



**Report to: Audit Sub-Committee**

**Subject: Corporate Risk Scorecard**

**Date: 16<sup>th</sup> June 2009**

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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).

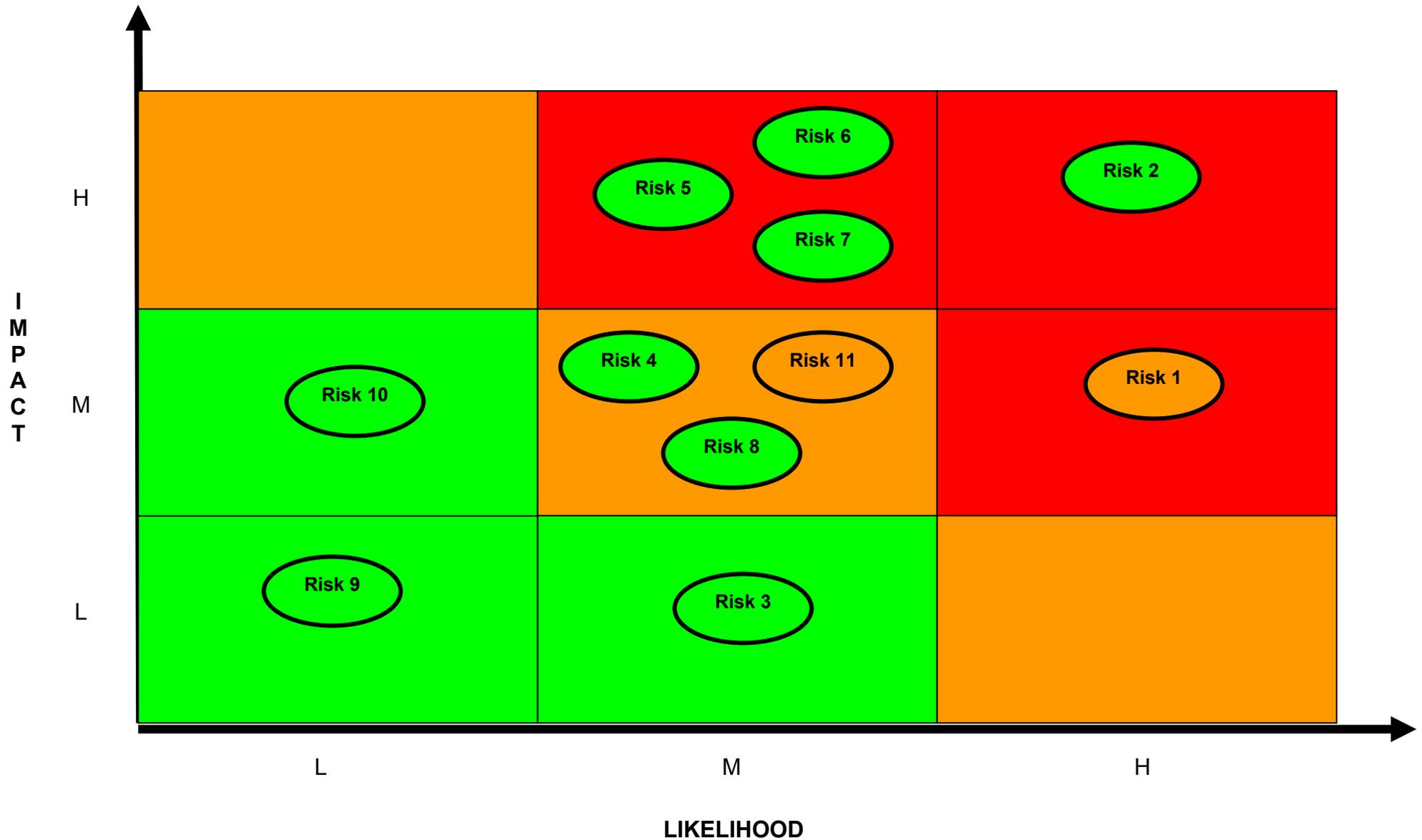
Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These will be subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

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

The Corporate Risk Scorecard and supporting comments, as at June 2009, 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 2009



## Supporting Comments & Explanations

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### **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 from 9 to 5. This is due to the improved control environment reported in the recent debtors audit (IAR0809-13). The outstanding medium risk recommendations relate to:

The Debtors report (IAR0809-13). The key issues from this report relate to prompt raising of invoices. An additional issue was raised with respect to the need to sample test the accuracy of departmental pricing arrangements.

In addition, 3 medium risk recommendations were made in the Cash Receipting report (IAR0809-08). The key issues relate to the excessive lead times in holding cash within Direct Services prior to transfer to the Civic Centre Cash Office, and the failure to undertake effective reconciliations of cash received at source to the Agresso system.

#### Risk Register

Significant pressure is still prevalent on a number of income streams.

There are two risks identified on the Authorities risk register highlighting significant issues. These relate to the ongoing inability to maintain income levels within Leisure Services, including a loss of income from the Wollaton Avenue Community Centre to Gedling Comprehensive Community School, and Surestart at Stanhope School.

Income streams within Planning and Environment, both Building and Development Control, are increasingly being pressurised. Again, the current economic climate is a significant external factor on current income levels.

The squeeze on income has been identified on the strategic risk register and is being addressed as part of the corporate budget process for 2009-10, with a number of efficiency measures being considered along with income generation schemes such as the introduction car park charges.

The ongoing economic risks are being monitored as part of the process for indications of a worsening or improving climate.

**2 FAILURE TO MINIMISE COSTS**

**Owner:** Mark Kimberley

**Residual Risk Direction:**



**Summary of Control Weaknesses:**

Audit Recommendations

The number of outstanding audit recommendations has decreased from 7 to 2. This continues the trend identified in quarter 4 of 2008-09, and is due to the improved control environment identified in the recent debtors review (IAR0809-13).

There are 2 outstanding medium risk audit recommendations. These relate to evidenced reviews of the bank reconciliations (IAR0809-10 – Bank Accounts) and authorisation of amendments to stock issue notes (IAR0708-11 – Stock Control – Direct Services).

Risk Register

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

**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, however, an emerging risk has been identified on the corporate risk register.

Audit Recommendations

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

Risk Register

An emerging risk has been identified within Direct Services, with concerns around staff (including agency staff), failing to adhere to health & safety requirements. This is being addressed through briefings and an increased level of supervision. Trends in incidents are being monitored by management.

4	<p><b>FAILURE TO RECRUIT &amp; RETAIN SUITABLY SKILLED STAFF</b></p> <p><b><u>Owner:</u> Janet Brothwell</b></p> <p><b><u>Residual Risk Direction:</u></b> </p> <p><b><u>Summary of Control Weaknesses:</u></b></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 is currently one identified control gap in the corporate risk register aligned to this corporate risk. This relates 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><b>FAILURE TO PROTECT &amp; UTILISE ASSETS (IT/IS)</b></p> <p><b><u>Owner:</u> Mark Kimberley</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 aligned to this corporate risk remains at 4. The key issues relate to findings in the Remote access review (IAR0809-04), which require a review of policies relating to access control and firewall procedures. Policies have been reviewed and updated in line with the Government Connect requirements, however, still require formal approval.</p> <p><u>Risk Register</u></p> <p>The corporate risk register currently identifies 5 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 initial testing has been undertaken regarding Recovery arrangements for servers. Development of an ICT Disaster Recovery Plan is at an advanced stage and is being developed in partnership with a number of neighbouring</p>

	<p>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><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>There is no overall change to this risk category, however, there has been a slight deterioration in the control environment due to the identification of a significant control gap within Planning &amp; Environments operational risk register.</p> <p><u>Audit Recommendations</u></p> <p>The number of outstanding medium risk audit recommendations remains at one. This relates to the implementation of the PCB module in Agresso to support effective Fleet Management.</p> <p><u>Risk Register</u></p> <p>An emerging risk with a significant control gap has been identified within Planning &amp; Environment. This relates to an ineffective/inadequate energy policy to meet climate change national indicators and LAA priorities. The control gap is the result of a freeze on associated resource posts.</p> <p>In addition there is one minor control gaps aligned this corporate risk on the corporate risk register. This relates to the failure to maintain the asset management plan (AMP). Management action includes the establishment of an asset management group (AMG). A draft AMP has been formulated and will be presented to the AMG on the 19<sup>th</sup> March, and will be subject to Executive decision prior to the end of the current financial year.</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>There is no overall change to this risk category.</p>

Audit Recommendations

There are no outstanding high/medium risk 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 delivery of targeted benefits remains the key 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.

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**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 remains has decreased from 1 to 0. The improvement relates to the Debtors report (IAR0708-15), which required a review of the councils' procurement strategy to ensure it fully meets equalities legislation and requirements particularly with respect to 3<sup>rd</sup> 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.

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**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.

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**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 unchanged at amber, with 1 outstanding medium risk audit recommendation.

This relates to the need for the Authority to determine its obligations in respect of the Payment Card Industry (PCI) Standards to ensure it is in compliance with them. A consultancy workshop with Capita has been scheduled for April/May 2009, with the aim of clarifying the Authorities obligations and, where appropriate, developing an action plan to ensure compliance is achieved.

Risk Register

An emerging significant risk has been identified on Direct Services operational risk register. This relates to the potential failure to repair and maintain fencing in recreational areas. The cause of the control gap is identified as inadequate funding. Future budget bids will be submitted.

In addition, an emerging minor control gap has been identified within the Strategy & Performance operational risk register. This relates to the potential failure to deliver housing numbers, including affordable housing. Identified controls include a review of the current affordable housing policy and progression of local development scheme work with conurbation parties and Registered Social Landlord's. However, despite these efforts, the key factor in the short to medium term is likely to be the external environment and specifically the ongoing and worsening economic recession.

Further minor control gaps identified include the need to undertake a review of the Authority's Financial Regulations (Corporate Services), the impact of decreasing numbers of GP referrals (Leisure Services), and the inability to effectively maintain and support the Councils Corporate website (Obtree).

This latter risk is due to the software package being at the end of its life cycle and likely to become unsupported by the supplier. A Business Case is being produced to support corporate funding for the replacement of the Content Management System, however, funding is unlikely to be in place until 2010-11.

**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)
<b>RED</b>	16+	7+	2
<b>AMBER</b>	8-15	3-6	1
<b>GREEN</b>	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 2009

Number of risk exposures by corporate risk:

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

## Corporate Risks

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