Gedling Borough Council

Report to Audit Committee

Subject: **Corporate Risk Scorecard**

Date: **17th June 2014**

Author: **Service Manager – Audit & Asset Management**

1. Purpose of the 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 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. 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 are subject to bi-annual review by senior management and on an ongoing basis through the work of Internal Audit.

3. Summary of Findings

The Corporate Risk Scorecard and supporting comments, as at June 2014, are provided below.

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

A summary of all control gaps currently identified on the Council's Risk register is provided in **Appendix C**.

4. Resource Implications

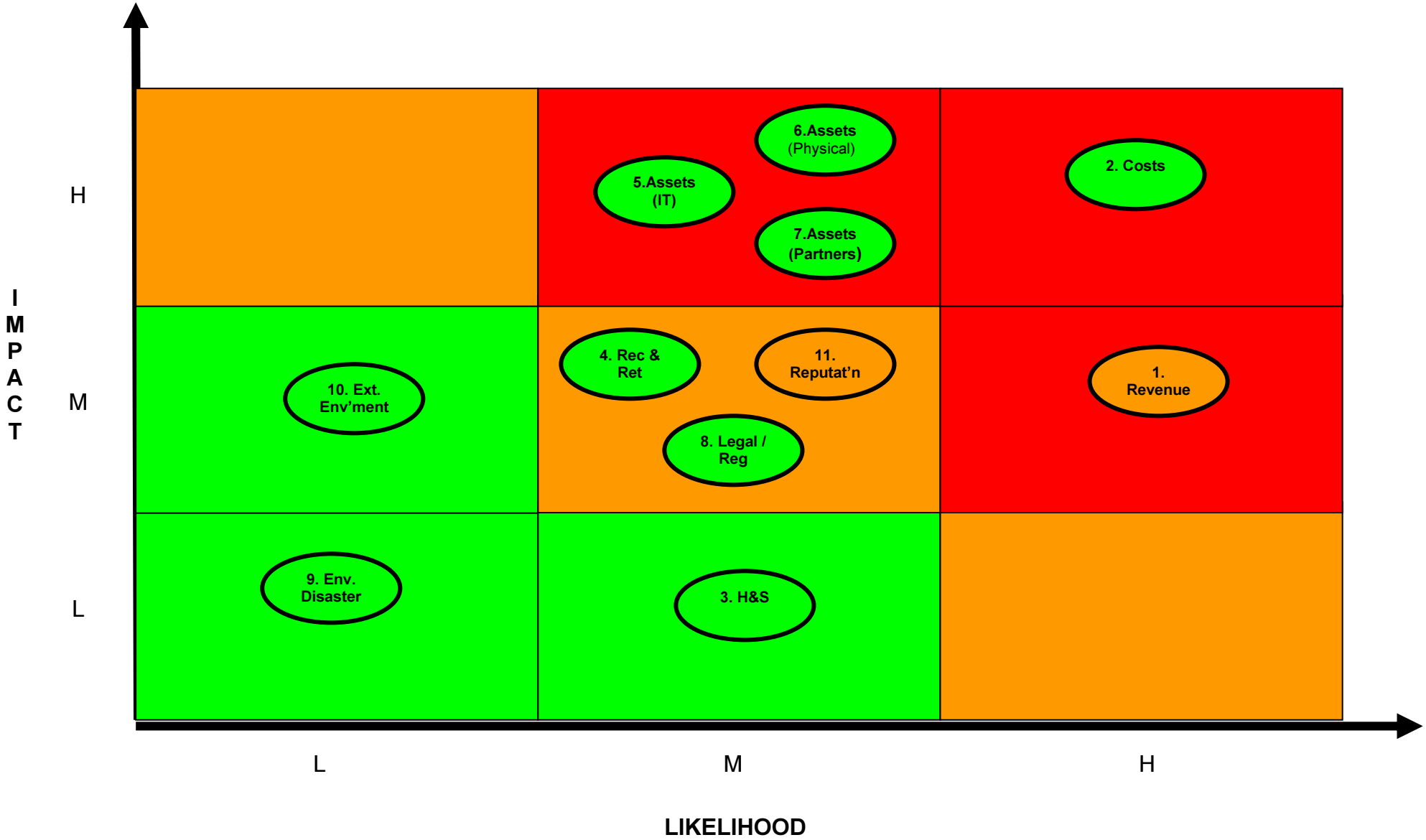
To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.

GEDLING BOROUGH COUNCIL

CORPORATE RISK SCORECARD – June 2014



Supporting Comments & Explanations

1 **FAILURE TO MAXIMISE REVENUE**

Inherent Risk	
Residual Risk	

Owner: Mark Kimberley

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 recommendations has fallen from 3 to 1.

This is the result of the implementation of a medium risk recommendation made in the NNDR review (IAR1213-12) relating to the need to undertake a review of system parameters to ensure that once an account has been awarded Discretionary Relief, a notification letter regarding any changes is automatically sent to the account holder.

In addition, a medium risk recommendation was reported in the Cash Receipting review (IAR1213-17), relating to the use of user log on's during periods of short breaks. This has now been discharged due to changes in the process relating to the imminent closure of the Cash Office facility.

The remaining medium risk recommendation relates to the review of Debtors (IAR1213-06) and to the timely removal of user access rights from the Civica system.

Risk Register

The squeeze on income and funding grants has been identified on the strategic risk register and is reflected in the annual budget process and medium term financial plan.

Modelling of the medium term financial plan has been undertaken to identify best and worse case scenario's. Contingent strategies have been developed to respond to the wider spread of scenarios identified.

Whilst income pressures have eased with respect to Building and Development control, pressure is still prevalent on Leisure Income streams, particularly income levels within Leisure Centre's.

	An emerging risk has been identified with respect to Council Tax reforms potentially resulting in insufficient funds being available to fund Council Tax Reduction Scheme payments. This is a cautionary risk and a full review of the affordability of the scheme is already underway.
2	**FAILURE TO MINIMISE COSTS** **Owner: Mark Kimberley** **Residual Risk Direction:** ↑ **Summary of Control Weaknesses:** There is an overall slight improvement to this risk category. Audit Recommendations There are currently four medium risk audit recommendations highlighted against this risk category. Two medium risk recommendations were made in the Creditors review (IAR1314-14). These relate to authorised verification checks on BACS and supplier change requests. In addition, two medium risk recommendation was identified in the review of Housing Benefits (IAR1314-17), relating to the lack of evidenced reconciliation between the Benefits and Council Tax systems and a lack of evidenced review by an independent officer for any write-off amounts entered on the system. 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. Audit Recommendations There are no outstanding high/medium risk 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: Stephen Bray** **Residual Risk Direction:** → **Inherent Risk** / **Residual Risk** **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.
5	**FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)** **Owner: Mark Kimberley** **Residual Risk Direction:** ↑ **Inherent Risk** / **Residual Risk** **Summary of Control Weaknesses:** There is an overall slight improvement to this risk category. Audit Recommendations There are no outstanding high/medium audit recommendations relating to this corporate risk. Risk Register The number of minor controls gaps identified on the corporate risk register has fallen from two to one.

	The risk of failure to record “Hate Incidents” has rescinded. The remaining minor control gap relates to resource issues identified in the planned roll out of further Resourcelink modules.
6	**FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)** **<u>Owner</u>: John Robinson** **<u>Residual Risk Direction</u>:** **Inherent Risk** / **Residual Risk** **<u>Summary of Control Weaknesses</u>:** There is no overall change to this risk category. <u>Audit Recommendations</u> There are no outstanding high/medium audit recommendations relating to this corporate risk. <u>Risk Register</u> A minor control gap has been identified with respect to the successful delivery of the capital project to refurbish Arnold Leisure Centre. It is anticipated this risk will be fully mitigated at the next review and update of the risk register.
7	**FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS** **<u>Owner</u>: Mark Kimberley** **<u>Residual Risk Direction</u>:** **Inherent Risk** / **Residual Risk** **<u>Summary of Control Weaknesses</u>:** There is no overall change to this risk category. <u>Audit Recommendations</u> There are no outstanding high/medium risk audit recommendations relating to this corporate risk. <u>Risk Register</u> The Leisure Services operational risk register identifies a minor control gap with respect to the need to develop new joint use agreements, particularly with respect to Academy Schools. A management action plan is in place to address the risks identified.

8	**LEGAL / REGULATORY / CONTRACTUAL BREACH**

Owner: Helen Barrington

Inherent Risk	
Residual Risk	

Residual Risk Direction: ↑

Summary of Control Weaknesses:

There is an overall slight improvement 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	**ENVIRONMENTAL POLLUTION / DISASTER**

Owner: David Wakelin

Inherent Risk	
Residual Risk	

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** **<u>Owner</u>: John Robinson** **<u>Residual Risk Direction</u>:** **Inherent Risk** / **Residual Risk** **<u>Summary of Control Weaknesses</u>:** There is no overall change to this risk category. <u>Audit Recommendations</u> There are no outstanding high/medium audit recommendations relating to this corporate risk. <u>Risk Register</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
11	**DAMAGE TO REPUTATION** **<u>Owner</u>: John Robinson** **<u>Residual Risk Direction</u>:** **Inherent Risk** / **Residual Risk** **<u>Summary of Control Weaknesses</u>:** There is a slight deterioration to this risk category. <u>Audit Recommendations</u> There are no outstanding high/medium audit recommendations relating to this corporate risk. <u>Risk Register</u> The number of control gaps has increased from five to eight. Whilst one control gap has been mitigated, four additional ones have been identified. These include an emerging issue with respect to the increasing use of social media. There have been no significant issues to date, however, it is considered prudent to highlight this as an issue until existing controls can be fully tested over time to confirm their adequacy.

	The additional three emerging issues all relate to pressures on staff and services as a consequence of budgetary pressures. Communication plans have been developed and feedback will be monitored to identify potential issues. In addition further minor control gaps exist relating to the potential failure to implement the Community Infrastructure Levy and develop sustainable management arrangements at the Bonnington Theatre. Project teams have been established to address the issues and progress viable solutions. A minor control gap has been identified within the operational risk register, relating 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 economic problems. A further minor control gap has been identified with respect to the potential failure to secure ongoing funding for CCTV and the ASB co-ordinator.

Appendix A

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 2014

Number of risk exposures by corporate risk:

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

Figures shown in brackets represent the previous quarter.

Appendix B

Corporate Risks

	Risk Category	Corporate Risk	Inherent Risk		Risk Owner	
			Impact	L'hood		
CUSTOMER	FINANCIAL	1. Failure to Maximise Revenue	M	H	M Kimberley	RISK REGISTERS
		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	S Bray	
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley	
		6. Failure to Protect & Utilise Assets (Physical)	H	M	M Kimberley	
		7. Failure to Develop & Deliver Strategic Partnerships	H	M	J Robinson	
	LEGAL	8. Legal / Regulatory / Contractual Breach	M	M	H Barrington	
	ENVIRONMENT	9. Environmental Pollution / Disaster	L	L	D Wakelin	
		10. Adverse Events in the External Environment	M	L	J Robinson	
	REPUTATION	11. Damage to Reputation	M	M	J Robinson	

Appendix C

Risk Register summary of current control gaps:

Risk Ref.	Date Identified	Risk Description	Corp. Risk	Inherent Risk			Target Risk			Controls	Residual Risk			Control Status	Further Action (inc. Timescales)
				I	L	Rating	I	L	Rating		I	L	Rating		
S19	2008-09	Failure to deliver housing numbers, including affordable housing.	11	2	3	6	2	2	4	'Continue to engage with HaCA. Review current affordable housing policy (c/f SP15). Progress local development scheme work with conurbation parties and RSL's. In spite of all these measures, current market conditions mean that in short term, target numbers unlikely to be delivered even with all measures in place. Keep under review. Further uncertainty arising from new government policy, including abolition of RSS. Unlikely to be resolved until Localism Bill published at earliest.	2	3	6	-2	Future housing numbers assessment being commissioned. Considering review of Commuted Sum Policy.
S12	2004-05	Govt. grant settlement and other government grant significantly lower than anticipated.	1	2	2	4	1	1	1	Comprehensive Spending Review and Chancellor budgets and announcements provide forward projections which are factored into Medium Term Planning.	1	2	2	-1	Continue to monitor for emerging issues.
S20	2008-09	Budget pressure resulting from declining income (economy impact) and external cost pressures.	1	3	3	9	1	1	1	Robust M/T Financial Strategy. Budget planning and monitoring. Strategies being developed (efficiency / income). S151 Officer role – preventing unbalanced budget.	2	1	2	-1	Continue to monitor for emerging issues.
S22	2012-13	'Failure to produce a balance Medium Term Financial Plan (3 year horizon)	1	3	3	9	1	1	1	'MTFP balanced over 3 years Track record of achieving efficiencies and budget reductions Regular SLT/Cabinet budget reviews Controlling group manifesto pledges already delivered	2	1	2	-1	Continue to monitor for emerging issues.

MK75	2013-14	CT Technical Reforms insufficient to fund CTRS scheme payments.	1	3	1	3	1	1	1	Monthly monitoring of CTRS caseload and expenditure for variances.	2	1	2	-1	Review of CTRS scheme affordability.
PD64	2007-08	Inability to maintain current level of income within Leisure Services.	1	3	3	9	1	2	2	New systems and procedures developed for DNA – marketing promotion / sales / retention. New membership options introduced. Ongoing monitoring of competitors.	2	2	4	-2	'Leisure and Community Centre Strategies to be undertaken.
SB11	2007-08	Failure to effectively implement self service for resourcelink leading to failure to secure efficiencies.	5	1	2	2	1	1	1	Project plan drafted. Resource requirements identified and programmed for implementation.	1	2	2	-1	Resource issues – may need to re-prioritise activities.
PD71	2012-13	'Failure to deliver Capital project to refurbish Arnold Leisure Centre.	6	2	2	4	2	1	2	Project team established including Project Manager and various technical disciplines.	2	2	4	-2	Emerging risk, project team established, monitor project risks/issues.
PD56	2004-05	Inability to finalise/ maintain Joint Use Agreements for all 3 sites, potentially resulting in reduced income, loss of maintenance funding and reduction in provision / service delivery.	7	1	3	3	1	1	1	Enter into new agreements. Ongoing management review. Included in medium term plan.	1	2	2	-1	'New, separate agreement now in place for Calverton with Seely School Governors and with NCC. New Joint Use agreement for all sites are needed. Academy Status at Redhill School and Wheldon School require variations to the existing agreement due to ownership issues. NB - third party reliance (NCC legal services).

PD65	2007-08	Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes.	8	3	1	3	1	1	1	Advice sought from legal services/IT. Working with partner agencies to review working practices. Corporate Data Security group established.	2	1	2	-1	Continue to identify instances of transfer of personal data and seek DPA advice from legal services / IT security.
DW46	2009-10	Failure to secure ongoing Home Office funding for CCTV and ASB co-ordinator.	11	2	2	4	2	1	2	Monitoring funding source. Consider alternative funding sources.	2	2	4	-2	Monitoring funding source Consider alternative funding sources.
PD70	2012-13	'Failure to implement Community Infrastructure Levy.	11	2	2	4	1	1	1	'Resulting in reduced ability to secure s106 contributions to mitigate the impact of new development. Reviewing introduction of CIL whilst not compromising the viability of the local housing market.	2	2	4	-3	Emerging risk, project developed.
PD72	2012-13	'Failure to develop arrangements for ongoing management and development of Bonnington Theatre.	11	2	2	4	1	1	1	Continue to work with Theatre User Forum and Theatres Trust to establish feasible options. Establish sustainable management structure.	2	1	2	-1	Emerging risk, review options and discussion outcomes.
PD76	2013-14	Impact of budget reductions.	11	1	2	2	1	1	1	Communication plan. Monitoring of complaints and feedback.	1	2	2	-1	Monitor impact on morale, reputation and ability to meet service targets.
PD77	2013-14	Inability to maintain current levels and standards of service as a result of budget reductions.	11	2	3	6	1	2	2	Communication plan. Monitoring of complaints and feedback.	1	3	3	-1	Monitor impact on morale, reputation and ability to meet service targets.
PD78	2013-14	Inability to maintain staff morale due to reductions in budgets, services and staff.	11	2	2	4	1	1	1	Communication plan. Monitoring of complaints and feedback.	1	2	2	-1	Increase communication and monitor feedback.

SB22	2013-14	Damage to the Council's reputation using social media.	11	2	3	6	1	2	2	Social Media guidelines written in 2013. Dedicated officers who keep a close watch on social media and use management tools which highlight many issues as soon as they arise, giving us the ability to deal with them/ respond if necessary.	2	3	6	-4	