



**Report to: Audit Sub-Committee**

**Subject: Corporate Risk Scorecard**

**Date: 18<sup>th</sup> December 2007**

**Author: Manager of Resource Services**

## **1. PURPOSE OF REPORT**

To update members of the Audit Sub-Committee on the current level of assurance that can be provided against each corporate risk.

## **2. BACKGROUND**

The current Risk Management Strategy was considered and approved by Cabinet in February 2007.

A key deliverable of the Strategy was the development of the Risk Management reporting process, with the key aim of streamlining reports to enhance their use in management's decision making. The Strategy introduced the Corporate Risk Scorecard as a key enabler to this objective.

The Corporate Risk Scorecard provides assurance on the key risks identified as Corporate Risks, which were agreed by SMT in July 2007, and are provided in **Appendix B**.

The assurance opinion is based on reviews of the control environment from the following sources:

- a. Internal Audit,
- b. Management Review of Risk Registers and Supporting Controls,
- c. External Audit,
- d. External Assessment / Accreditation Bodies (e.g. IIP / ISO9000),
- e. Other assurance sources (e.g. Health & Safety).

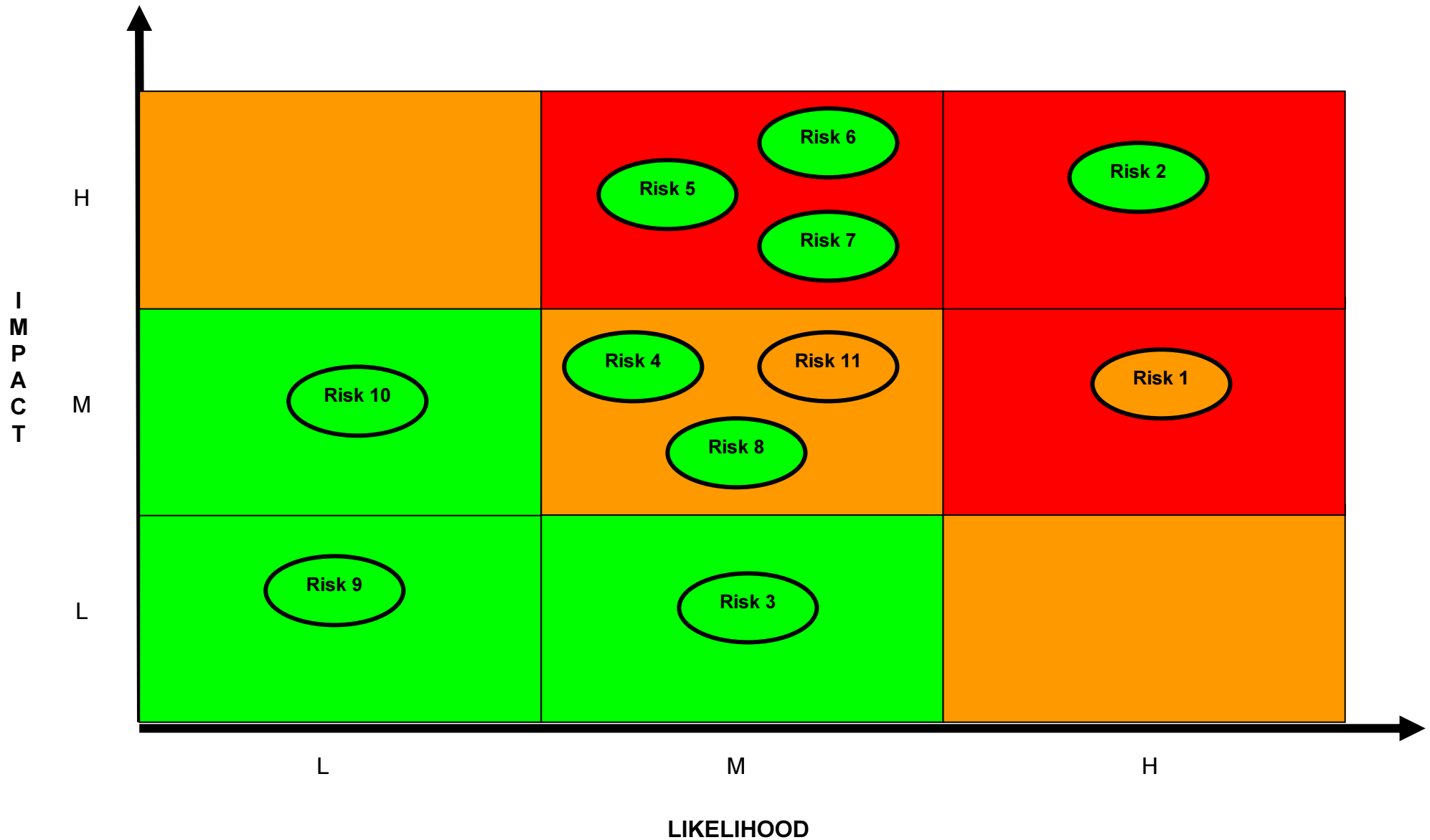
Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These will be subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

### 3. **CORPORATE RISK SCORECARD**

The Corporate Risk Scorecard and supporting comments, as at December 2007, are provided below.

The methodology and assurance metrics adopted in producing the Corporate Risk Scorecard are provided for reference in **Appendix A**.

**GEDLING BOROUGH COUNCIL**  
CORPORATE RISK SCORECARD – December 2007



## Supporting Comments & Explanations

1

### **FAILURE TO MAXIMISE REVENUE**

**Owner:** Mark Kimberley

**Residual Risk Direction:**



**Summary of Control Weaknesses:**

#### Audit Recommendations

The current review of Housing Benefits (IAR0708-13) highlights a marked improvement in the control environment, with 5 medium risk recommendation having been implemented. The current review provided substantial assurance with respect to the control environment (limited assurance within the corresponding 06-07 review).



However, this improvement has been offset by the 5 medium risk recommendations made within the Leisure Income review (IAR0708-06). These relate to a lack of guidelines on customer discounts, prompt clearance of debtor accounts and sharing of till log on facilities.



In addition, 2 medium risk recommendations were made within the Trade Waste review (IAR0708-09). These relate to management controls in relation to debtor invoices.



There are 3 outstanding medium risk audit recommendations relating to the review of Debtors (IAR0607-14). Progress against these recommendations is currently being reviewed. The recommendations relate to the prompt review and clearance of outstanding debts and more timely cash reconciliations as outlined in the Service Level Agreement with Rushcliffe.


#### Risk Register

The strategic risk register highlights the ongoing risk emanating from a failure to complete the Housing stock transfer. This risk originally stemmed from a failure to generate a revenue surplus, however, the nature has changed to minimising the impact on the General Fund. A Business Case to obtain CG funding has been resubmitted. And funding agreed



2	<p><b>FAILURE TO MINIMISE COSTS</b></p> <p><b><u>Owner:</u></b> Mark Kimberley</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding audit recommendations against this corporate risk has decreased from 9 to 5. The cleared recommendations relate to budgetary control issues within Direct Services. (IAR0607-22a).</p> <p>The remaining key issues relate to the Payroll review (IAR0607-20), and, specifically the requirement to undertake a review of the authorities Time Off In Lieu (TOIL) policy.</p> <p>Progress against these recommendations is currently being reviewed as part of the 07-08 Payroll review.</p> <p><u>Risk Register</u></p> <p>The Housing Services operational risk register identifies a minor control gap with respect to meeting Homelessness requirements as part of the overall Housing Strategy. A shortage of suitable staff has been identified, and recruitment is in progress.</p>
3	<p><b>HEALTH &amp; SAFETY FAILINGS / PROTECTION OF STAFF</b></p> <p><b><u>Owner:</u></b> Mark Kimberley</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>


4	<p><b>FAILURE TO RECRUIT &amp; RETAIN SUITABLY SKILLED STAFF</b></p> <p><b><u>Owner:</u></b> Janet Brothwell</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
5	<p><b>FAILURE TO PROTECT &amp; UTILISE ASSETS (IT/IS)</b></p> <p><b><u>Owner:</u></b> Mark Kimberley</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are currently 5 outstanding medium risk audit recommendations aligned to this risk (up from 3 in September 2007). Progress against these recommendations will be assessed during January / February 2008.</p> <p>The key issues relate to the utilisation of the CAPS system (Licensing, IARIAR0607-24). A full cost benefit analysis is currently being undertaken to assess system utilisation and procurement of an alternative system.</p> <p><u>Risk Register</u></p> <p>The strategic risk register currently identifies 2 minor control gaps with respect to testing the Authorities Business Continuity Plan (BCP) and development of an ICT Disaster Recovery plan. The BCP has been reviewed and updated and testing will be undertaken prior to the end of the financial year. Development of an ICT Disaster Recovery Plan is at an advanced stage and is being developed in partnership with a number of neighbouring authorities.</p>

6	<p><b>FAILURE TO PROTECT &amp; UTILISE ASSETS (PHYSICAL)</b></p> <p><b><u>Owner:</u> Peter Murdock</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations has reduced from 10 to 6.</p> <p>The improvements relates to the implementation of audit recommendations made in the 06-07 Housing Benefits review (IAR0607-17) and the 06-07 review of Performance Management (IAR0607-22b) within Direct Services.</p> <p>The key issues relate to reviews of staff access levels to key systems following staff transfers/leavers. This issue was identified in audit reviews of Council Tax (IAR0607-10), NDR (IAR0607-11) and Leisure Income (IAR0708-06). Progress against these recommendations is currently being assessed within the respective 07-08 audit reviews.</p> <p><u>Risk Register</u></p> <p>The Direct Services operational risk register identifies a minor control gap with respect to Budgetary Monitoring. These issues are highlighted above in corporate risk 2 (outstanding audit recommendations).</p>
7	<p><b>FAILURE TO DEVELOP &amp; DELIVER STRATEGIC PARTNERSHIPS</b></p> <p><b><u>Owner:</u> Peter Murdock</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>The strategic risk register identifies a minor control gap with respect to failure to deliver efficiencies from the shared services agenda. The Transformational programme has been developed and a project team established along with staff briefings and newsletters. Ongoing time pressures and varying degrees of support from neighbouring authorities remain the main risks.</p>

	<p>The strategic risk register also identifies a minor control gap with respect to failure to deliver identified benefits from the Housing transfer. This risk is summarised under risk 1 above.</p> <p>In addition the Direct Services operational risk register identifies a minor control gap with respect to failure to implement agreed joint working arrangements regarding waste collection. Joint working arrangements are now in place, however, a residual risk remains with respect to potential failure of a partner authority.</p>
8	<p><b>LEGAL / REGULATORY / CONTRACTUAL BREACH</b></p> <p><b><u>Owner:</u> Sue Sale</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><b><u>Audit Recommendations</u></b></p> <p>There is no change in the overall number of outstanding medium risk audit recommendations. However, whilst the audit recommendation relating to the timely submission of the compliance certification declaration in Housing Benefits (IAR0607-17) has been reclassified as low risk, the audit review of Trade waste procedures in Direct services required all current Trade waste agreements to be reviewed to ensure contractual compliance</p> <p><b><u>Risk Register</u></b></p> <p>The Direct Services operational risk register identifies a minor control gap with respect to compliance with excess weights within the operators licence requirements. Three vehicles have been fitted with weighing equipment and capital bids have been submitted to fit the remainder.</p> <p>In addition the Housing Services operational risk register identifies two minor control gaps. The first is with respect to the need to develop a supported housing code of practice.</p> <p>The second identifies the need to develop individual service charges for leasehold tenants as required by the Financial Services Act. Work is ongoing to obtain individual property valuations to enable the calculation of individual insurance premiums and service charges.</p>



9	<p><b>ENVIRONMENTAL POLLUTION / DISASTER</b></p> <p><b><u>Owner:</u></b> Dave Parton</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
10	<p><b>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</b></p> <p><b><u>Owner:</u></b> Peter Murdock</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>

11	<p><b>DAMAGE TO REPUTATION</b></p> <p><b><u>Owner:</u></b> Peter Murdock</p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></p> <p><b><u>Audit Recommendations</u></b></p> <p>There has been a slight improvement in the number of outstanding medium risk audit recommendations against this corporate risk from 8 to 7. The implemented recommendation relates to the effective completion and retention of intervention forms (IAR0607-17).</p> <p>The remaining key issues relate development and review of an effective register of interest (IAR0708-03).</p> <p>In addition, the audit review of Housing Repairs (IAR0607-18) identified a number of issues with respect to the ineffectiveness and inadequacy of the current phone system. A replacement system is currently being implemented, which is designed to address the issues identified.</p> <p><b><u>Risk Register</u></b></p> <p>The Direct Services operational risk register identifies a minor control gap with respect to the Car Parking Strategy, which is subject to ongoing review and development. In addition, a further minor control gap has been identified with respect to maintaining playground fencing. Capital bids have been submitted and a planned programme developed.</p> <p>The Housing Services risk register identifies 2 minor control gaps. The first relates to the need to develop an Adaptations policy, which is being developed. The second relates to the ineffective implementation of the NROSH data collection system, for which an action plan is to be developed and monitored.</p>
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#### 4. **RECOMMENDATION**

Members are requested to note the report.

## Assurance Metrics

CORPORATE RISKS			
Assurance Level	No. of o/s Audit Recs. (Med/High)	Risk Register – medium control gaps <sup>*1</sup> (number)	Risk Register – high control gaps <sup>*2</sup> (number)
<b>RED</b>	16+	7+	2
<b>AMBER</b>	8-15	3-6	1
<b>GREEN</b>	0-7	1-2	0

<sup>\*1</sup> medium risk control gap = -1 to -3

<sup>\*2</sup> high risk control gap = > -3

The control gaps identified from the strategic and operational risk registers are the net result of the calculation ((Inherent risk – Target risk) – Residual risk)) i.e. the gap in control between the target risk and current risk.

## Risk Assessment December 2007

Number of risk exposures by corporate risk:

Risk No.	Prior Assess.	Audit Assess.	Risk Register		Current Asses.	Direction
			Med.	High		
1	AMBER	13	1	0	AMBER	Deteriorating
2	AMBER	5	1	0	GREEN	Improving
3	GREEN	0	0	0	GREEN	No Change
4	GREEN	0	0	0	GREEN	No Change
5	GREEN	5	2	0	GREEN	Deteriorating
6	AMBER	6	1	0	GREEN	Improving
7	GREEN	0	3	0	GREEN	No Change
8	GREEN	1	3	0	GREEN	No Change
9	GREEN	0	0	0	GREEN	No Change
10	GREEN	0	0	0	GREEN	No Change
11	AMBER	7	4	0	AMBER	Improving

## Corporate Risks

C U S T O M E R	Risk Category	Corporate Risk	Inherent Risk		Risk Owner
			Impact	L'hood	
	FINANCIAL	1. Failure to Maximise Revenue	M	H	M Kimberley
		2. Failure to Minimise Costs	H	H	M Kimberley
	PEOPLE	3. Health & Safety Failings / Protection of Staff	L	M	M Kimberley
		4. Failure to Recruit & Retain Suitably Skilled Staff	M	M	J Brothwell
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley
		6. Failure to Protect & Utilise Assets (Physical)	H	M	P Murdock
		7. Failure to Develop & Deliver Strategic Partnerships	H	M	P Murdock
	LEGAL	8. Legal / Regulatory / Contractual Breach	M	M	S Sale
	ENVIRONMENT	9. Environmental Pollution / Disaster	L	L	D Parton
		10. Adverse Events in the External Environment	M	L	P Murdock
	REPUTATION	11. Damage to Reputation	M	M	P Murdock

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