



**Report to: Audit Committee**

**Subject: Corporate Risk Scorecard**

**Date: 15<sup>th</sup> December 2009**

**Author: Manager of Audit & Risk Services**

## **1. PURPOSE OF REPORT**

To update members of the Audit 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).

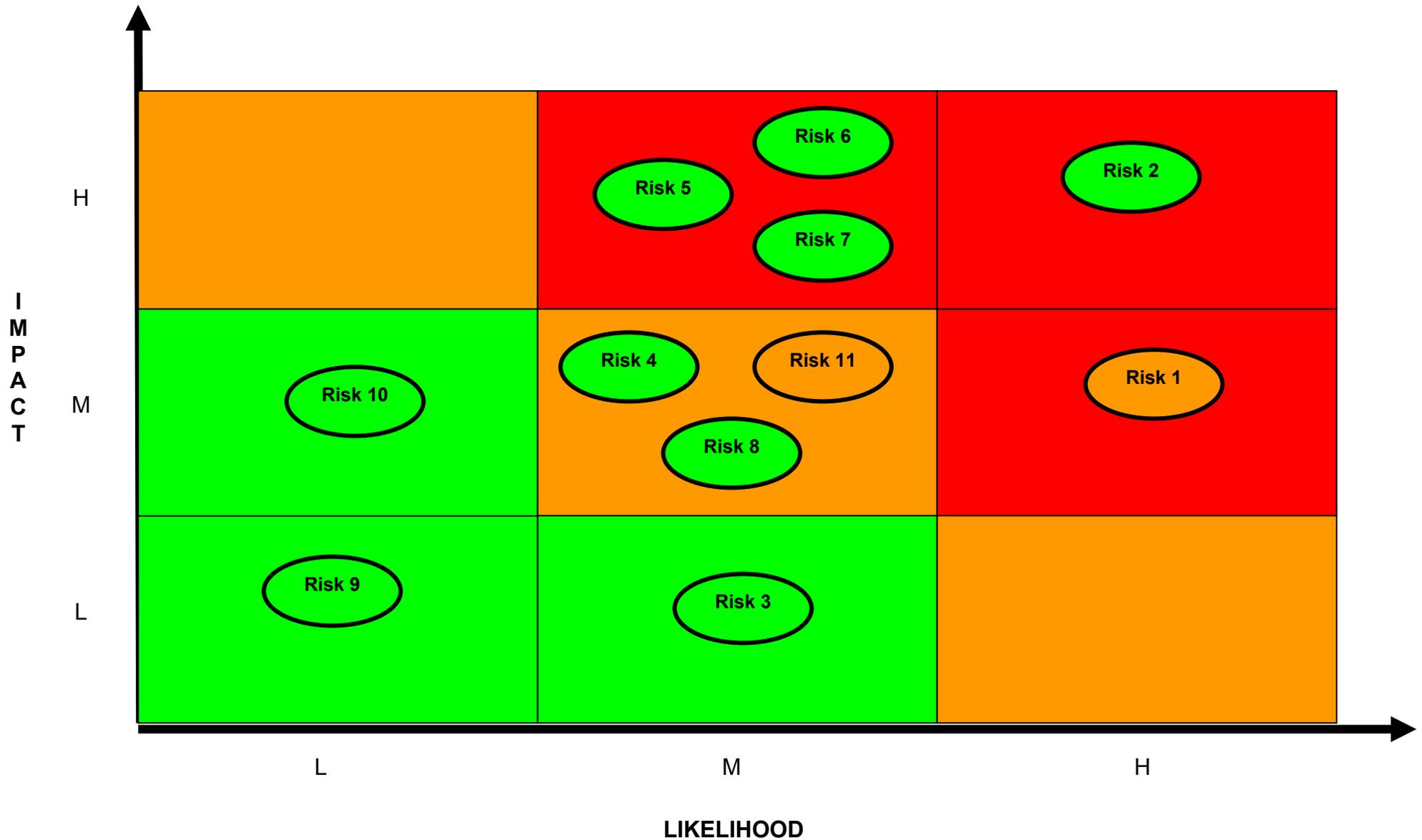
Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These will be subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

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

The Corporate Risk Scorecard and supporting comments, as at December 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 – December 2009



**Supporting Comments & Explanations**

1

**FAILURE TO MAXIMISE REVENUE**

**Owner: Mark Kimberley**



**Residual Risk Direction:**

**Summary of Control Weaknesses:**

There is no overall change to this risk category. However, there is a slight improvement in the overall control environment despite a slight increase in the number of outstanding medium risk recommendations. This is due to a significant control gap on Planning & Environments operational risk register being mitigated down to a minor one.

**Audit Recommendations**

The number of outstanding medium risk audit recommendations has increased slightly from 5 to 6. This is due to a medium risk recommendation being made in the recent review of Refundable Deposits within Leisure Services (IAR0910-04). This recommendation requires the development of a formal policy and supporting guidelines with respect to refundable deposits for the public hire of Community Centre premises and equipment.

The remaining 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 Leisure Income streams, particularly the ongoing inability to maintain income levels within Leisure Centre's.

Income streams within Planning and Environment, both Building and Development Control, are still subject to pressure, however, these have stabilised and the risk rating reduced from high to medium.

The squeeze on income has been identified on the strategic risk register and is being addressed as part of the corporate budget process for 2010-11. Options including efficiency measures, post freezes and service reviews are being

	<p>developed.</p> <p>The ongoing economic risks are being monitored as part of the process for indications of a worsening or improving climate.</p>
2	<p><b>FAILURE TO MINIMISE COSTS</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>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.</p> <p>These relate to the verification of the accuracy of Housing Benefit claims (IAR0910-10), and the need to ensure the use of non Purchase Order invoices are minimised (IAR0910-12).</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>
3	<p><b>HEALTH &amp; SAFETY FAILINGS / PROTECTION OF STAFF</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>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium risk audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>An operational risk exists within Direct Services, with concerns around staff (including agency staff), failing to adhere to health &amp; safety requirements. This is being addressed through briefings and an increased level of supervision.</p>

	<p>Trends in incidents are being monitored by management.</p> <p>The action taken has reduced the residual level from high to low for this risk.</p>
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 on 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>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 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 number of minor control gaps identified on the corporate risk register remains at 4.</p> <p>Whilst one control gap has been addressed, relating to the development of an ICT Disaster Recovery Plan, an emerging issue has been identified with respect to the need to undertake a training needs analysis in relation to the COVALENT Performance Management system.</p> <p>The remaining minor control gaps relate to resource issues identified in the planned roll out of further Resourcelink modules, staff awareness within Planning &amp; Environment regarding the need to record “hate Incidents” and the need for further recovery testing on the authorities WAN connection.</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.</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. A working group has been established to address the reporting issues associated with this indicator.</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 Leisure Services operational risk register identifies two minor control gaps with respect to the need to develop new joint use agreements at Foundation and Redhill schools, and the need to introduce new booking requirements to include Child Protection requirements.

Both of these risks have a management action plan to address the risks identified.

**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

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

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 has also completed work with partner agencies to review working practices.

Management are currently monitoring the situation to identify any instances of transfer of personal data. Once identified management will seek DPA advice from Legal Services and the Authority's Data Security Group. Ongoing monitoring will confirm (or otherwise) whether this current approach is sufficient to fully mitigate the risk.

9	<p><b>ENVIRONMENTAL POLLUTION / DISASTER</b></p> <p><b><u>Owner:</u> Dave Parton</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 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> 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> <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> 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

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. A consultancy workshop with Capita was undertaken in May 2009, with a report issued in June. Actions are currently being taken to address the minor issues raised in the report. It is expected that this risk will be fully mitigated by the end of October. This will be confirmed in the audit review currently being finalised.

### Risk Register

A significant risk has been identified on the 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, three minor control gaps have been identified within the Strategy & Performance operational risk register. These relate 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) 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 December 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 (5)	4 (4)	1 (2)	<b>AMBER</b>	Improving
2	<b>GREEN</b>	2 (2)	0 (0)	0 (0)	<b>GREEN</b>	No Change
3	<b>GREEN</b>	0 (0)	1 (1)	0 (0)	<b>GREEN</b>	No Change
4	<b>GREEN</b>	0 (0)	1 (1)	0 (0)	<b>GREEN</b>	No Change
5	<b>GREEN</b>	4 (4)	4 (4)	0 (0)	<b>GREEN</b>	No Change
6	<b>GREEN</b>	1 (1)	0 (0)	1 (1)	<b>GREEN</b>	No Change
7	<b>GREEN</b>	0 (0)	4 (3)	0 (0)	<b>GREEN</b>	Improving
8	<b>GREEN</b>	0 (0)	1 (1)	0 (0)	<b>GREEN</b>	No Change
9	<b>GREEN</b>	0 (0)	0 (0)	0 (0)	<b>GREEN</b>	No Change
10	<b>GREEN</b>	0 (0)	0 (0)	0 (0)	<b>GREEN</b>	No Change
11	<b>AMBER</b>	1 (1)	6 (6)	1 (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		