



Report to: Audit Sub-Committee

Subject: Corporate Risk Scorecard

Date: 24th June 2008

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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).

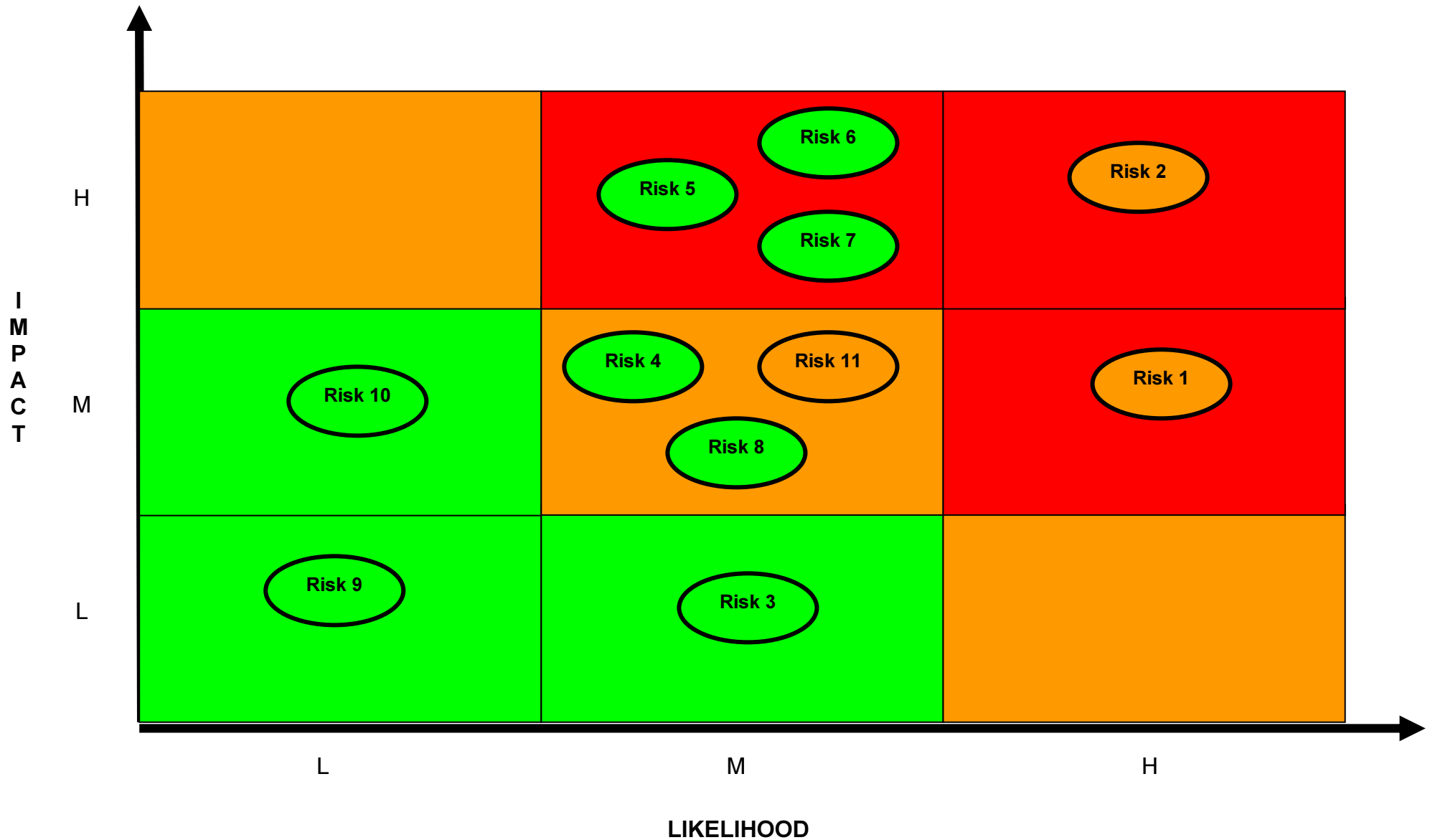
Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These will be subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. **CORPORATE RISK SCORECARD**

The Corporate Risk Scorecard and supporting comments, as at June 2008, 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 – June 2008



Supporting Comments & Explanations

1

FAILURE TO MAXIMISE REVENUE

Owner: Mark Kimberley

Residual Risk Direction:



Summary of Control Weaknesses:

Audit Recommendations

The number of outstanding medium risk audit recommendations has increased from 10 to 16 over the quarter. The increase is due the recently issued Debtors report (IAR0708-15). The key issues from this report relate to the development of a formal corporate debt recovery policy, incorporating standardisation of residual debt and debt write procedures. Additional concerns were highlighted with respect to the end user compatibility of debt reports provided by Rushcliffe Borough Council.

The remaining medium risk recommendations relate to:

The Leisure Income review (IAR0708-06), which identified 5 medium risk recommendations. These relate to a lack of guidelines on customer discounts, prompt clearance of debtor accounts and the 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, and 2 within the Housing benefits (IAR0708-13) review, relating to authorised signatories on debt write off.


The 07-08 review of cash receipting (IAR0708-05) also identified 1 medium risk recommendation relating to the establishment of Departmental cash holding limits prior to transfer to the civic centre cash.



The timescales for implementation of these recommendations have not yet passed, however progress of management action will be followed up by Internal Audit during 2008-09.



Risk Register


The strategic risk register highlights the risks associated with completion of the LSVT. Whilst funding has been secured and tenants have voted overwhelmingly for the transfer, ongoing risks remain with respect to managing the residual costs associated with corporate responsibilities.



The additional risk identified on the corporate risk register relates to the inability to maintain current income levels from leisure facilities.



	<p>This risk has increased despite efforts by Leisure Services management to mitigate its impact. Management have developed a new strategy covering marketing, promotion, sales and retention efforts including the introduction of a lower price strategy and new membership options. Specialist consultants were deployed on a no win no fee basis to develop and deliver the strategy. Despite these efforts market pressures on income levels persist.</p>
2	<p>FAILURE TO MINIMISE COSTS</p> <p><u>Owner: Mark Kimberley</u></p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>The overall level of assurance against this risk category has deteriorated from green to amber during the quarter.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations against this corporate risk has increased from 5 to 8.</p> <p>This increase is due to the recently issued debtors report (IAR0708-15). The key issues from this report relate to the development of a formal corporate debt recovery policy, incorporating guidelines for withholding services in respect of current debtors and alignment of debt recovery procedures. Additional concerns were highlighted with respect to the clarity of charging arrangements and roles and responsibilities within the current agreement with Rushcliffe Borough Council.</p> <p>The remaining key issues relate to evidenced reviews of the bank reconciliations (IAR0708-18 – Bank Accounts) and authorisation of amendments to stock issue notes (IAR0708-11 – Stock Control – Direct Services).</p> <p>Progress against these recommendations will be reviewed during 2008-09.</p> <p><u>Risk Register</u></p> <p>The increase in the number of control gaps identified within the corporate risk register relate to the LSVT. Particular risks include the delivery of projected benefits and effective management of the corporate overhang through cost absorption following transfer.</p> <p>A further minor control gap was identified with respect to the establishment of responsibilities for the provision of insurance information post transfer.</p>

3	<p>HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF</p> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</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>FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF</p> <p><u>Owner:</u> Janet Brothwell</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</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 two identified control gaps in the corporate risk register aligned to this corporate risk. These relate to the potential risk associated with insufficient skilled resources to deliver services via the Customer Service centre following completion of the Gedling Transformation Project. The control gap is classed as minor, with the Project Board continually reviewing needs and issues as they arise.</p>

5	<p>FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)</p> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations aligned to this corporate risk has increased from 2 to 4. This is due to the recently issued Debtors audit report (IAR0708-15), which identified concerns with respect to the security of data transferred between authorities.</p> <p><u>Risk Register</u></p> <p>The corporate risk register currently identifies 4 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> <p>An additional minor control gap has been identified with respect the implementation of a self-service facility for the Resourcelink platform. A project plan has been developed and resource requirements have been identified and programmed for implementation.</p>
6	<p>FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)</p> <p><u>Owner:</u> Peter Murdock</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations remains at 5.</p> <p>The key issues relate to the Housing Repairs review (IAR0607-18), progress of which is currently being reviewed as part of the 2007-08 audit review. The majority of the issues raised are likely to have been addressed via the implementation of the Partnership Contracts for responsive repairs. This will be confirmed upon completion of the current review.</p>

	<p><u>Risk Register</u></p> <p>There are 2 minor control gaps aligned this corporate risk on the corporate risk register.</p> <p>The first relates to the failure to maintain the asset plan. Management action includes the establishment of an asset management group, with the key objective of developing a new AMP during 2008-09.</p> <p>A further minor control has been identified with respect to the potential failure to relocate the Teal Close recreational facilities. Funding has been secured, including Football Foundation & Relocation Grants. A Land Contamination survey is being completed and Severn Trent contracts are being negotiated, however, land access issues are still to be resolved.</p>
7	<p>FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS</p> <p><u>Owner:</u> Peter Murdock</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</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>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>LEGAL / REGULATORY / CONTRACTUAL BREACH</p> <p><u>Owner:</u> Sue Sale</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations remains at 2. The recently issued Debtors report (IAR0708-15) relating to the need to review the councils' procurement strategy with to ensure fully meets equalities legislation and requirements particularly with respect to 3rd party contracts.</p> <p>In addition the audit review of Trade Waste (IAR0708-09) procedures in Direct Services identified a medium risk recommendation requiring all current Trade Waste agreements to be reviewed to ensure contractual compliance.</p> <p><u>Risk Register</u></p> <p>The Leisure Services operational risk register identifies a potential breach of the Data Protection Act relating to transfer of personal data held within DNA and GP referral schemes. Advice has been sought from legal services and IT. The Department is also working with partner agencies to review working practices.</p> <p>In addition the Housing Services operational risk register identifies a minor control gap with respect to the need to develop a supported housing code of practice.</p>
9	<p>ENVIRONMENTAL POLLUTION / DISASTER</p> <p><u>Owner:</u> Dave Parton</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</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>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</p> <p><u>Owner:</u> Peter Murdock</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</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>DAMAGE TO REPUTATION</p> <p><u>Owner:</u> Peter Murdock</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p><u>Audit Recommendations</u></p> <p>There has been a slight increase in the number of outstanding medium risk audit recommendations against this corporate risk from 5 to 7.</p> <p>This is due to medium risk recommendations made in a review of Post Procedures (IAR0708-23), which required the development of formal post opening procedures specifically for registered and recorded mail.</p> <p>A further key issue relates to the development and review of an effective employee register of interest (IAR0708-03). A draft policy has been developed and was presented to SMT in June 2008. Following amendment this will be presented for approval and subsequent deployment.</p> <p>The remaining key issues relate to the Housing Repairs review (IAR0607-18), progress of which is currently being reviewed as part of the 2007-08 audit</p>

review. The majority of the issues raised are likely to have been addressed via the implementation of the Partnership Contracts for responsive repairs and the introduction of the new telephony system. This will be confirmed upon completion of the current review.

Risk Register

An emerging risk has been identified on the corporate risk register with to the failure to resolve the future use of Killisick Court, which represents a significant control gap. The property is currently secured and subject to regular monitoring. In the longer term this risk will only materialise from the Authority's perspective if it is not part of the LSVT.

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.

Further minor control gaps identified include the need to undertake a review of the Authority's Financial Regulations and the impact of decreasing numbers of GP referrals.

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 ^{*1} (number)	Risk Register – high control gaps ^{*2} (number)
RED	16+	7+	2
AMBER	8-15	3-6	1
GREEN	0-7	1-2	0

^{*1} medium risk control gap = -1 to -3

^{*2} 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 June 2008

Number of risk exposures by corporate risk:

Risk No.	Prior Assess.	Audit Assess.	Risk Register		Current Asses.	Direction
			Med.	High		
1	AMBER	16	2	0	AMBER	Deteriorating
2	GREEN	8	4	0	AMBER	Deteriorating
3	GREEN	0	0	0	GREEN	No Change
4	GREEN	0	2	0	GREEN	No Change
5	GREEN	4	4	0	GREEN	Deteriorating
6	GREEN	5	2	0	GREEN	No Change
7	GREEN	0	3	0	GREEN	Deteriorating
8	GREEN	2	2	0	GREEN	No Change
9	GREEN	0	0	0	GREEN	No Change
10	GREEN	0	0	0	GREEN	No Change
11	AMBER	7	6	1	AMBER	Deteriorating

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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