
Meeting: Audit Committee
Date: 7 January 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 November 2012.

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 November 2012.

Strategic Risks

12. The Strategic Risk register has been reviewed and updated in consultation with the Directorate Risk Co-ordinators.
13. The November risk report is contained at Appendix A. The report contains 16 strategic risks.
14. There are 12 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 wording of the Growth Strategic risk (STR0003) has been updated to reflect the Executive sign off of the pre submission Development Strategy in November 2012, and the further planned actions have been updated to record the planned publication of the strategy and the submission to the Secretary of State. There have been no changes to the residual risk score.
17. 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 planned actions in relation to the BEaR project tender have also been recorded. There have been no changes to the residual risk score.
18. The target risk score for the Health and Safety Strategic risk (STR0006) has been revised from 6 to 8. This reflects a target likelihood of 2 and impact of 4.
19. The Partnership risk (STR0009) has been updated by the Head of Partnerships and Community Engagement to reflect that a comprehensive partnership mapping exercise has been undertaken.
20. The strategic risk relating to Protecting Children (STR0010) has been reviewed. The description has been revised and is now recorded as "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". The risk of legal action has been added to the potential consequences. The mitigating actions have also been amended to reflect readiness to respond to the new Ofsted inspection framework, adoption and fostering reforms, and the Special Educational Needs (SEN) green paper and legislation. The residual risk score has increased. The impact has risen from 3 to 4. The likelihood remains 3, resulting in a residual risk score of 12. The target score has been revised from 4 to 8. Further planned actions to mitigate this risk have been recorded, and include the appointment of a permanent Assistant Director for Operations.
21. The Localism Strategic risk (STR0015) has also been updated to reflect that a process for the Community Right to Bid has now been developed. The residual risk score remain unchanged.
22. The description of the Project Management Strategic risk (STR0018) has been amended to reflect that the risk relates to the application of robust project assurance and robust management arrangements, rather than the lack of the existence of such arrangements. The further action column has been updated to reflect the current activities of the task and finish group developing a consistent project management approach.
23. There are no revisions to the remaining strategic risks.
24. The risk with the highest residual exposure remains as STR0016 – ICT – SAN Replication Environment Disconnects. The residual score is 16. This 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.

25. Work is still in progress to develop a new strategic risk on Protecting Vulnerable Adults.
26. When preparing the audit plan for the current year, consideration was given to the Strategic Risk Register and, where appropriate, audit work has focused on these risks. For example, the IT Disaster Recovery (DR) audit, Managed Audits, and audits of contract management. Internal Audit is also involved in providing assurance on some major projects.
27. As reported elsewhere on the agenda, an exercise is currently underway to develop and document an assurance map in order to provide a transparent overview of the assurance framework supporting the Council's key strategic risks. This will help inform the Strategic Audit Plan.

Operational Risks

28. 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.
29. The dashboard has listed the 11 operational risks with a risk score of 15 or above.
30. The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme (RES060008).
31. The top operational risks include 2 risks relating to Procurement – RES020006 and RES0005. 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.
32. Work is planned to further develop the People and Organisation operational risk registers in the new year.

Conclusion and Next Steps

33. 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 –November Risk Summary Dashboard

Background Papers: (open to public inspection)

None

Location of papers: N/A