
Meeting: Audit Committee
Date: 13 January 2014
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 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:**

1. **Consider and comment on the contents of the report.**

Background

10. The Terms of Reference of the Audit Committee include the monitoring of the operation of the Risk Management Strategy. This report is the regular update report to assist the Committee in discharging its responsibilities.
11. The purpose of this report is to give an overview of the Council's risk position as at November 2013.

Strategic Risks

12. As reported to the September Audit Committee, a fundamental refresh of the Strategic Risk Register has been undertaken. This has involved discussion with senior managers across the Council.
13. As a result of this work, a number of new risks and changes to risks were identified and these have subsequently been considered by the Risk Matters Group and the Directorate Risk Co-ordinators. In addition, our principal insurers, Zurich, facilitated a Risk Workshop in November which was attended by Risk Co-ordinators and this provided an opportunity to reflect on the risks and challenges facing the Council.
14. This update report reflects the outcome of the work undertaken to date and includes a number of revisions.
15. The November risk report is contained at Appendix A. The report contains 13 strategic risks.

16. 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.
17. The risks have been reconsidered and the key revisions are set out below.
18. The risk register contains a risk relating to financial pressures (STR0001). This has previously been described as Budget Control Failure. However, when refreshing this risk the description has been revised to “Significant reduction or redirection of funding”. This now also reflects the risks associated with the switch of funding streams to other bodies and the risk of the Council failing to exert appropriate influence on decision making bodies who are receiving redirected funding. The residual risk score has increased from 10 to 12 as a result. Additional mitigating actions have been identified.
19. 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. At this stage, there are no revisions to the strategic risks.
20. The Growth strategic risk (STR0003) has been reviewed and updated to reflect the current situation regarding the Development Strategy. Mitigating actions, control measures and further planned actions have been updated.
21. The Strategic Risk Register previously contained 2 risks relating to ICT/Data Management. STR0008 related to the failure of core business systems and STR0016 related to core infrastructure failure. IT risks have been reviewed and one revised risk has been developed to cover the overall risk of failure or disruption to key parts of the Council’s ICT systems. The inherent risk score is 20 (previously 16), and the residual risk score is 16. Control measures have also been updated and further planned actions are reflected.
22. The description of STR0010 – Protecting Children – has been revised to read “Failure to respond to increasing cases and implement child protection procedures due to insufficient resources and professional/skilled workforce”. Whilst there has been no change to the risk scores, control measures have also been updated and further planned actions are reflected.
23. The Information Management Strategic risk (STR0013) narrative has been amended to reflect the risk of a lack of consistent information management and data accuracy across the organisation and the risk of non compliance with the Data Protection Act and Freedom of Information management issues. The inherent risk score has been amended from 12 to 15 and the residual risk score is also 15. The target risk score is 12. Control measures have also been updated and further planned actions are reflected.
24. The Localism risk (STR0015) has been refreshed. The nature of the risk has been reworded as “New Community Rights and alternative models of service delivery”. The inherent risk score has been amended from 12 to 6 and the residual risk score has been amended from 6 to 4. This reflects the implementation of mitigating actions and a re-evaluation of the risk posed to the Council.

25. Procurement risks have been reassessed and a new strategic risk has been added to the register, referenced STR0022. This relates to the risk that the Procurement Service fails to deliver best value through its strategic delivery processes. The inherent risk score is 16. Mitigating actions have been identified and further control measures have been identified. The residual risk score is 12. This risk replaces the previous Contracts risk (STR0007).
26. Following a review by the Improvement and Corporate Services Management Team (ICSMT) the relocation of the Contact Centre from Bedford to Dunstable has also been identified as a strategic risk (STR0023). There are service disruption risks associated with the move. Mitigating actions have been identified; however, both the inherent and residual risks have a score of 15.
27. The following risks have been removed from the strategic risk register as being no longer matters of strategic concern:
STR0017 – Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council
STR0018 – Lack of application of robust project assurance and robust management arrangements
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 failure or disruption of the Council's IT systems (STR0008), Both have a residual risk score of 16.
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 work supports the development of the Internal Audit Plan and is also a source of assurance to support both the Annual Governance Statement and the Annual Internal Audit Opinion.

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 Risk Co-ordinators have been working to ensure that the directorate operational risk registers reflect any key operational risks that may be common to all service areas. A number of core risks were identified for consideration and inclusion, as appropriate. Work is in progress to further develop this.
33. The dashboard has listed the 11 operational risks with a risk score of 15 or above.
34. The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme (RES060008).

35. Since the last update report a considerable amount of work has been done to develop the Improvement and Corporate Services operational risk registers. As a result, three additional risks have been added to the Top Operational risk list. Further work is required to update the Assets operational risk register.
36. Work is also progressing with Public Health colleagues to bring their risk reporting into line with CBC.

Conclusion and Next Steps

37. 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