



NOTICE OF MEETING

Meeting:	Audit Committee
Date and Time:	Tuesday 23rd March, 2010 at 7.00 pm
Place:	Committee Room 1, Civic Offices, Fleet
Telephone Enquiries to:	(01252) 774203 (Mrs P Jackson) email: patricia.jackson@hart.gov.uk
Members:	Bailey (Chairman), Axaam, Barrell, Davies and Healey

G Bonner
Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

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1. MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 10th December 2009 are attached to be confirmed and signed as a correct record. **(Paper A)**

2. APOLOGIES FOR ABSENCE

3. CHAIRMAN'S ANNOUNCEMENTS

4. DECLARATIONS OF INTEREST (PERSONAL OR PERSONAL AND PREJUDICIAL)

**5. INTERNAL AUDIT PROGRESS REPORT: Q4
JANUARY 2010 – MARCH 2010**

A report from the Audit Manager is attached. **(Paper B)**

RECOMMENDATION

That the Committee notes the internal audit work carried out between January 2010 and March 2010.

6. STRATEGIC AND OPERATIONAL RISK REGISTERS UPDATE

A report from the Audit Manager is attached. **(Paper C)**

RECOMMENDATION

That the Committee notes the report.

Date of Despatch: 16th March 2010

AUDIT COMMITTEE

DATE OF MEETING: 23 MARCH 2010

**TITLE OF REPORT: INTERNAL AUDIT PROGRESS REPORT: Q4
JANUARY 2010 - MARCH 2010**

Report of: Audit Manager

Cabinet Member: Councillor Ken Crookes, Leader of the Council

1 PURPOSE OF REPORT

The purpose of this report is to advise the Committee of work undertaken by Internal Audit between January 2010 and March 2010.

2 RECOMMENDATION

That the Committee notes the internal audit work carried out between January 2010 and March 2010.

3 BACKGROUND

- 3.1 Internal Audit prepares a risk based annual plan which identifies each review that is to be carried out. The findings of reviews completed during the above period are attached as **Appendices I**. Audit reports were issued for:

Payroll
Council Tax
NNDR

4 CORPORATE WORK

- 4.1 Internal Audit resources are being used to support other corporate functions these being:

Client Role for Financial Services
Procurement
Capital Board

- 4.2 Internal Audit is a corporate resource and there are benefits in using an Internal Audit for this type of work. Nevertheless, as this work is unplanned it will have an impact on the completion of the Audit Plan for 2009/10, although it should be noted that all planned financial reviews will be carried out.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

6. MANAGEMENT OF RISK

The Council maybe exposed to a variety of risks if Internal Audit recommendations are not implemented within the time scales agreed by management.

Contact Details: Neil Carpenter Extension: 4140
e-mail: neil.carpenter@hart.gov.uk

APPENDICES

Appendix I - Summary of Internal Audit Work

Appendix I

PAYROLL AND MEMBERS EXPENSES				
	FINDING/RISK	RECOMMENDATION/RISK LEVEL	MANAGEMENT RESPONSE/ RESPONSIBILITY	TARGET DATE
1.	<p>Roles, responsibilities and a clear set of procedures are not in place for the payroll function.</p> <p>Risk: Lack of accountability/ duplication of effort/ potential for incorrect payments</p>	<p>The roles and responsibilities of the parties within the payroll function should be agreed and supporting procedures should be documented and communicated to staff.</p> <p>Risk Level: High</p>	<p>Agreed. High priority, complete as part of transition project</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	Feb 2010
2.	<p>Checks on new employees to confirm eligibility for employment in the UK are not always made.</p> <p>Risk: Fines if we employ staff who are not eligible to work in UK</p>	<p>Review the requirement to check birth certificates and NI numbers to ensure that staff employed are eligible to work in the UK and that we can be sure that we verify identity. Embed in recruitment procedures.</p> <p>Risk Level: Medium</p>	<p>Agreed. To be combined with recommendations 5,6,7 and combine into a mini project</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	June 2010

3.	<p>The council does not hold an up to date database on jobs or roles that require a CRB Check.</p> <p>Risk: Staff working with children and vulnerable people are not adequately CRB checked / Reputation of Council</p>	<p>Create a database of all staff requiring and holding a CRB check in order to track the 3 year 're-checks' required.</p> <p>Risk Level: High</p>	<p>Agreed. Work already commenced. Database being created by end Dec 2009.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	Dec 09
4.	<p>There is no clear responsibility for administering an establishment database of current employees.</p> <p>Risk: Prevent payments being made to unauthorised roles.</p>	<p>The responsibility for the establishment should be defined. A reconciliation of paid staff against the establishment list should be performed and approved on a regular basis.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	April 2010
5.	<p>Starters and Leavers procedures need to be reviewed to ensure data is processed in a timely manner. In particular the process for managing leavers.</p> <p>Risk: Security breaches, Fraud, reputation</p>	<p>Review Starters and Leavers Procedures. Monitor and review that they are working satisfactorily and ensure managers are made aware of the importance of ensuring data is processed in a timely manner.</p> <p>Risk Level: Medium</p>	<p>Agreed. Combine together 2,5,6 and 7 to progress into a mini project</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	June 2010

6.	IT System Administrators are not alerted to staff leavers in a timely manner. Risk: Security breaches, Fraud, reputation	System administrators to be alerted to staff leavers on a regular and timely basis. Risk Level: High	Agreed. Combine together 2,5,6 and 7 to progress into a mini project Responsible Officer: Corporate Director/ HR Client Manager	June 2010
7.	System Administrators do not always change passwords to access systems that contain sensitive data on a regular basis. Risk: Loss of data/fraud	Systems administrators to regularly change the administrator passwords to all systems Risk Level: High	Agreed. Combine together 2,5,6 and 7 to progress into a mini project Responsible Officer: Corporate Director/ HR Client Manager	June 2010
8.	HR records including study fees agreements are not held centrally. Risk: Staff may leave without agreeing repayment of study fees.	HR records should be held centrally. This should include records for study and loan agreements, date of CRB reviews, SCP rates etc. Risk Level: Medium	Agreed. Currently in progress as part of day to day Capita activities –As at 21/1/10 now complete. Responsible Officer: Corporate Director/ HR Client Manager	Dec 2009
9.	There is no formal authorisation of the payroll by a Hart employee. Risk: Fraud, incorrect payments	The monthly payroll should be reviewed and authorised by a suitably responsible officer prior to the payroll payment being made Risk Level: High	Agreed. Draft payroll to be reviewed for Feb. Process to be drafted and adopted prior to Feb 2010 Responsible Officer: Corporate Director/ HR Client Manager	Feb 2010

10.	<p>There is no evidence of any authorisation from a Hart employee of BACS payments for payroll.</p> <p>Risk: Inappropriate access by third parties, financial loss, fraud</p>	<p>Review process and determine appropriate controls surrounding the BAC's payments for payroll.</p> <p>Risk Level: High</p>	<p>Agreed. Formal approval to be given prior to BAC's run, by either Chief Executive or Corporate Director.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	Feb 2010
11.	<p>Amendments to standard salary payments are not always authorised, e.g. annual incremental changes.</p> <p>Risk: Salary payments are not properly authorised.</p>	<p>Amendments to salaries to be appropriately reviewed and authorised</p> <p>Risk Level: High</p>	<p>Agreed. Annual incremental changes to be incorporated into PDR Process. HR Client role to establish process for 2009/10.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	March 2010
12.	<p>Policies, procedures and authorisation processes are not clearly defined for the payment of advances of pay.</p> <p>Risk: Audit Trail, Fraud, Errors</p>	<p>Policies for advances of pay should be documented and authorisations should be only given by senior management. Regular reconciliations to be prepared and reviewed by a suitably senior officer</p> <p>Risk Level: Medium</p>	<p>Agreed- should be incorporated into the Pay Procedures policy</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	June 2010
13.	<p>The contract between HCC and the Council is not signed.</p> <p>Risk: Expectations of each party are not agreed potential that disputes are not easily resolved.</p>	<p>The contract and Service Level Agreement with Hampshire County Council should be formalised</p> <p>Risk Level: Medium</p>	<p>Not Agreed. Contract will terminate June 2010 and be superseded by Capita signed contract</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	N/A

14.	<p>Payroll costs are significantly higher than budget. Original budget for 2009/10 was £57K likely outturn is estimated at £106K.</p> <p>Risk: Cost not properly budgeted for</p>	<p>The cost of the payroll function should be reviewed and budgeted appropriately in financial planning.</p> <p>Risk Level: Medium</p>	<p>Agreed. Will be incorporated into the budget setting process for 2010/11.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	Feb 2010
15.	<p>The completion of expenses forms for both members and officers is inconsistent.</p> <p>Risk: Incomplete forms being submitted resulting in delays</p>	<p>Officers and Members to be trained in the completion of expense documentation</p> <p>Risk Level: Low</p>	<p>Agreed. To be incorporated into the briefings for Payroll on transition to Capita. Also include on Frequently Asked Questions document for HR.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager/ Finance Client Manager</p>	June 2010
16.	<p>The Members Allowances policy and supporting allowances table is not specific and therefore can be subject to interpretation, particularly around additional allowances,</p> <p>Risk: Policy subject to interpretation/ incomplete financial information</p>	<p>Members scheme of allowances to be updated to be more specific and include relevant timescales for submission of expenses</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Monitoring Officer</p>	Sept 2010

17.	<p>The management of Members Allowances is not always effective, as there is no overall ownership of the process.</p> <p>Risk: Inaccurate payments</p>	<p>Member's allowances to be reviewed and reconciled on a regular basis</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Electoral and Registration Service Manager</p>	Feb 2010
18.	<p>Sensitive data is not always transmitted securely between Hart DC, Hampshire County Council and Capita.</p> <p>Risk: Fraud, Identity theft and non compliance with Data Protection Act 1998.</p>	<p>The method in which data is sent between Hart, Hampshire CC, Swindon (Capita) and Southampton (Capita) should be reviewed. Information to be classified in accordance with sensitivity and appropriate secure methods of data transfer to be adopted.</p> <p>Risk Level: High</p>	<p>Agreed</p> <p>Responsible Officer: Corporate Director/ IT Client Manager</p>	April 2010
19.	<p>Evidence of a timely reconciliation between the payroll system and the general ledger is not comprehensive.</p> <p>Risk: Financial errors; accuracy, completeness and disclosure issues</p>	<p>Balance sheet reconciliations of payroll accounts should be prepared, reviewed and authorised by a suitably senior officer on a monthly basis</p> <p>Risk Level: High</p>	<p>Agreed</p> <p>Responsible Officer: Finance Client Manager/ S151 Officer</p>	Jan 2010

20.	<p>Roles, responsibilities and a clear set of procedures are not in place for the payroll function.</p> <p>Risk: Lack of accountability/ duplication of effort/ potential for incorrect payments</p>	<p>A comprehensive review of payroll and related processes, roles and responsibilities to be completed prior to the change in the outsource arrangements. Consideration to be given to automation of processes e.g. timesheets etc.</p> <p>Risk Level: High</p>	<p>Agreed. To be included as part of the payroll transition project.</p> <p>Responsible Officer: Corporate Director/ HR Client Manager</p>	April 2010
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COUNCIL TAX				
	FINDING/RISK	RECOMMENDATION/RISK LEVEL	MANAGEMENT RESPONSE/ RESPONSIBILITY	TARGET DATE
1.	<p>Although monthly reconciliations between the Revenues System and the General Ledger do take place, the review and sign off is not timely.</p> <p>Risk: Financial errors or omissions are not identified promptly.</p>	<p>Produce review and sign off reconciliations between the Council Tax system and the General Ledger in a timely manner</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revs & Bens/Capita Chief Accountant</p>	May 2010
2.	<p>Although parameters set within the Revenues System used for the calculations of bills were signed off by Capita who act as the contractor there was no evidence that they were also approved by the Council.</p> <p>Risk: All stakeholders have not reviewed for accuracy</p>	<p>Ensure parameters are authorised in writing by all parties before commencing the annual billing run</p> <p>Risk Level: Medium</p>	<p>Agreed. Timetable & process currently being agreed</p> <p>Responsible Officer: Capita Head of Revs and Bens / Client Team</p>	Feb 2010
3.	<p>No Business Continuity Plan exists that is specific to Revenues that links to the Corporate Business Continuity Plan.</p> <p>Risk: Continuity of service,</p>	<p>Ensure that business continuity plans are established and that the plans are tested as soon as possible</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	July 2010

4.	<p>There are occasions where information regarding the end of exemptions and discounts have not been recorded on Anite (system used to record correspondence with Council Tax Payers). Revised bills were also not produced in a timely manner.</p> <p>Risk: Loss of revenue</p>	<p>Ensure that, when information is received regarding future ending of exemptions or discounts, the dates are diarised and revised bills raised.</p> <p>Risk Level: Medium</p>	<p>Agreed, compliance will be monitored as part of the Revenues Team Leader's quality checking.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	Immediate
5.	<p>There are no procedures in place to manage credit balances, for example how low value balances from previous years are dealt with.</p> <p>Risk: Credit balances are not managed consistently.</p>	<p>Have one officer who is responsible for overseeing the review of credit balances</p> <p>Risk Level: Medium</p>	<p>Agreed. Compliance will be monitored as part of the Revenues Team Leader's quality checking.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	Immediate
6.	<p>Recovery action taken against outstanding debt does not currently use all options available to the council. For example the threat of committal is often seen as an effective deterrent for non payers of outstanding debt.</p> <p>Risk: Loss of revenue</p>	<p>Present a paper to Cabinet requesting the ability to take non payers to committal stage</p> <p>Risk Level: Medium</p>	<p>Agreed. Currently being prepared.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	April 2010

7.	<p>There is no review by the Client (Hart) to confirm that the recovery timetable established at the start of the year is being adhered to.</p> <p>Risk: Potential that recovery action is not taken in a timely manner</p>	<p>Ensure the recovery timetable is reviewed monthly for compliance. Any adjustments to dates on the timetable must be agreed with the Head of Revenues and Benefits.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revs and Bens / Client Team</p>	<p>Immediate</p>
8.	<p>Special arrangements to pay outstanding arrears are not always cleared by the end of the year in which they occur. Any arrangements outside the normal scope should be agreed by management appropriately.</p> <p>Risk: Issues regarding special arrangements are not identified until the taxpayer defaults.</p>	<p>Review a random sample of new special arrangements each month to ensure they are dealt with consistently and comply with policies and procedures and that there are no training issues amongst staff.</p> <p>Risk Level: Medium</p>	<p>Agreed. Compliance will be monitored as part of the Revenues Team Leader's quality checking.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	<p>Immediate</p>
9.	<p>Recovery action taken against outstanding debt can be suppressed where the taxpayer had moved out of the district these debts are often passed to a tracing agency for recovery. However, there is no time limit in place agreeing the</p>	<p>Agree a length of time accounts will be placed with a tracing agency before they are written off</p> <p>Risk Level: Medium</p>	<p>Agreed. The tracing agent currently been used is under review with alternatives being investigated.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	<p>April 2010</p>

	<p>length of time these accounts are held with the agency with no positive outcome, before the next stage of recovery is taken, which could be a request for write off.</p> <p>Risk: Outstanding arrears may include irrecoverable debts.</p>			
10.	<p>Diary notes on IBS (Revenues System) are not always updated to reflect changes to chargepayers accounts. This means that the audit trail can be weakened.</p> <p>Risk: Audit trail is weakened</p>	<p>Ensure diary notes within IBS are updated to reflect any change to a chargepayers account.</p> <p>Risk Level: Medium</p>	<p>Agreed. Compliance will be monitored as part of the revenues team leader's quality checking.</p> <p>Information held within ANITE may result in a diary note not being made as it is a duplication of work.</p> <p>Responsible Officer: Capita Head of Revs and Bens</p>	Immediate
11.	<p>Outstanding debt of all types is not reported to management or members on a regular basis as part of the financial monitoring process.</p> <p>Risk: Levels of all types of debt are not reported.</p>	<p>Report the value of Council Tax outstanding from previous years to Scrutiny</p> <p>Risk Level: Medium</p>	<p>Agreed. Information on prior year debt levels will be added to the report. It is suggested that the first report will form part of the 09/10 outturn and will be reported to Cabinet in July 2010.</p> <p>Responsible Officer: Section 151 Officer</p>	July 2010

NNDR				
	FINDING/RISK	RECOMMENDATION/RISK LEVEL	MANAGEMENT RESPONSE/ RESPONSIBILITY	TARGET DATE
1.	<p>There has been some work started to establish a set of operational procedures for NNDR. However, they have not yet been adapted to take into account processes that are specific to Hart.</p> <p>Risk: Inconsistent working</p>	<p>To complete the review of the procedures.</p> <p>Risk Level: Low</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	March 2010
2.	<p>There needs to be a clear process and properly defined responsibilities regarding policies for revenue functions that need to be agreed by the Client and Capita.</p> <p>Risk: Unclear roles and responsibilities</p>	<p>The policy making process should be agreed and undertaken by Hart, Havant (Client) and Capita.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Corporate Director</p>	June 2010

3.	<p>Although reconciliations between IBS (Revenues System) and the main accounting system are prepared, they are not signed off by a senior officer.</p> <p>Risk: Audit trail is weakened</p>	<p>Source information from IBS (Revenue System) should be obtained for reconciliations between IBS and the Finance System. Reconciliations should also be signed off by a senior manager.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	March 2010
4.	<p>Other sources of information should be used to update NNDR Account information to ensure property changes are picked up promptly.</p> <p>Risk: Charges are not correctly set</p>	<p>Ensure that Property changes and new builds are captured from planning stage (similar to the process undertaken for council tax properties)</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	Immediate
5.	<p>Information to support changes in property are received in a variety of ways. However the evidence to support the change is not always retained.</p> <p>Risk: Audit trail to support changes is weakened.</p>	<p>Ensure evidence is collected where appropriate and retained to support changes and to provide a full audit trail.</p> <p>Risk Level: Low</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	Immediate

6.	<p>There was no sign off on behalf of the council that NNDR Bills were correct and ready to be despatched.</p> <p>Risk: No council authorisation that the bills should be produced and sent to NNDR charge payers.</p>	<p>Review the annual billing procedures to ensure that the client is aware of the plan and billing timescales and that there is timely authorisation / sign off</p> <p>Risk Level: Low</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>Immediate</p>
7.	<p>There was no evidence that the annual billing process had been signed off by the Client Team on behalf of the council.</p> <p>Risk: Audit trail is weakened.</p>	<p>Review the annual billing procedures to ensure that the client is aware of the plan and billing timescales and that there is timely authorisation / sign off</p> <p>Risk Level: Low</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>March 2010</p>
8.	<p>There were a number of low value items still held in the suspense account from 2008/09. These items need to be cleared promptly.</p> <p>Risk: Unidentified receipts</p>	<p>Clear the suspense account for 2008/09</p> <p>Risk Level: Low</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>Immediate</p>

9.	<p>The management of the awarding of mandatory and discretionary relief is not consistent.</p> <p>Risk: Loss of potential income, poor audit trail and relief not properly authorised.</p>	<p>Review the Mandatory and Discretionary Relief policy. Standardise the review and authorisation process and ensure that all supporting documents are held on anite.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>March 2010</p>
10.	<p>The appeal process for chargepayers who have not been awarded mandatory or discretionary relief is not applied consistently in all cases.</p> <p>Risk: Non compliance with procedure</p>	<p>Ensure that all staff involved in NNDR collections are aware of the appeals process for discretionary relief.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>Immediate</p>
11.	<p>The Council does not use all options available for the collection of outstanding debt, e.g. the use of committal proceedings is not used.</p> <p>Risk: Potential loss of income</p>	<p>Review the Debt recovery policy to ensure that it covers a full range of collection options to maximise recovery of debt.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>March 2010</p>

12.	<p>Prompt action is not always taken against customers that have not kept up to date with payments agreed via a special arrangement.</p> <p>Risk: Potential loss of income</p>	<p>Ensure that reminders are sent to customers who are behind with special arrangement payments.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>Immediate</p>
13.	<p>Several versions of a Write Off policy appear to be in circulation. The Council needs to establish which version is to be used. This should then be formally adopted and readily available to all employees and contractors that may need access to it.</p> <p>Risk: Accounts forwarded for write off are not treated in a consistent way.</p>	<p>Ensure that the Hart corporate write off policy which is currently being used as a working document is adopted and agreed.</p> <p>Risk Level: Medium</p>	<p>Agreed</p> <p>Responsible Officer: Capita Head of Revenues and Benefits</p>	<p>March 2010</p>

AUDIT COMMITTEE

DATE OF MEETING: 23rd MARCH 2010

TITLE OF REPORT: STRATEGIC AND OPERATIONAL RISK REGISTERS UPDATE

Report of: Audit Manager

Cabinet member: Councillor Crookes, Leader of the Council

1 PURPOSE OF REPORT

The purpose of this report is to update the committee regarding the content of the council’s strategic and operational risk registers and show how risks are being managed.

2 OFFICER RECOMMENDATION

That the Audit Committee notes the report.

3 BACKGROUND

The Council has risk registers in place at both strategic and operational levels. As part of the council’s governance arrangements the committee should be informed how as to how risks are being managed.

3.2 All risks are categorised at one of three levels of alert:

- Red:** Where the impact of risk is high as is the likelihood of the risk occurring
- Amber:** Where the impact of a risk is marginal and the likelihood of the risk occurring is unlikely
- Green:** Where the impact of the risk is low as is the likelihood of the risk occurring

3.3 Trend Analysis

Strategic Risk Register			
Number of Risks	Quarter 2 7	Quarter 3 6	Quarter 4 6
Alert Status	Red: 1 Amber: 4 Green: 2	Red: 1 Amber: 1 Green: 4	Red: 1 Amber: 2 Green; 3

Operational Risks			
Number of Risks	Quarter 2 66	Quarter 3 77	Quarter 4 78
Alert Status	Red: 2% Amber: 54% Green: 44%	Red: 2% Amber: 58% Green: 40%	Red: 2% Amber: 62% Green: 38%
Note: The reason for the increased number of risks identified between Q2 and Q3 is that a new risk register was produced for the outsourcing of support services to Capita.			

3.4 This report provides further detail on those risks that are categorised as being red or those that are top end of an amber alert, this is shown in Appendix I.

4 FINANCIAL IMPLICATIONS

There are no financial implications that arise directly from this report.

5 MANAGEMENT OF RISK


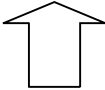
The risk implications are clearly stated in Appendix I.

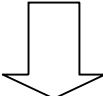
Contact Details: **Officer:** **Audit Manager**
Extension: **4140**
E-mail: **neil.carpenter@hart.gov.uk**

APPENDIX I: Risk Register Update

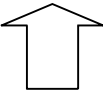
RISK REGISTER UPDATE (January 2010 – March 2010)

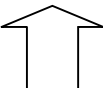
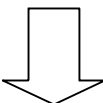
Strategic Risk Register

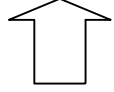
Risk	Potential Effect	Next Review Date	Internal Controls/ Mitigation	Alert Level	Movement
Provision of Affordable Homes	Unable to deliver target for the provision of affordable homes	May 2010	<ul style="list-style-type: none"> • Close liaison with Planning • Assess impact on Housing Register • Identify alternative means of supply • Hitches Lane Development now started • Working with Parish Councils to identify new sites • Work on Campbell Close now started 	Red Impact Significant Likelihood High	
Lack of Financial Resources and Impact of Recession on Budget	Impact on delivery of services	May 2010	<ul style="list-style-type: none"> • Corporate Plan to prioritise resources • Service Plans • Robust Budget Process for revenue and capital • MTFS linked to Corporate Plan • Budget Monitoring • 2010/11 Budget approved which includes risk assessment from Section 151 Officer 	Amber Impact Significant Likelihood Significant	

Business Continuity	Service disruption Main issue now around interruption to provision of IT and the need for a Disaster Recovery Plan	May 2010	<ul style="list-style-type: none"> • Business Continuity Plan • Business Continuity Plan part tested • Disaster Recovery Plan being prepared target date April 2010 • Business Continuity Plan to be updated to reflect outsourcing and recent restructure. 	Green Impact Critical Likelihood Low	_____
Local Development Framework	Inability to progress Local Development Framework	May 2010	<ul style="list-style-type: none"> • Local Development Steering Group • Local Development Scheme reported to Cabinet 5th March 09 • Planning Policy Team in place • Use of Planning Advisory Service • Liaison with GOSE • Local Development Scheme was adopted in March 	Green Impact Significant Likelihood Low	_____
Thames Basin Special Protection Area	Unable to resolve planning consent for Thames Basin Special Protection Area	May 2010	<ul style="list-style-type: none"> • Options paper prepared for Cabinet to agree strategy • Interim Avoidance Strategy adopted 	Green Impact Significant Likelihood Very Low	
Outsourcing of Support Services	Risk that Outsourcing arrangements with Capita fails	May 2010	<ul style="list-style-type: none"> • Due diligence process • Governance arrangements in place to monitor performance • Now in transition period. Monitoring of progress 	Green Impact Significant Likelihood Low	_____

Operational Risks (Red and High Amber Only)

Risk	Potential Effect	Next Review Date	Internal Controls/ Mitigation	Alert Level	Movement
Unable to meet increased housing needs	Failure to meet housing targets resulting from green field releases of land for housing.	May 2010	<ul style="list-style-type: none"> • Close liaison with Planning • Assess impact on Housing Register • Identify alternative means of supply • Hitches Lane Development now started • Campbell Close application due June 09 • Working with Parish Councils to identify new sites 	Red Impact Significant Likelihood Very High	_____
Not meeting development control targets	Unable to meet national performance indicator targets, without a full review of the current scheme of delegation	May 2010	<ul style="list-style-type: none"> • Monthly monitoring at Service Board 	Amber Impact Significant Likelihood High	_____
Funding and Sustainability for Community and Partnership projects.	Unable to deliver planned projects due to funding cuts from partners	May 2010	<ul style="list-style-type: none"> • Input into budgets • Discussions with partners • Potential sponsorship of projects 	Amber Impact Significant Likelihood High	

Closure of one of the Gypsy Sites due to lease running out.	Unable to identify an alternative site.	May 2010	<ul style="list-style-type: none"> Working with HCC to resolve Meeting with Elvetham Estates to discuss lease position arranged for 26.11.09. Letter sent to Elvetham Estates to clarify position 	Amber Impact Significant Likelihood High	_____
Workforce Planning	Use of Resources Score of below minimum requirements which has an impact on Value for Money.	May 2010	<ul style="list-style-type: none"> Workforce Planning Strategy now in place Action/Improvement Plan produced 	Amber Impact Significant Likelihood High	
Investment Income	Reduced interest rates during credit crunch. Potential adverse impact on investment income target	May 2010	<ul style="list-style-type: none"> Spread investments Adhere to Treasury Management Policy Interest rates outside of the council's control are likely to reduce Daily monitoring of interest rates 	Amber Impact Critical Likelihood Significant	_____
Income targets not met	Budget implications	May 2010	<ul style="list-style-type: none"> Revised budget agreed Budget Monitoring Savings identified to offset income targets not being met 	Amber Impact Significant Likelihood Significant	

Lack of capital funds to properly maintain buildings	Unable to finance planned maintenance programme	May 2010	<ul style="list-style-type: none">Capital Board to consider revised planned maintenance programme.	Amber Impact Significant Likelihood High	
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AUDIT COMMITTEE

Date and Time: Tuesday, 23rd March 2010 at 7.00 pm

Place: Committee Room I, Civic Offices, Fleet

Present:

COUNCILLORS –

Bailey - (Chairman)

Davies

Healey

Officers Present:

Geoff Bonner - Chief Executive
Alan Hill - Section 151 Officer
Neil Carpenter - Audit Manager

In Attendance - Malcolm Haines, Audit Commission

29. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 10th December 2009 were confirmed and signed as a correct record.

30. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Axam and Barrell.

31. CHAIRMAN'S ANNOUNCEMENTS

None.

32. DECLARATIONS OF INTEREST (PERSONAL OR PERSONAL AND PREJUDICIAL)

None.

33. INTERNAL AUDIT PROGRESS REPORT: Q4 JANUARY 2010 – MARCH 2010

The Committee discussed the Audit Progress Report for the above period. The following action points were raised. A response would either be forwarded by e-mail or reported to Members of the Committee at the next meeting.

- a) That subject to European Law that the Council incorporates into its payroll procedures for recruitment, a requirement that non-UK nationals or Irish citizens must produce a passport or an appropriate Identification Card to confirm their right to work in the UK. Responsibility: HR Client Officer

- b) That guidance is provided to members on allowances and expenses that can be claimed as part of their duties. Responsibility: Democratic Services Manager
- c) Request the Payroll Project Team to provide an update on the high risk internal audit recommendations from the 2009/10 Payroll Review and a summary of the transition of the payroll function from Hampshire County Council to Capita. Responsibility: HR Client Manager.
- d) Update the Committee on the use of other options that are available to the Council for the recovery of outstanding council tax debt, for example committals. Responsibility: Revenues and Benefits Manager Capita
- e) Report the total cost to the council for NNDR Discretionary Relief Payments.

RESOLVED

That the Committee notes the internal audit work carried out between January 2010 and March 2010.

34. STRATEGIC AND OPERATIONAL RISK REGISTERS UPDATE

A report was discussed which updated the Committee on the content of the Council's strategic and operational risk registers and how those risks are being managed. The following points were raised:

- a) For future reports the descriptions for risk categories are to be replaced with a risk assessment grid.
- b) The description of the risk relating to Investment Income should be amended to Investment Income Protection.

RESOLVED

That the Committee notes the report.

The meeting closed at 8.40 pm.