



Report to: Audit Sub-Committee

Subject: Corporate Risk Scorecard

Date: 23rd September 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).

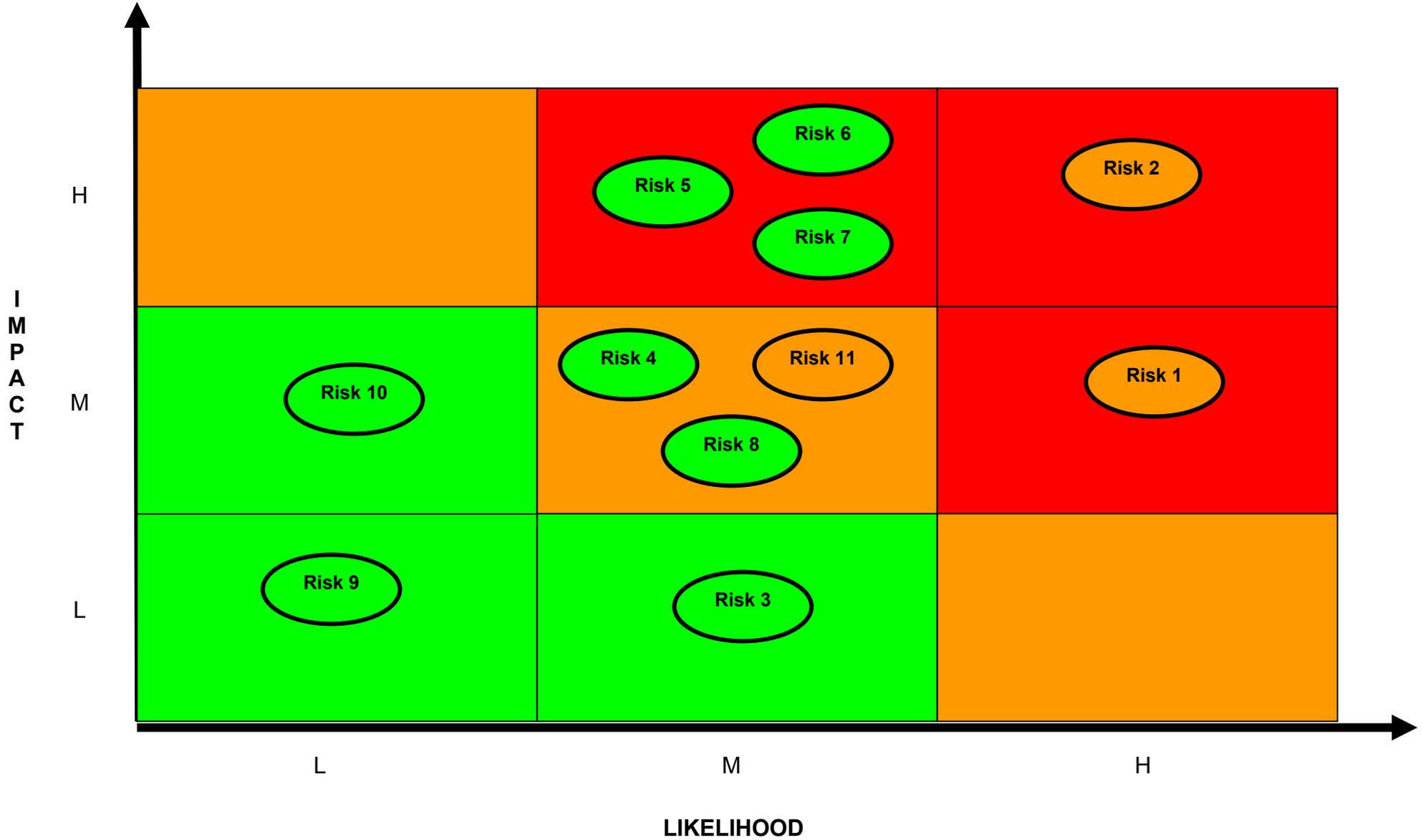
Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These will be subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. CORPORATE RISK SCORECARD

The Corporate Risk Scorecard and supporting comments, as at September 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 – September 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 decreased slightly from 16 to 14 over the quarter. This is due to the recommendations implemented in the Housing Repairs review.

The outstanding medium risk recommendations relate to:

The 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 off procedures. Additional concerns were highlighted with respect to the end user compatibility of debt reports provided by Rushcliffe Borough Council.

The Leisure Income review (IAR0708-06) 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 Housing Benefits review (IAR0708-13), 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 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:</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 overall level of assurance against this risk category remains at amber, however, there has been a slight reduction in the number of outstanding medium risk audit recommendations from 8 to 6. This is due to the recommendations implemented in the Housing Repairs review.</p> <p>The outstanding medium risk recommendations relate to:</p> <p>The 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

HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF

Owner: Mark Kimberley

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

There are no outstanding high/medium audit recommendations relating to this corporate risk.

Risk Register

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

4

FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF

Owner: Janet Brothwell

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

There are no outstanding high/medium audit recommendations relating to this corporate risk.

Risk Register

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.

5

FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)

Owner: Mark Kimberley

Residual Risk Direction:



Summary of Control Weaknesses:

Audit Recommendations

The number of outstanding medium risk audit recommendations aligned to this corporate risk is 5. The key issues relate to the Debtors audit report (IAR0708-15), which identified concerns with respect to the security of data transferred between authorities.

Risk Register

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.

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.

6

FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)

Owner: Peter Murdock

Residual Risk Direction:



Summary of Control Weaknesses:

Audit Recommendations

There is no overall change to this risk category, however, the number of outstanding medium risk audit recommendations has decreased from 5 to 1, reflecting an improvement in the control environment reported in the Housing Repairs review.

Risk Register

There are 2 minor control gaps aligned this corporate risk on the corporate risk register.

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.

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.

7 FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS

Owner: Peter Murdock

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

There are no outstanding high/medium audit recommendations relating to this corporate risk.

Risk Register

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.

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.

8

LEGAL / REGULATORY / CONTRACTUAL BREACH

Owner: Sue Sale

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

The number of outstanding medium risk audit recommendation has reduced from 2 to 1. The outstanding audit recommendation relates to the recently issued Debtors report (IAR0708-15) and the need to review the councils' procurement strategy to ensure it fully meets equalities legislation and requirements particularly with respect to 3rd party contracts.

Risk Register

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.

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.

9

ENVIRONMENTAL POLLUTION / DISASTER

Owner: Dave Parton

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

There are no outstanding high/medium audit recommendations relating to this corporate risk.

Risk Register

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

10 **ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT**

Owner: Peter Murdock

Residual Risk Direction: 

Summary of Control Weaknesses:

There is no overall change to this risk category.

Audit Recommendations

There are no outstanding high/medium audit recommendations relating to this corporate risk.

Risk Register

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

11 **DAMAGE TO REPUTATION**

Owner: Peter Murdock

Residual Risk Direction: 

Summary of Control Weaknesses:

Audit Recommendations

The overall level of assurance against this risk category remains at amber, however, there has been a reduction in the number of outstanding medium risk audit recommendations from 7 to 1.

This improvement is due to the implementation of medium risk recommendations made within the Housing Repairs review (IAR0607-18), the review of Post Procedures (IAR0708-23) and the review of Employee Register of Interests (IAR0708-03).

The remaining medium risk audit recommendation relates to the revision of the ISO procedure guide within Housing Services outlined in the recent audit review of Housing Responsive Repairs (IAR0708-19).

Risk Register

An emerging risk has been identified on the corporate risk register relating 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 transferred as 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 September 2008

Number of risk exposures by corporate risk:

Risk No.	Prior Assess.	Audit Assess.	Risk Register		Current Asses.	Direction
			Med.	High		
1	AMBER	14	2	0	AMBER	Improving
2	AMBER	6	4	0	AMBER	Improving
3	GREEN	0	0	0	GREEN	No Change
4	GREEN	0	2	0	GREEN	No Change
5	GREEN	4	4	0	GREEN	No Change
6	GREEN	1	2	0	GREEN	Improving
7	GREEN	0	3	0	GREEN	No Change
8	GREEN	1	2	0	GREEN	No Change
9	GREEN	0	0	0	GREEN	No Change
10	GREEN	0	0	0	GREEN	No Change
11	AMBER	1	6	1	AMBER	Improving

Corporate Risks

	Risk Category	Corporate Risk	Inherent Risk		Risk Owner	
			Impact	L'hood		
C U S T O M E R	FINANCIAL	1. Failure to Maximise Revenue	M	H	M Kimberley	R I S K R E G I S T E R S
		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		