**Central
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Council
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**Central
Bedfordshire**

TO ALL MEMBERS OF THE AUDIT COMMITTEE

02 April 2013

Dear Councillor

AUDIT COMMITTEE – MONDAY, 8 APRIL 2013

Further to the agenda and papers for the above meeting, previously circulated, please find attached the following report which was marked to follow:-

12. **Risk Update Report**

To consider an overview of the Council's risk position as at March 2013.

Should you have any queries regarding the above please contact me.

Yours sincerely

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Meeting:	**Audit Committee**
Date:	**8 April 2013**
Subject:	**Risk Update Report**
Report of:	**Charles Warboys, Chief Finance Officer**
Summary:	The purpose of this report is to give an overview of the Council's risk position as at March 2013.

Contact Officer:	Kathy Riches, Head of Internal Audit and Risk
Public/Exempt:	Public
Wards Affected:	All
Function of:	Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

Good risk management enables delivery of the Council's aims and objectives. Good risk management ensures that we adopt a planned and systematic approach to the identification and control of the risks that threaten the delivery of objectives, protection of assets, or the financial wellbeing of the Council.

Financial:

1.   None directly from this report.

Legal:

2.   There are no direct legal implications.

Risk Management:

3.   The specific strategic risks are as set out in the report below. The Audit Committee has, in its terms of reference, the responsibility to monitor the operation of risk management within the Council and to provide independent assurance on the adequacy of the risk management framework.

Staffing (including Trades Unions):

4.   There are no direct staffing issues.

Equalities/Human Rights:

5.   None directly from this report.

Public Health:

6.   None directly from this report.

Community Safety:

7.   None directly from this report.

Sustainability:

8.   None directly from this report.

Procurement:

9.   None directly from this report.

RECOMMENDATION:

The Committee is asked to consider and comment on the contents of the report.

Background

10.   The Audit Committee in its terms of reference has the responsibility to approve the Risk Management Policy Statement, and monitor the operation thereof. At its meeting in April 2012 the Audit Committee agreed and endorsed the Council's 2012/13 Risk Management Strategy. In order to meet the responsibility of monitoring the operation of the Risk Management Policy Statement the Committee requested a regular report.

11.   The purpose of this report is to give an overview of the Council's risk position as at March 2013.

Strategic Risks

12.   The Strategic Risk register has been reviewed and updated in consultation with the Directorate Risk Co-ordinators.

13.   The March risk report is contained at Appendix A. The report contains 14 strategic risks.

14.   There are 11 strategic risks with a residual risk score of 9 or more. A score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.

15.   The risks have been reconsidered. In most cases the risk scores have not changed and most of the revisions relate to either the description of the risk, or updating the mitigating actions. The key revisions are set out below.

16.   The Budget Control Failure Strategic risk (STR0001) has been reviewed and updated. The residual risk score has been reduced from 12 to 10, reflecting the savings delivered to date, the 2013/14 planned savings, and the build up of reserves.

17.   Following the judgement from the Towards Excellence Board, the risk score for the strategic risk relating to failing to improve Adult Social Care performance (STR0002) was revised downwards to 8.   It is no longer considered to be a strategic risk. Following discussion with senior managers, it was agreed that a new strategic risk on Protecting Vulnerable Adults would be developed. This has been added to the strategic risk register, referenced STR00020 – Failure to Improve Adult Safeguarding Practice. The inherent risk score is 25. However, the residual likelihood risk score is 3 and the residual impact risk score is 4, giving an overall residual risk score of 12. Following the development of the SCHH Directorate Plan, the strategic and operational risks for the directorate will be reviewed and refined and the outcome of this review will be reflected within the strategic risk register, as appropriate.

18.   The Growth Strategic risk (STR0003) has been reviewed. The narrative has been updated to reflect current issues relating to the Development Strategy. The residual likelihood risk score has increased from 3 to 4, giving an overall residual risk score of 16. The previous score was 12.

19.   The Waste Strategic risk (STR0005) has been updated to reflect the current position with regard to the BEaR Project procurement process and also the residual and recycling waste contracts that are now in place. The food waste contracts are out to tender. Further work is being undertaken to ensure best value is achieved. Further planned actions in relation to the BEaR project tender have also been recorded. There have been no changes to the residual risk score.

20.   Although there has been no change to the score of STR0008, the description of the risk has been amended from "systematic failure of ICT applications" to "significant loss or failure of core business systems, including but not limited to SAP, ECM, CCMS, Swift, Tribal, Accolaid, Open Revenues and QL Housing". Control measures have also been updated and further planned actions are reflected.

21.   The appointment of a permanent Assistant Director for Operations, due to commence in April, has been reflected in the comments relating to the Protecting Children Strategic risk (STR0010).

22.   The Shared Service risk (STR0011) has been reconsidered by senior managers and it has been agreed to remove this risk from the register.

23.   The Information Management Strategic risk (STR0013) narrative has been updated to reflect the current actions underway in this area. The residual risk scores remain unchanged.

24. The Localism Strategic risk (STR0015) has also been reviewed. The residual likelihood score has been amended from 3 to 2, giving an overall residual risk score of 6. This reflects the actions in progress to mitigate this risk. The target score has been reassessed as 6. Following discussions with senior managers, this is no longer considered to be a strategic risk and has been removed from the register.

25. The description of strategic risk STR0016 has been amended from "SAN Replication Disconnects" to "Core infrastructure failure, leading to loss of service or significant impact to the Council's day to day operations for a period of time, including the data centre, SAN, or CBC network". Control measures have also been updated and further planned actions are reflected. There has been no change to the residual risk score.

26. There has been no change to the wording or scoring for the Transfer of Public Health risk. (STR0017). The risks associated with the transfer have been managed through a project risk register. However, it is recognised that from 1st April the project will draw to a close and consideration should be given to whether this remains a strategic risk.

27. The mitigating actions relating to the Project Management Strategic risk (STR0018) have been reviewed to reflect the current position. The further action/comments column has also been updated. The residual risk score has been updated to reflect the progress made. The likelihood score has been decreased from 4 to 2, giving an overall residual score of 6.

28. There are no revisions to the remaining strategic risks.

29. The risks with the highest residual exposure are the Growth Strategic risk (STR0003) and the Core Infrastructure risk (STR0016). Both have a residual risk score of 16. The Core Infrastructure risk is linked to the audit recommendation relating to SAP Access and Security (including IT DR) which is reported within Appendix 3 of the Tracking of Internal Audit Recommendations Report elsewhere on this agenda.

30. Work is continuing on developing and documenting assurance maps in order to provide a transparent overview of the assurance framework supporting the Council's key strategic risks. This has assisted with the development of the Internal Audit Plan for 2013/14.

OPERATIONAL RISKS:

31. The risk report also highlights the key operational risks facing the Council. These have been drawn directly from Directorate risk registers as uploaded onto the JCAD risk management system.

32. The dashboard has listed the 12 operational risks with a risk score of 15 or above. An additional risk relating to ICT staff resources has been included for the first time.

33.   The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme (RES060008).

34.   The top operational risks include 2 risks relating to Procurement – RES020006 and RES020005. These, together with the Procurement Strategic risk (STR0007) are linked to the audit recommendation relating to the documentation of contract procedures which is reported within Appendix 4 of the Tracking of Internal Audit Recommendations Report elsewhere on this agenda.

35.   Work is currently progressing to develop the People and Organisation operational risk registers. The outcome of this work, which may potentially include new strategic risks will be included in the next update report.

EMERGING RISKS:

36.   The recent review of strategic risks by senior managers has identified that three strategic risks should be removed from the register, and one additional risk has been added. The impact of Welfare Reform has also been identified as an additional risk, and this will be developed and reflected in the next update report to the Committee. Further work is planned to reassess strategic risks against the background of Government initiatives and changes in service delivery The outcome of this review will be reported to a future Committee.

2013/14 Risk Management Strategy

37.   The Audit Committee, at its meeting in April 2012, approved the 2012/13 Risk Management Strategy.

38.   The strategy reflects the aim of further embedding risk management during the year and ensuring a consistent approach to managing risk is adopted throughout the Council. It remains relevant for 2013/14 and therefore no revisions are proposed.

Conclusion and Next Steps

39.   Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the next Audit Committee.

Appendices:

Appendix A –March Risk Summary Dashboard
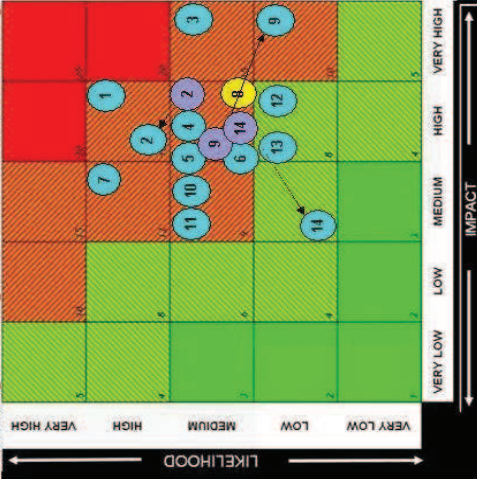
Background Papers: (open to public inspection)
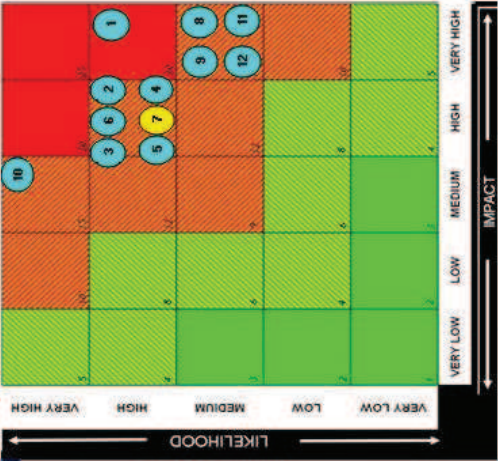
None

Location of papers:

N/A

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CBC Strategic Risk Register Matrix - Residual Risk Rating

Axes: LIKELIHOOD (VERY HIGH, HIGH, MEDIUM, LOW, VERY LOW) vs IMPACT (VERY LOW, LOW, MEDIUM, HIGH, VERY HIGH)

Strategic Risk Tracker / Key

#	Reference	Nature of Risk
1	STR0016	Core infrastructure failure of Datacentre Environment, SAN and/or CBC Network.
2	STR0003	Growth: managing the delivery of planned growth targets.
3	STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.
4	STR0006	Health & Safety: a risk that failure of Members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.
5	STR0007	Failure in competition process; inappropriate contract arrangements which fail to deliver service requirements.
6	STR0013	Information Management: a risk of failure to implement information governance arrangements.
7	STR0010	A failure to work to access sufficient resources to respond quickly enough to rapid changes or a failure to implement new child protection procedures, and update guidance and share good practice.
8	STR0020	Failure to improve adult protection safeguarding practices
9	STR0001	Budget Control Failure: financial pressures due to cuts to Central Government and CBC identifying savings.
10	STR0005	The implications of failing to act on the waste agenda.
11	STR0008	Significant loss or ICT failure of core business systems including but not limited to: SAP, ECM, CCMS, SWIFT, Tribal, Accolad, Open Revenues, QL Housing.
12	STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.
13	STR0017	Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council.
14	STR0018	Lack of application of robust project assurance and robust management arrangements for commissioned projects.

Strategic Risk Tracker ratings

Reference	Nature of Risk	Feb	June	Aug	Nov	Mar	June	Aug	Nov	Mar
			2011/12				2012/13			
STR0016	Core infrastructure failure of Datacentre Environment, SAN and/or CBC Network.				16	16	16	16	16	16
STR0003	Growth: managing the delivery of planned growth targets.	12	12	12	12	12	12	12	12	16
STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.						15	15	15	15
STR0006	Health & Safety: a risk that failure of Members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.	9	9	9	16	8	12	12	12	12
STR0007	Failure in competition process; inappropriate contract arrangements which fail to deliver service requirements.	8	8	8	12	12	12	12	12	12
STR0013	Information Management: a risk of failure to implement information governance arrangements.	6	6	6	6	6	12	12	12	12
STR0010	A failure to work to access sufficient resources to respond quickly enough to rapid changes or a failure to implement new child protection procedures, and update guidance and share good practice.	8	8	8	9	9	9	9	12	12
STR0020	Failure to improve adult protection safeguarding practices									12
STR0001	Budget Control Failure: financial pressures due to cuts to Central Government and CBC identifying savings.	20	16	16	16	16	12	12	12	10
STR0005	The implications of failing to act on the waste agenda.	12	9	9	9	9	9	9	9	9
STR0008	Significant loss or ICT failure of core business systems including but not limited to: SAP, ECM, CCMS, SWIFT, Tribal, Accolad, Open Revenues, QL Housing.	8	8	8	8	9	9	9	9	9
STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.	8	8	8	8	8	8	8	8	8
STR0017	Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council.						8	8	8	8
STR0018	Lack of application of robust project assurance and robust management arrangements for commissioned projects.						12	12	12	6

CBC Top Operational Risks - Residual Risk Rating

Top Operational Risk Tracker / Key

#	Reference	Nature of Risk
1	RES060008	Loss of revenue/income generation affecting the Asset Disposals Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally.
2	SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.
3	SCH0007	Partnerships: Failure to establish a common vision with health and the delivery of joint commissioning strategies.
4	SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.
5	SCH0005	Failure to develop a social care market to deliver positive outcomes and choices for people.
6	RES050009	Insufficient staff resources/capacity to deliver ICT services due to unconstrained project resource demands.
7	RES050008	Insufficient staff resources/capacity to respond to ICT incidents, changes and planned project work due to financial pressures facing the team, having to achieve "more for less".
8	RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDR, CT, Public Health.
9	RES020006	Insufficient capacity to deliver an effective procurement service.
10	RES030017	Failure to improve/manage performance due to Welfare Reform - Revenues and Benefits.
11	RES020005	Failure to obtain value for money through inadequate compliance with procurement processes and procedures or deliberate avoidance/ fraudulent behaviours.
12	RES020009	Failure of key supplier as the company pulls out of agreement without prior notice or becomes insolvent and ceases trading.

Top Operational Risk Tracker ratings

Reference	Nature of Risk	Feb	June	Aug	Nov	Mar	June	Aug	Nov	Mar
			2011/12				2012/13			
RES060008	Loss of revenue/income generation affecting the Asset Disposals Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally.		20	20	20	20			20	20
SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.			16	16	16	16	16	16	16
SCH0007	Partnerships: Failure to establish a common vision with health and the delivery of joint commissioning strategies.		16	16	16	16	16	16	16	16
SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.			16	16	16	16	16	16	16
SCH0005	Failure to develop a social care market to deliver positive outcomes and choices for people.				16	16	16	16	16	16
RES050009	Insufficient staff resources/capacity to deliver ICT services due to unconstrained project resource demands.				16	16	16	16	16	16
RES050008	Insufficient staff resources/capacity to respond to ICT incidents, changes and planned project work due to financial pressures facing the team, having to achieve "more for less".									16
RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDR, CT, Public Health.		15	15	15	15	15	15	15	15
RES020006	Insufficient capacity to deliver an effective procurement service.		15	15	15	15	15	15	15	15
RES030017	Failure to improve/manage performance due to Welfare Reform - Revenues and Benefits.						15	15	15	15
RES020005	Failure to obtain value for money through inadequate compliance with procurement processes and procedures or deliberate avoidance/ fraudulent behaviours.				15	15	15	15	15	15
RES020009	Failure of key supplier as the company pulls out of agreement without prior notice or becomes insolvent and ceases trading.								15	15

Overview of Risk Position - March 2013

The risks with the highest residual score are STR0016- Core Infrastructure failure and STR0003 - Failure to deliver the planned growth targets.

The following risks have been rescored:
STR0001 – Budget Control Failure
STR0003 - Growth
STR0018 - Project Management

Revisions to the descriptions or mitigating actions have been made for the following risks:
STR0003 - Growth
STR0005 - Waste
STR0008 - ICT application failure
STR0010 - Protecting Children
STR0013 - Information Management
STR0016 - ICT Core Infrastructure failure
STR0018 - Project Management

The following strategic risks have been removed:
STR0002 - Failure to improve Adult Social Care Performance
STR0011 - Shared Services
STR0015 - Localism

The following strategic risk has been added:
STR0020 - Failure to improve adult safeguarding practices

The most noteworthy operational risks facing CBC are highlighted. There has been no change to the risk scores since last reported. An additional risk has been added - RES050008 - Insufficient ICT staff resources. The highest operational risk relates to the potential loss of revenue/income generation within the Assets Disposal Programme (RES060008).

Key

New Risk
Current Position
Previous Position

Assessing Impact

Impact Score	Impact Tag	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse publicity in national media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other locations may be affected, financial loss up to £5m, sustained adverse publicity in national media, greater than 6 months absence for more than 5 people (single event)
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity national media, greater than 20 days absence for more than 5 people (single event).
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, Minor adverse publicity in local media, short term absence for up to 5 people (single event)

Assessing Likelihood

Scale	Descriptor	Likelihood of Occurrence
5	Almost Certain	Likely to occur each year/over 60% chance of occurrence
4	Likely	Likely to occur every 3 years/up to a 60% chance of occurrence
3	Possible	Likely to occur every 5 years/up to a 40% chance of occurrence
2	Unlikely	Likely to occur every 10 years/up to a 20% chance of occurrence
1	Rare	Likely to occur every 10+ years/up to a 10% chance of occurrence

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