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