure all employees at both Councils understand their responsibilities and our review found that the majority of staff contacted for this review had completed this training.</p> <p>This review focussed on three separate aspects of transparency to ensure that service users are aware that their data is being treated lawfully and for the purpose it is provided. The three aspects were:</p> <ul style="list-style-type: none"> <li>• Privacy notices;</li> <li>• Point of collection of data and</li> <li>• ROPA details.</li> </ul> <p>Our review identified that a significant amount of work has been undertaken at each Council and that a general privacy policy/notice and service specific privacy notices are in place and accessible on the Council's websites. The format of these are consistent with the Information Commissionaire Office (ICO) requirements and the content is clear and transparent demonstrating how personal and sensitive data is handled. However, despite the fact that both Councils are offering similar or same services, there are gaps in the notices which should be addressed to ensure consistency in approach.</p> <p>Data is collated through the Contact Centre / Gateway via telephone contact. Previously an automated data protection message was relayed prior to customer contact however, this is now not in place and customer services staff are not providing a scripted message prior to collecting a customer's personal data.</p> <p>Completion of automated forms via the website or manual paper-based forms is the main form of data collection. It was established that whilst a large proportion of forms or terms and conditions included sections of data protection legislation, there are some services where improvements are required.</p> <p>ROPA activity has increased with a shared register now in place. This review only included data processing sections of the ROPA with only minor issues identified.</p> <p>Our work did identify some control issues in relation to the prominence of privacy notices, signage for CCTV surveillance, and officer guidance for the privacy information that needs to be communicated during the operation of bodycams. These are set out in Appendix A.</p> <p>Due to the issues highlighted above, an <b>Adequate</b> assurance rating has been awarded for this review with actions for improvement detailed in the action plan at Appendix C.</p> <p><b>Control Rating Key</b>  <b>Full</b> – the Authority can place complete reliance on the controls. No control weaknesses exist.  <b>Substantial</b> - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.  <b>Adequate</b> - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.  <b>Limited</b> - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

**Appendix A**

Chorley Council					
Directorate	Service Area	Service Specific Privacy Notice in place	DP requirements at point of collection	ROPA correctly populated	Comments
Planning and Property	CCTV & Other Surveillance	N	N	Y	Privacy notice to be developed and publish information about CCTV on website. Provide alerts to the use of body worn camera. Update CCTV Code of Practice/operating procedures to incorporate body worn camera. Ensure signs are in situ in areas under CCTV surveillance and undertake periodic inspection process.
	Planning Applications / representations	N	Y	Y	Privacy Notice for planning applications and representations should be finalised & communicated.
	Adult Extra Care	P	Y	N	Tatton Gardens to be added to Privacy Notice. ROPA entry required.
Customer & Digital	Waste Collections / Green / Medical / Assisted	Y	Y	Y	
	Customer Complaints	N/A	N	N	Clearly communicate Privacy Notice in the complaint webpage/data capture form. ROPA entry is incomplete.
Change & Delivery	Consultations	Y	Y	N	ROPA entry does not show that personal data is processed.
Communities	Social Prescribing	N	N	Y	Privacy notice to be developed. Insufficient information currently provided. Develop script for social prescribers to ensure consistent provision of privacy information and consent notification.
	Activities - Health and Wellbeing: Courses Weight Management	Y	P	N	Include Privacy Notice in the course booking form (Event Brite). ROPA entry required.
	Homelessness	Y	Y	Y	
	Disabled Facilities Grant	Y	Y	Y	
	Minor Adaptions Grant	N/A	N	N	Privacy Notice should be issued following receipt of personal details from LCC. ROPA entry required.
Communications and Visitor Economy	Events	Y	N	N	Privacy Notice should be clearly communicated. ROPA entry required.
	Photography/ Filming/ Recording	Y	Y	N	Lack of Privacy Notice and corporate process for issuing and storing evidence of consent. This was rectified during our review; GDPR – Photography and filming report taken to/agreed by SLT (13 <sup>th</sup> November 2023). ROPA entry required.

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

**South Ribble Council**

Directorate	Service Area	Service Specific Privacy Notice in place	DP requirements at point of collection	ROPA correctly populated	Comments
<b>Planning and Property</b>	Facilities Management - CCTV	N	N	N	Privacy Notice to be developed and publish information about CCTV on website. Ensure signs are in situ in areas under CCTV surveillance. Update CCTV Policy to include role of Custodian. ROPA entry is incomplete.
	Facilities Management - Room Hire	N	N	N	Finalise and clearly communicate bookings Privacy Notice to data subjects. ROPA entry is incomplete.
	Planning Applications / representations	Y	Y	Y	
<b>Customer &amp; Digital</b>	Neighbourhoods CCTV	N	N	Y	Privacy Notice to be developed and publish information about CCTV on website. Finalise and refresh CCTV Policy. Ensure signs are in situ in areas under CCTV surveillance and undertake periodic inspection.
	Waste Collections / Green / Medical / Assisted	Y	N	Y	Privacy Notice to be updated to include Permiserv processing and clearly communicated to data subjects.
	Customer Complaints	N/A	Y	N	ROPA entry is incomplete.
<b>Change &amp; Delivery</b>	Consultations	Y	Y	N	ROPA entry does not show that personal data is processed.
<b>Communities</b>	Social Prescribing	Y	Y	Y	Privacy information is provided by the Social Prescriber during initial contact, however written guidance (the script) does not document this is given and will be updated.
	Activities - HAF and Adult Weight Management	P	N	Y	Finalise and clearly communicate service specific Privacy Notices to data subjects. Staff guidance to be developed.
	Homelessness	Y	Y	Y	
	DF Grant	Y	N	Y	Improve communication of Privacy Notice.
	Home Repairs Assistance Grant	Y	N	Y	Improve communication of Privacy Notice.
<b>Communications and Visitor Economy</b>	Key events (Music in the Park)	Y	N	N	Update MIP Privacy Notice to show SRBC is the data controller. Improve communication of the Privacy Notice to carer ticket applicants. ROPA entry required for events administration.
	Event Traders	N	Y	N	Generic events Privacy Notice to be developed, incorporating trader data. ROPA entry required.
	Photography/Filming/ Recording	Y	Y	N	Lack of Privacy Notice and corporate process for issuing and storing evidence of consent. This was rectified during our review; GDPR – Photography and filming report taken to/agreed by SLT (13th November 2023). ROPA entry required.

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
GDPR Transparency	Directorate Responsible Officers	Data Protection Officer	Internal Audit	Our review confirmed that reliance can be partially placed on the first line of defence, further work is required to proactively communicate privacy information.

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>MANAGEMENT ACTION PLAN</b>
-------------------------------

NO.	FINDING	AGREED ACTION	OFFICER & DATE
	<b>Inform</b>		
1	<p>UK GDPR legislation places an obligation on the organisation to proactively make individuals aware of privacy information and give them an easy way to access it. Testing identified that 8 out of 15 SRBC, and 5 out of 13 CBC sampled service areas are not routinely directing data subjects to the privacy information at the point at which personal information is captured.</p> <p>To strengthen the Council's adherence to the first data protection principle 'lawfulness, fairness and transparency':</p> <ul style="list-style-type: none"> <li>• Access to the relevant privacy information should be provided up-front during the online application and other data capture processes.</li> <li>• The automated data protection telephone message should be reintroduced.</li> </ul>	<p>The Data Protection Officer (DPO) will liaise with the services identified to ensure the specific concerns highlighted in Appendix A are addressed, in particular that:</p> <ul style="list-style-type: none"> <li>• Access to the relevant privacy information should be provided up-front during the online application and other data capture processes.</li> <li>• The automated data protection telephone message should be reintroduced.</li> </ul> <p>Moreover, the DPO will take the report findings to the next SMT. Directors will be advised to check that privacy information is provided up-front during online application and other data capture processes for all their service areas, amending forms/processes if necessary, and provide confirmation back to the DPO.</p>	Chris Moister June 2024

2	<p>CCTV signs should alert data subjects that there is a surveillance system in operation and the reason for it.</p> <p>Our review identified partial compliance with this requirement:</p> <ul style="list-style-type: none"> <li>• CCTV signs are present in some but not all areas where cameras are present;</li> <li>• Some CCTV signs contain out of date information about the system operator and should be updated;</li> <li>• CBC only - privacy information should be provided when a body worn video system (bodycam) is in use. Currently, no warning (visual or verbal) is provided.</li> </ul> <p>These areas should be addressed as soon as practicable to ensure that people are aware that they may be recorded and to provide reassurance that the recordings will only be utilised for the purpose it is intended. Each Council's CCTV Code of Practice/Policy should be updated accordingly to reflect current arrangements.</p>	<p>The DPO will liaise with the services identified to ensure the specific CCTV concerns are addressed, in particular that:</p> <ul style="list-style-type: none"> <li>• CCTV signs are clearly displayed in all areas where cameras are present and periodically checked to ensure in situ.</li> <li>• CCTV signs are reviewed to ensure they are up to date and contain sufficient information.</li> <li>• CBC only - privacy information is provided when a body worn video system (bodycam) is in use (subject to outcome of Data Protection Impact Assessment).</li> <li>• Each Council's CCTV Code of Practice/Policy is updated accordingly to reflect current arrangements.</li> </ul>	Chris Moister June 2024
3	<p>Our work identified that service specific privacy notices should be considered for the following services that process and retain particular information:</p> <ul style="list-style-type: none"> <li>• CBC – CCTV (including body worn video), Planning, Social prescribing and events.</li> <li>• SRBC – CCTV, events and conference/other room hire.</li> </ul>	<p>The DPO will liaise with the services identified to ensure that service specific privacy notices are considered and developed for the following areas:</p> <ul style="list-style-type: none"> <li>• CBC – CCTV (including body worn video), Planning, Social prescribing and events.</li> <li>• SRBC – CCTV, events and conference/other room hire.</li> </ul>	Chris Moister June 2024
	<b>Processed</b>		
4	<p>A shared register of processing activity (ROPA) is in place to document the personal information is processed by each service and what the information will be utilised for. Sample testing</p>	<p>DPO will liaise with the services identified in Appendix A to ensure that the shared register of processing activity (ROPA) is completed to fully reflect all the data</p>	Chris Moister June 2024

	identified that the ROPA does not fully reflect all the data processed by each service with 7 out of 15 SRBC, and 7 out of 13 CBC entries missing or incomplete.	processed by each service. Each member of SMT will ensure that the shared ROPA is updated and accurately reflects current operational activity and provide quarterly confirmation to the DPO that the ROPA is actively maintained. The quarterly confirmation will be taken to the Information Security Council for consideration.	
5	Our review also identified that 5 SRBC, and 4 CBC services sampled do not currently have a process in place to ensure that personal data is deleted in accordance with the data retention policy.	<p>The DPO will liaise with the services identified to ensure that they have a process in place to delete personal data in accordance with the data retention policy.</p> <p>Quarterly each member of SMT will ensure and provide confirmation to the DPO that data is deleted in accordance with the data retention policy. The quarterly confirmation will be taken to the Information Security Council for consideration.</p>	Chris Moister June 2024

This page is intentionally left blank



South Ribble Council &  
Chorley Council

Final  
Internal Audit Report

# Asset Management - Inventories

2023/2024

Audit Assurance: Adequate  
Auditor: James Spiers/Jacqui Murray  
Date Issued: 13<sup>th</sup> December 2023



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>The Council maintains inventories to ensure the ongoing care, custody and security of fixed assets including equipment, plant and machinery; management have a responsibility to ensure that these assets are identifiable, traceable and that adequate insurance cover is in place which is appropriate for the assets held.</p> <p>This review will focus on the Council's compliance with the Asset Inventory Policy and associated guidance which provides an overall structure to the recording and management of assets across the council.</p> <p>The review is included in the 2023/24 Annual Audit Plan approved by the respective Governance Committees on the 26<sup>th</sup> September 2023 and 27<sup>th</sup> September 2023.</p>

<b>Audit Objectives</b>																																																									
2	<p>A central Asset Inventory is maintained on SharePoint for each Council and it contains detailed asset information and current values that are utilised to obtain suitable insurance cover.</p> <p>A sample of 11 service inventories, outlined below, were reviewed to ascertain if the Council's Asset Inventory Policy and associated guidance is being consistently and correctly applied.</p> <table border="1"> <thead> <tr> <th></th> <th><b>Service/Inventory</b></th> <th><b>Directorate</b></th> <th><b>Council</b></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Electoral Services</td> <td>Governance</td> <td>SRBC</td> </tr> <tr> <td>2</td> <td>Neighbourhoods – Workshop/Plant/Machinery</td> <td>Customer and Digital</td> <td>SRBC</td> </tr> <tr> <td>3</td> <td>ICT – Audio &amp; Visual Equipment</td> <td>Customer and Digital</td> <td>SRBC</td> </tr> <tr> <td>4</td> <td>Communications &amp; Visitor - Museum</td> <td>Change and Delivery</td> <td>SRBC</td> </tr> <tr> <td>5</td> <td>Environmental Health – Food Safety/Protection</td> <td>Communities</td> <td>SRBC</td> </tr> <tr> <td>6</td> <td>Active Health</td> <td>Communities</td> <td>SRBC</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>7</td> <td>Civic Services – Town Hall/Union Street</td> <td>Governance</td> <td>CBC</td> </tr> <tr> <td>8</td> <td>Streetscene – Bengal Street Depot</td> <td>Customer and Digital</td> <td>CBC</td> </tr> <tr> <td>9</td> <td>Operational Assets – Market Walk/Market</td> <td>Property and Planning</td> <td>CBC</td> </tr> <tr> <td>10</td> <td>Environmental Health – Environmental Health Store</td> <td>Communities</td> <td>CBC</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>11</td> <td>ICT – Mobile Phones</td> <td>Customer and Digital</td> <td>CBC/SRBC</td> </tr> </tbody> </table>		<b>Service/Inventory</b>	<b>Directorate</b>	<b>Council</b>	1	Electoral Services	Governance	SRBC	2	Neighbourhoods – Workshop/Plant/Machinery	Customer and Digital	SRBC	3	ICT – Audio & Visual Equipment	Customer and Digital	SRBC	4	Communications & Visitor - Museum	Change and Delivery	SRBC	5	Environmental Health – Food Safety/Protection	Communities	SRBC	6	Active Health	Communities	SRBC					7	Civic Services – Town Hall/Union Street	Governance	CBC	8	Streetscene – Bengal Street Depot	Customer and Digital	CBC	9	Operational Assets – Market Walk/Market	Property and Planning	CBC	10	Environmental Health – Environmental Health Store	Communities	CBC					11	ICT – Mobile Phones	Customer and Digital	CBC/SRBC
	<b>Service/Inventory</b>	<b>Directorate</b>	<b>Council</b>																																																						
1	Electoral Services	Governance	SRBC																																																						
2	Neighbourhoods – Workshop/Plant/Machinery	Customer and Digital	SRBC																																																						
3	ICT – Audio & Visual Equipment	Customer and Digital	SRBC																																																						
4	Communications & Visitor - Museum	Change and Delivery	SRBC																																																						
5	Environmental Health – Food Safety/Protection	Communities	SRBC																																																						
6	Active Health	Communities	SRBC																																																						
7	Civic Services – Town Hall/Union Street	Governance	CBC																																																						
8	Streetscene – Bengal Street Depot	Customer and Digital	CBC																																																						
9	Operational Assets – Market Walk/Market	Property and Planning	CBC																																																						
10	Environmental Health – Environmental Health Store	Communities	CBC																																																						
11	ICT – Mobile Phones	Customer and Digital	CBC/SRBC																																																						
3	<p>The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.</p>																																																								

<b>Audit Assurance</b>	
4	<p>The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.</p>
5	<p>The Council's joint Asset Inventory Policy and Guidance was reviewed and relaunched in July 2023 to reaffirm the corporate approach to the management of Council assets, to assist with the compliance of Financial Procedure Rules, and to ensure that detailed up to date information is maintained to inform the Council's insurance arrangements.</p> <p>The Policy/Guidance and central Asset Inventory for each Council are accessible to designated responsible officers on SharePoint and can be accessed and updated with ease, however, consideration</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

should be given to password protecting the Asset Inventory to ensure access is limited to authorised officers only. It is understood that this the requirement was previously in place however, ICT compatibility issues were encountered when a password was introduced. A suitable alternative platform for the Asset Inventory should be explored to protect this central record from potential fraudulent/accidental amendments or deletions.

Sample checks of the 11 service inventories detailed above, confirmed that nominated responsible officers generally have an awareness of the Asset Inventory Policy and their responsibility to regularly update and accurately maintain an inventory for their service.

A large proportion of the items selected for review were traceable and clearly identifiable from the descriptions/serial numbers/reference numbers provided and the fields within the inventory were fully completed, accurate and up to date.

Instances were identified whereby the inventory was not suitably comprehensive omitting items of value and some lacked evidence of regular review where items had been lost/replaced/reallocated, and the inventory had not been updated to reflect this. These issues were particularly prevalent in the Environmental Health (CBC & SRBC), Neighbourhood (SRBC), Streetscene (CBC) and ICT Mobile Devices (joint) inventories where high value portable assets are used or distributed. The outcome of each service inventory review is detailed in the table below.

Common themes of non-compliance with the Asset Inventory Policy and Guidance were also observed across both Councils as follows:

- A general lack of equipment reference numbers or unique identifying numbers to enable services to track and identify assets with only 4 out of the 11 tested services/inventories regularly utilising this methodology.
- A lack of security marking on items to record Council ownership (Indelible ink/etching/QR codes) with only 2 services considering this risk however, it was not universally applied across the whole service.
- Non-compliance with the Council's Financial Procedure Rules and Asset Inventory Policy for the disposal of assets with only 3 out of the 9 of the services reviewed maintaining records of items that have been disposed of, and the method of disposal. A lack of disposal records exposes the Council to the risk of corruption, misappropriation and assets being disposed of for personal gain.

An **Adequate** assurance rating has been awarded for this review as it is evident that both Councils largely have arrangements in place to ensure the ongoing care and custody of its assets with sample testing confirming this across most services reviewed. However, further work is needed to ensure that all requirements set out in Asset Policy and Guidance are followed by all services thus ensuring the security of Council assets is improved and that disposal procedures are followed in compliance with the Financial Procedure Rules.

Minor discrepancies and omissions discovered during each service review were discussed with the nominated officer at the time of review and further feedback has been provided to these teams to strengthen their processes. Where more significant or multiple control issues were identified with services these improvements required to strengthen the current operational arrangements are detailed in the action plan at Appendix B.

#### **Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

**Compliance with the Asset Inventory Policy/Guidance**

Service/Inventory	Directorate	Physical Check	Regular Update	Nominated Person	Equipment Reference No.	Description	Location Details	Make/Model /Manufacturer	Serial Numbers	Security Marked	Value	Disposal Record	Low Value Items/Grouping	Comments
<b>SRBC</b>														
Electoral Services	Governance	✓	✓	✓	x	✓	✓	✓	✓	x	✓	x	N/A	
Neighbourhoods – Workshop/Plant/Machinery	Customer and Digital	✓	✓	✓	P	✓	P	✓	✓	P	✓	P	✓	<ul style="list-style-type: none"> <li>Last physical check for workshop was in recorded in July 2023 but some discrepancies were identified without any further investigation work undertaken.</li> <li>Lack of records to evidence equipment allocations to individuals/teams.</li> <li>Inconsistent use of reference numbers and security etching.</li> </ul>
ICT – Audio & Visual Equipment	Customer and Digital	U	U	U	x	✓	P	P	x	U	✓	U	✓	<ul style="list-style-type: none"> <li>Some items descriptions could be strengthened by including model/manufacturer/serial number.</li> </ul>
Communications & Visitor - Museum	Customer and Digital	✓	✓	✓	P	✓	✓	✓	N/A	N/A	✓	✓	✓	<ul style="list-style-type: none"> <li>Currently working through the referencing whilst compiling their Accessions Register for Accreditation.</li> </ul>
Environmental Health – Food Safety/Protection	Property and Planning	✓	x	✓	x	x	P	P	x	x	✓	x	P	<ul style="list-style-type: none"> <li>Inventory items are not securely stored in a locked environment.</li> <li>Unable to validate items as descriptions lack detail and do not consistently list make/model/manufacturer/serial number.</li> <li>Lack of records to evidence kit use/location.</li> <li>Additional items were identified that need to be added to the inventory.</li> </ul>
Active Health	Communities	✓	x	✓	x	✓	✓	✓	✓	x	✓	✓	✓	
<b>Chorley</b>														
Civic Services – Town Hall/Union Street	Governance	✓	✓	✓	x	✓	✓	P	P	x	✓	x	✓	<ul style="list-style-type: none"> <li>Some items descriptions could be strengthened by including model/manufacturer/serial number.</li> </ul>
Streetscene – Bengal Street Depot	Customer and Digital	✓	✓	✓	P	✓	P	✓	P	x	✓	x	✓	<ul style="list-style-type: none"> <li>Last physical check for workshop was in recorded in July 2023 but some omissions were identified (items listed without unique identifying numbers/serial numbers).</li> <li>Sequential numbering used to identify equipment items however this could be further improved by making the reference number unique for different teams/locations etc. Numbers are also being reused when an item is replaced.</li> <li>Lack of records to evidence equipment allocations to individuals/teams within Alloy.</li> </ul>
Operational Assets – Market Walk/Market	Commercial and Development	✓	✓	✓	x	P	P	✓	✓	x	✓	x	✓	
Environmental Health – Environmental Health Store	Communities	x	x	✓	x	✓	x	✓	P	x	✓	x	x	<ul style="list-style-type: none"> <li>Unable to verify that physical check/regular updates have occurred historically.</li> <li>Inventory items are not securely stored in a locked environment.</li> <li>Additional items were identified that need to be added to the inventory.</li> <li>Item descriptions do not consistently list model/serial number.</li> <li>There is no system in place to track and monitor kit items/location.</li> </ul>

South Ribble/Chorley

<p><b>ICT – Mobile Devices</b></p>	<p>Customer and Digital</p>	<p>U</p>	<p>U</p>	<p>✓</p>	<p>x</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>	<p>U</p>	<p>x</p>	<p>U</p>	<p>N/A</p>	<ul style="list-style-type: none"> <li>• A Mobile Device inventory is maintained to identify equipment allocation however a number of discrepancies were identified (reference numbers not matching item of kit listed, kit allocation does not match inventory, allocated items not listed on inventory).</li> <li>• Examples of assets assigned to teams i.e. Refuse 1, 2,...etc with no contact details or designated responsible officer assigned.</li> <li>• unique identifiers are utilised, however there were two numbering methodologies in operation (AB000000 &amp; SR00000).</li> <li>• Total number of assets listed on Mobile Device inventory does not match the number listed with the ICT 'Master Computer Schedule' inventory.</li> </ul>
------------------------------------	-----------------------------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	------------	---

\*P – partial compliance

\*U – unable to confirm/validate

## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
Asset Management - Inventories	Designated Responsible Officers	Management /Risk and Insurance	Internal Audit	Generally, reliance can be placed on the 1 <sup>st</sup> line of defence as nominated officers were aware of the importance of maintaining inventories and mindful of their responsibilities to maintain these accurately. Further work is required to ensure disposal requirements set out in the Financial Procedure Rules and Asset Inventory Policy are adhered to.

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>MANAGEMENT ACTION PLAN</b>
-------------------------------

NO.	FINDING	AGREED ACTION	OFFICER & DATE
<b>South Ribble &amp; Chorley Findings</b>			
1	<p>The Policy/Guidance and central Asset Inventory for each Council is openly available to officers on SharePoint and can be accessed and updated whenever a service has the need to do so.</p> <p>A suitable alternative platform for the Asset Inventory should be explored to limit access to nominated officers only and protect the central record from potential fraudulent/accidental amendments or deletions.</p>	The Senior Risk and Insurance Officer will assess the options available for a suitable password protected platform for the Asset Inventory if the existing ICT compatibility issues cannot be resolved.	<p>Kerry Maguire</p> <p>August 2024</p>
2	<p>The Asset Policy states that items insured under the All Risk – Content Inventory should have an equipment number or a unique identifying number to enable services to track and identify assets. Additionally, assets should be security marked upon receipt to record ownership by way of indelible ink/etching/QR Codes as deemed suitable for each item.</p> <p>Testing confirmed that there is a general lack of equipment reference numbers or unique identifying numbers to enable services to track and identify assets with only 4 out of the 11 tested services/inventories regularly utilising this methodology.</p>	The Head of Audit and Risk will provide a copy of this report to Senior Leadership Team to raise awareness of the Asset Inventory Policy/Guidance and requirements of the Financial Procedure Rules highlighting the common themes of non-compliance identified across both Councils.	<p>Dawn Highton</p> <p>January 2024</p>
3	Testing identified non-compliance with the Council's Financial Procedure Rules and Asset Inventory Policy for the disposal of assets with only 3 out of the 9 of the services reviewed maintaining records of items that have been disposed of, and the method of	This action will be addressed by Agreed Action 2 above.	

	disposal. A lack of disposal records exposes the Council to the risk of corruption, misappropriation and assets being disposed of for personal gain.		
It was identified that the following services had more significant or multiple control issues <u>in addition to</u> the areas of non-compliance outlined in Action 2 and 3 above.			
<b>Service Specific Findings – South Ribble</b>			
	<b>Environmental Health – Food Safety/Protection</b>		
4	<p>Testing identified specific weaknesses in relation to the following arrangements for the South Ribble Environmental Health inventory where 5 out of the 7 sampled items could not be validated:</p> <ul style="list-style-type: none"> <li>• Inventory items are not securely stored in a locked environment and are routinely kept within an open office.</li> <li>• Item descriptions lack detail and do not consistently list make/model/manufacturer/serial number when this is available on the item.</li> <li>• Lack of robust records to evidence kit use/location. The location/user of a valuable sampled item was not able to be verified on the day of review.</li> <li>• The inventory is not comprehensive and additional items were identified that need to be added to the inventory.</li> </ul>	The Head of Public Protection, Communities and Leisure will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	<p>Laura-Jean Taylor</p> <p>June 2024</p>
	<b>Neighbourhoods – Workshop/Plant/Machinery</b>		
5	Testing identified specific weaknesses in relation to the following arrangements for the Neighbourhoods – Workshop/Plant/Machinery where 6 out of the 30 items sampled could not be validated. Items not validated on the date of review were listed in the Workshop inventory (6 out of 13 sampled):	The Head of Streetscene and Waste will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	<p>Chris Walmsley</p> <p>June 2024</p>



	<ul style="list-style-type: none"> <li>Last physical check for workshop was in recorded in July 2023 but some discrepancies were identified (replacement items not added to inventory).</li> <li>Some items were missing their unique identifier.</li> <li>Location details identify the team an item is assigned to. There is no process in place to establish what equipment is being utilised by an individual/team off site each day (Plant/Machinery).</li> </ul> <p>Additionally, the service utilises the Fleetcheck system for equipment management purposes although currently this is not being used to record all lower value items. The functionality of Fleetcheck should be explored to ascertain if it has the capability to produce a service equipment inventory that meets the requirements of the Asset Inventory Policy and thus remove the need to maintain a separate manual record prone to error or omission.</p>		
<b>Service Specific Findings – Chorley</b>			
<b>Environmental Health – Food Safety/Protection</b>			
6	<p>Testing identified specific weaknesses in relation to the following arrangements for the Chorley Environmental Health inventory where 3 out of the 6 items listed could not be validated:</p> <ul style="list-style-type: none"> <li>The Nominated Officer is new to the organisation and undertook enquiries and a physical check prior to our review but was unable to confirm the location of all the items listed nor confirm that a full physical check had been undertaken recently.</li> <li>Inventory items are not securely stored as they are currently held within an unlocked store cupboard shared with other services.</li> </ul>	The Head of Public Protection, Communities and Leisure will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	<p>Laura-Jean Taylor</p> <p>June 2024</p>

	<ul style="list-style-type: none"> <li>The inventory is not comprehensive and additional items were identified that need to be added to the inventory.</li> <li>Item descriptions lack detail and do not consistently list make/model/manufacturer/serial number when this is available on the item.</li> <li>There is no system in place to track and monitor kit items/location.</li> </ul>		
<b>Streetscene – Bengal Street Depot</b>			
7	<p>Testing identified specific weaknesses in relation to the following arrangements for the Chorley Streetscene – Bengal Street Depot inventory where 6 out of the 22 items sampled could not be validated:</p> <ul style="list-style-type: none"> <li>Last physical check for workshop was in recorded in July 2023 but some omissions were identified (items listed without unique identifying numbers/serial numbers).</li> <li>Sequential numbers were used to identify equipment items however this could be further improved by making the reference number unique for different teams/locations etc.</li> <li>Some items were missing their unique identifier.</li> <li>Numbers are also being routinely reused when an item is replaced.</li> <li>Lack of records to evidence equipment allocations to individuals/teams within Alloy.</li> </ul>	The Head of Streetscene and Waste will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Chris Walmsley June 2024
<b>Service Specific Findings – Joint Chorley &amp; South Ribble</b>			
<b>ICT– ICT Mobile Devices</b>			
8	Our review acknowledged that the Head of ICT position is currently vacant and resource issues currently experienced by the team	The ICT Manager will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Jane Norris June 2024

	<p>meant that we were unable to verify the day-to-day housekeeping arrangements in place for this inventory.</p> <p>The Mobile Device List for CBC/SRBC was provided by the nominated officer and sample testing of 22 entries identified specific weaknesses in relation to the following arrangements for this inventory:</p> <ul style="list-style-type: none"> <li>• 1 item unverified as the officer advised that this had been returned to ICT but this had not been reflected on the inventory.</li> <li>• 1 item unverified as the officer held an iPad with the historic SR0000 numbering that was not listed on the Mobile Device List.</li> <li>• 5 items listed that did not match the actual items of kit that the officer held.</li> <li>• 3 incorrect listings where the unique reference number listed in the inventory does not match that make/model of the kit.</li> <li>• Assets assigned to teams i.e. Refuse 1, 2,...etc with no contact details or designated responsible officer assigned.</li> </ul> <p>Additionally, though conversation with an officer it was identified that a second device was held. This device was not itemised in the inventory and therefore, there was no record of the item allocation.</p>		
9	<p>The total number of assets listed on the Mobile Device inventory does not match the number listed with the ICT 'Master Computer Schedule' for Chorley and South Ribble, this is mainly due to the inclusion of retired devices earmarked for recycling.</p>	<p>The ICT Manager will ensure that a reconciliation exercise is undertaken to ensure all assets (including redundant kit) are accurately reflected in the ICT 'Master Computer Schedule' prior to the annual insurance renewal.</p>	<p>Jane Norris June 2024</p>

	A full reconciliation exercise should be undertaken as soon as possible to ensure that the Mobile Device inventory accurately reflects the current device allocation; and the total number of assets is correctly reflected in the ICT 'Master Computer Schedule' inventory thus ensuring the correct level of insurance is in place.		
--	---	--	--

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 31<sup>st</sup> DECEMBER 2023 (Q3)

	Indicator	Audit Plan	Target 2022/23	Quarter Three Target	Actual to Date	Comments
1	% of planned time used	SRBC	90%	67%	87%	Above Target
2	% audit plan completed	SRBC	90%	65%	53%	One report at draft report stage
3	% satisfaction rating (assignment level)	SRBC	90%	90%	94%	Above Target
4	% of agreed actions implemented by management	SRBC	90%	90%	82%	See body of the report
		SS	90%	90%	74%	

This page is intentionally left blank

# Agenda Item 8



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 6 February 2024

## Risk Management Strategy

Is this report confidential?	No.
------------------------------	-----

Is this decision key?	No
-----------------------	----

### Purpose of the Report

1. The Risk Management Strategy was last updated and presented to the Governance Committee in March 2021. This has now been reviewed and updated to include the Council's risk appetite and escalation processes.

### Recommendations

2. Members consider and approve the revised Risk Management Strategy.

### Reasons for recommendations

3. The Governance Committee's Terms of Reference sets out the committee's responsibility to monitor the effective development and operation of risk management in the Council. This report allows the committee to fulfil that role.

### Other options considered and rejected

4. Not applicable.

### Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

<b>An exemplary council</b>	Healthy and happy communities
Opportunities for everyone	Green and clean neighbourhood

### Background to the report

6. The Risk Management Strategy sets out how the Council manages potential risks and opportunities it faces in pursuit of its objectives. It is important to recognise that risk management is not about avoiding risks, rather it is about how an understanding of the nature of risk and how it can help the Council make more informed decisions in order to maximise the efficiency of our services.

# Agenda Item 8

7. It was recognized in the 2023 Annual Governance Statement that the Risk Management Strategy should be strengthened and included the following action:

*Define risk management appetite and implement escalation and reporting mechanisms for non-strategic risk.*

8. In addition, the Internal Audit Annual Report and Opinion for 2022/23 assessed the effectiveness of the Council's Risk Management arrangements, based on the Chartered Institute of Internal Auditors' Risk Maturity Model.



9. The conclusion was that the Council's risk management maturity is largely risk defined. In order to become risk managed, the Council needs to ensure work is undertaken to define its risk appetite, monitoring and reporting arrangements and embed risk management within all operational service areas.

10. The management of risk and use of GRACE across all categories of risk is improving and the introduction of a risk appetite and escalation processes will strengthen and further embed the current arrangements.

## Revision to the Risk Management Strategy

11. The Risk Management Strategy at Appendix A has now been revised to include the Council's risk appetite and escalation processes for risks which are deemed to be outside of the appetite. For ease, all changes are highlighted in red and have been agreed with the Senior Management Team.
12. At this stage, the risk appetite has been established to incorporate all differing categories of risks. In future, as the Council becomes more risk managed, it may be appropriate to establish differing levels of risk appetite for each category.



# Agenda Item 8

13. The Council need to ensure that identified and recorded risks are complete and appropriately scored and by adopting this strategy will set the framework for escalating risks which are falling outside of the agreed levels.
14. Once approved, robust arrangements will be developed to ensure compliance with the new reporting requirements to ensure risks are maintained in accordance with the agreed risk appetite or further mitigation measures applied.

## Climate change and air quality

15. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

## Equality and diversity

16. An impact assessment has been completed and has not identified any issues.

## Risk

17. Risk management is an essential part of CIPFA's Delivering Good Governance in Local Government Framework. The adoption and application of the Risk Management Strategy allows the Council to demonstrate the effective management of risk.

## Comments of the Statutory Finance Officer

18. The Risk Management Strategy provides a means of demonstrating that all significant risks are being identified, reviewed and appropriately assessed. It also serves to help protect the Council's financial resources and assets and to ensure that they are directed to key priorities.
19. There are no additional costs directly linked to this Strategy.

## Comments of the Monitoring Officer

20. A degree of risk is inherent in much of what we do as a council. It is important that we have in place practices whereby risks are identified and managed. This is what the revised Risk Management Strategy is intended to contribute to.

## Background documents

There are no background papers to this report.

## Appendices

Appendix A – Risk Management Strategy

Report Author:	Email:	Telephone:	Date:
----------------	--------	------------	-------

# Agenda Item 8

Dawn Highton (Head of Audit & Risk)	dawn.highton@southribble.gov.uk	01772 376639	21.12.23
-------------------------------------	---------------------------------	-----------------	----------



# RISK MANAGEMENT STRATEGY

DECEMBER 2023

# INTRODUCTION

Welcome to the Risk Management Strategy, refreshed in November 2023. The aim of the Strategy is to improve strategic and operational risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its corporate objectives
- mitigate threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- improve its partnership working arrangements and corporate governance

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its core objectives and improve outcomes for its residents.

This strategy explains the approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

This strategy has been adopted by both Chorley and South Ribble Borough Councils. Reference to a single council should be interpreted as applying to both.

## RISK MANAGEMENT: OBJECTIVES

We are exposed to risk both in terms of threats to service provision and from missed opportunities. It is essential that we can demonstrate to our residents that we are fully considering the implications of risk as we plan and deliver services to the community.

Like all organisations, the Council exists to achieve its objectives which are set out in our Corporate Plan. Risk management can help us achieve these goals by fully considering the opportunities and barriers that we may encounter. Our aim is to use strategic risk management as a tool for continuous improvement and to make effective use of the Council resources.

In addition, the Council must also ensure operation and delivery of services, the health and safety of its service users, employees and the public at large. This Risk Management Strategy supports continuing change including partnership working and alternative methods of service delivery and provides a structured and focused approach to managing them.

Effective risk management also helps services focus on what actions can be taken to deal with future events. Risk management can help the Council plan to deal with the scale and speed of changes in Government policy and financial challenges. Having assessed risk and planned for the known challenges also means that when the

unanticipated or unexpected arise, as they no doubt will, there is greater management and Member capacity across the Council to respond quickly and effectively.

This Strategy outlines how the Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

## WHAT IS RISK MANAGEMENT?

Risk management can be defined as:

**“Risk management is the logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that enables organisations to minimise losses, maximise opportunities and achieve their objectives.”**

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. Risk management is also an essential part of CIPFA’s Delivering Good Governance in Local Government Framework. The Framework requires the Council to make a public assurance statement annually, on amongst other areas, the Council’s risk management strategy, process and arrangements. As required by the Accounts and Audit Regulations 2015 the assurance statement is disclosed in the Annual Governance Statement and is signed by the Leader of the Council and the Chief Executive.

## RISK MANAGEMENT APPROACH

The Council seeks to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The Council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council’s behaviour.

The Council is prepared to take managed risks to achieve its corporate objectives and enhance the value of the services it provides to the community. Its aims are to:

- Ensure risk management is integrated into the culture of the Council.
- Ensure appropriate risk taking is encouraged, particularly to respond to opportunities arising.
- Anticipate and respond to changing social, environmental and legislative needs, pressures or constraints, as well as changes in the internal environment.
- Manage risk in accordance with best practice including integration with performance and financial management including partnership arrangements.
- Improve performance and efficiency and in particular minimise injury, damage and losses and make effective use of resources.
- Protect the Council’s assets, reputation and operational capacity.

These aims will be achieved by:

- Maintaining clear roles, responsibilities and reporting lines for risk management.
- Raising awareness of the need for risk management by all those connected with the Council's delivery of services.
- Gaining commitment from all members and employees, to ensure risk is managed within a consistent framework.
- Ensuring that risk management is explicitly considered in all decision making by, incorporating links to all key decision points e.g. committee reports, delegated decisions, project management and partnership agreements.
- Considering risk in all the Council's key planning processes.
- Providing opportunities for shared learning on risk management across the Council and with our business partners.
- Reinforcing the importance of effective risk management as part of the everyday work of members and employees.
- Providing adequate assurance for the management of risk to support the Annual Governance Statement.

## **RISK MANAGEMENT APPETITE**

### **Definition of Risk Appetite.**

An organisation's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the organisation's risk appetite provides the strategic framework for effective decision-making. Risk appetites for local authorities will also be lower due to the regulatory nature of most services and because of their stewardship obligations for public resources. However, local authorities may be forced to take risks beyond their choosing to comply with central government directives or to satisfy public expectations of improved services.

### **Why is risk appetite important.**

Risk appetite provides a framework which enables an organisation to make informed management decisions. By establishing a risk appetite, an organisation is clearly setting the target and acceptable position in the pursuit of its strategic objectives.

The benefits of agreeing a level of risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making;
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.

Chorley Council and South Ribble Council's risk appetite is determined by individual circumstances. In general terms, the Council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance.

This framework includes risk management that identifies and assesses risks appertaining to actions being considered or proposed. Decisions on whether to proceed with such actions are only taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits

## Risk Appetite Statement

The risk appetite guides how much risk the Councils are willing to seek or accept to achieve their objectives. It is recognised that there is a need to take risks, both in ordinary business and to achieve the priorities set out in our Strategic / Corporate Plans.

Good risk management ensures that well informed decisions are made and that the associated risks are understood. By ensuring that the Councils properly respond to risks it is more likely to achieve their priorities. It also provides control and a high level of due diligence consistent with the responsibilities of managing public money.

Using the definitions detailed below, the risk appetite can be established for each different category of risk, including:

- Strategic;
- Corporate Strategy / Plan Projects;
- Partnership / contracts;
- Operational.

Risk Rating	Risk Appetite	Guidance to risk owners / editors
Red residual risk  (12-16 risk score)	Risks at this level sit above the appetite level of the Council and are of such magnitude that they form the biggest risks.  The Councils are not willing to accept risks at this level and actions should be taken immediately to manage the risk	Identify further actions and controls necessary to manage the residual risk down to an acceptable level.  If scoring remains within the band width, this should be reported to the Senior Management Team who will actively monitor and determine if the level of risk is acceptable. If necessary, they will provide guidance on the ongoing management of risks.
Amber residual risk  (9-6 risk score)	These risks sit on the borders of the Council's risk appetite and so while they do not pose an immediate threat, they are still risks that should remain under review. If the impact or likelihood increases then risk owners should seek to manage the increase.	These risks should be kept under review in accordance with the timescales detailed below.  Risks at this level should be monitored and managed at Directorate DMTs.
Green residual risk	These are low level risks that could impede or hinder achievement of objectives. Due to	These risks should remain on registers and be formally reviewed at least once a year to

(1-4 risk score)	the relative low level it is unlikely that additional controls will be identified to respond to the risk.	make sure that the impact and likelihood continues to pose a low level.
------------------	---	---

## RISK MANAGEMENT PROCESS

Implementing the strategy involves identifying, analysing, managing and monitoring risks, this process is outlined below and summarised in Appendix 1.

### Risk Identification

The GRACE (Governance, Risk Assessment and Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic Risk Register, Service Risk Registers, projects, key procurements, partnerships and processes.

Risks and opportunities can be identified at any time and risks should be included within GRACE. There are numerous ways in which risks and opportunities can be identified, including networking, articles / newsletters, training courses as well as discussions at team meetings and 1-2-1s.

Opportunity risks should be clearly identified in any report or decision and documented. This should include a summary of other processes or policies used or relied on to identify and or manage those risks.

In addition, GRACE contains a large database of model risks and controls in the Profile Library which users can scroll through to identify any which may be relevant to their areas of activity.

### Risk Recording

The Council maintains registers for different types of risks:

**Strategic risk register** – This contains the high-level risks of the Council. It is owned and maintained by the Council's Senior Management Team and is kept under continuous review and is regularly presented to the Governance Committee and Cabinet.

**Operational/Service risk registers** – These include service, business planning, project, partnerships and process risks. These are assigned to specific Directors and Heads of Service who have overall responsibility for their maintenance and continuous review on the GRACE system. They can allocate individual risks to risk owners who must decide upon and monitor appropriate actions.

**The specific information to be recorded in GRACE is as follows:**

**Risk description** – this requires an understanding of the legal, social, political and cultural environment in which the Council operates as well as a sound understanding of the Council's corporate and operational objectives i.e. those factors which are critical to the success of the Council, as well as threats and opportunities.



**Risk Owner** – a nominated person who is responsible for evaluating and responding to any individual risks allocated to them.

**Assessment of Risk (Gross Risk Score)** – having identified areas of potential risk, they need to be systematically and accurately assessed. The process requires managers to assess the likelihood and potential impact of a risk event occurring and scored according to the matrix below:

<b>Impact</b>	<b>4</b>	<b>Major</b>	4	8	12	16
	<b>3</b>	<b>Serious</b>	3	6	9	12
	<b>2</b>	<b>Minor</b>	2	4	6	8
	<b>1</b>	<b>Insignificant</b>	1	2	3	4
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>Rarely</b>	<b>Unlikely</b>	<b>Likely</b>	<b>Highly Likely</b>	
		<b>Likelihood</b>				

The following tables provide assistance in assessing the likelihood and impact of risks and will enable the risk owner to determine the Gross and Residual risk score from the matrix.

**Likelihood Definitions:**

1 – Rarely	Highly unlikely, but it may occur in exceptional circumstances. It could happen but probably never will.
2 - Unlikely	Not expected, but there’s a slight possibility it may occur at some time
3 – Likely	The event might occur at some time as there is a history of casual occurrence and / or similar organisations
4 – Highly Likely	It is almost certain the event will occur as there is a history of frequent occurrence and / or similar organisations

**Impact Definitions:**

1 - Insignificant	Minimal financial loss. No or only minor personal injury. Systems unavailable for less than an hour. Possible impact, but manageable locally by Managers. No reputational impact. No legal action.
2 - Minor	£1000 - £25,000 financial impact manageable within service budget. Minor injury requiring medical treatment. Systems unavailable for most of a day. Possible impact but manageable locally by Director. Possible negative customer complaints with low level adverse media coverage. Legal action possible but unlikely and defensible.
3 - Serious	£25,000 - £100,000 financial impact manageable within Directorate budget but requiring approval for virement or additional funds.

	Possible hospitalisation with long-term injury or long-term sick. Systems unavailable for more than 1 day. Expected impact, but manageable within existing Directorate contingency plans. Adverse national media coverage. Negative customer complaints. Legal action expected. Breaches of Codes of Practice, Professional Ethics. Non-Compliance with regulation/standards or local procedures resulting in disciplinary action.
4 - Major	£100,000+ financial impact not manageable within existing funds and requiring Member approval for virement or additional funds. Death/life threatening or long-term illness or multiple injuries. Systems unavailable for multiple days. Serious impact felt across more than one Directorate. Adverse and extended media coverage. Legal Action almost certain and difficult to defend. Non-compliance with law resulting in imprisonment.

**Existing Control Measures** – any controls or measures that reduce the likelihood or impact of a risk.

**Residual Risk Score** – this risk score which takes account of any existing control measures in place (see above matrix).

**Risk Categories** – risks should be assigned to one of the categories listed below:

- **Strategic** – risks impacting upon the achievement of the corporate objectives and priorities;
- **Financial** – risks associated with financial planning and control;
- **Human Resources** – risks associated with recruiting, retaining and motivating staff & developing skills;
- **Environmental** – risks related to pollution, noise or energy efficiency;
- **Information** – risks related to information held;
- **Legal / regulatory** – risk relating to legal / regulatory requirements;
- **Operational** – risks relating to operational activity;
- **Partnership / Contractual** – risk relating to the failure of partners / contractors or the contract itself;
- **Physical** – risk related to fire, security, accident prevention & health and wellbeing;
- **Reputational** – risk relating to the reputational risk to the Council;
- **Technological** – risks associated with technology.
- **Fraud** – risks associated with fraud and corruption

**Control Strategy** – in broad terms there are four main options for responding to risks which remain within the organisation.

**Terminate** - this involves the Council in terminating the cause of the risk or, opting not to take a current or proposed activity because it believes it is too risky.

**Tolerate** - this is where the cost of action outweighs the benefit that results from the proposed action. Alternatively, no further action can be taken and the risk is accepted with any potential financial loss being highlighted.

**Transfer** - this involves transferring liability for the consequences of an event to another body. This can occur in two forms. Firstly, legal liability may be transferred

to an alternative provider under contractual arrangements for service delivery. Secondly, transferring some or all the financial risk to external insurance companies may reduce the costs associated with a damaging event.

**Treat** - this is dependent on implementing projects or procedures that will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

The target risk score therefore may be the same or lower than the residual risk score and reflects the level of risk the Risk Owner is willing to accept (see above matrix).

**Risk Actions** – where further treatment of the risk is deemed necessary then the Risk Owner will determine the course of action to be taken. The action to manage risk needs to be appropriate, achievable and affordable. The impact expected if no action is taken should be considered against the cost of action and the reduction of the impact. For opportunities, the benefit gained in relation to the cost of action should be considered.

## RISK MONITORING

Individual risks are reviewed in accordance with GRACE parameters depending upon the level of risk:

<b>Red risks</b>	3 months
<b>Amber risks</b>	6 months
<b>Green risks</b>	12 months

The Corporate Governance Group will monitor risk reviews and implementation of actions to ensure they are being undertaken and risks considered in a timely manner. Slippages in risk reviews / non implementation of actions will be escalated to Directors.

The overall risk management system is reviewed by Internal Audit as part of their annual audit work plan. In accordance with the Public Sector Internal Auditing Standards the Chief Audit Executive's (Head of Audit and Risk) Annual Report is required to provide an opinion based on an objective assessment of the framework of governance, risk management and control.

Risk management assurance will also be published in the Council's Annual Governance Statement.

## RISK TRAINING

Training and raising awareness are an important means of ensuring risk management is embedded within the culture of the organisation. Every individual will encounter risk at some level, whether strategic or operational and we all have a responsibility for ensuring risks are well managed. It is therefore important that a range of training opportunities are available for employees and members.

The Audit and Risk Service is responsible for ensuring training (including refresher training) and awareness raising is periodically undertaken. Training may range from use of the Learning Hub to individual one to one training.

## RISK REPORTING

The Strategic Risk Register is continuously monitored by the Council's Senior Management Team and regularly reported to Governance Committee and Cabinet.

Service Risk Registers and those in relation key projects, procurements, partnerships and processes are monitored by Directors and Heads of Service.

**In accordance with the risk appetite, any residual red risks should be escalated to the Senior Management Team to establish if the level of risk is acceptable or if alternative actions should be taken to mitigate the residual risk.**

GRACE has also enabled a risk-based approach to internal auditing by engaging service departments in the self-assessment of their own system risks via the completion of on-line risk registers prior to the commencement of audits. System/process risks are reported as part and parcel of ongoing Internal Audit work.

Finally, all Council, Cabinet and Committee reports, Executive decisions taken under delegated powers and corporate projects, including partnership agreements include the consideration and control of the risks associated with the actions proposed.

## ROLES & RESPONSIBILITIES FOR RISK MANAGEMENT

The following describes the roles and responsibilities that members and officers will play in introducing, and embedding the risk management process: -

**The Council** will approve the Constitution including the system of corporate governance which incorporates risk management arrangements.

**The Governance Committee** will, in accordance with the Terms of Reference, continuously review the Risk Management Strategy and monitor the effective development and operation of risk management in the Council; and will monitor progress in addressing risk related issues reported to the committee.

**The Chief Executive** has overall responsibility for risk management in conjunction with the Council's insurers for supporting risk management.

**The Director of Governance / Monitoring Officer** is responsible for the overarching governance framework including risk management and leads on the Council's Corporate Governance Group.

**The Section 151 Officer** will, through the Internal Audit Service, provide assurance to the Council on the whole system of internal control, including risk management.

**Audit and Risk Service** in line with their responsibilities for the Council's corporate governance arrangements will lead the risk management initiative and 'champion' risk management by supplying advice and data to Directors.

**Internal Audit**, as part of its role in providing assurance to the Section 151 officer, will review the implementation and effectiveness of the system of risk management. An annual report will provide independent opinion on the adequacies of risk control and the Council's corporate governance arrangements and also risk management is included within the review of the Annual Governance Statement. Internal Audit will act as a centre of expertise, providing support and guidance as required and will collate risk information and prepare reports as necessary to both the Leadership Team, and the Governance Committee. The Internal Audit work plan is focused on the key risks facing the Council and during all relevant audits, it challenges the content of risk registers.

Internal Audit will periodically arrange for the independent review of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.

**Senior Management Team** will consider and evaluate those risks contained within the Strategic Risk Register, likely to have a significant impact on the Council's objectives.

**Directors, and Head of Service** will identify and manage risks in their service areas. With their own teams they will identify and evaluate the risks associated with service improvement and those risks which may prevent them from achieving their service objectives.

**Project / Procurement Managers** have a responsibility to ensure that the risks associated with their projects / procurements are identified, recorded on GRACE and regularly reviewed as part of the project management process and provide assurance about the management of those risks.

**Partnerships** – client officers have a responsibility to ensure that risks are identified, owned, recorded on GRACE are reviewed and shared with all relevant partners and ultimately to provide assurance that those risks are being managed.

**Employees'** responsibility for managing risk is not restricted to any one person or group of specialists. All employees have a responsibility to manage risk effectively in their job and report opportunities, threats and risks to their Directors and undertake their duties within risk management guidelines. Those officers involved in decision-making should also explicitly consider the implications of risk management and document their findings appropriately.

