RISK MANAGEMENT UPDATE

1   SUMMARY

1.1   This report provides information on future development of the strategic risk register (SRR) and use of the SRR as a tool to support the work of the Audit Committee. It also updates the Audit Committee on ongoing developments in relation to risk management over the last few months.

2   RECOMMENDATION

2.1   This is a progress report for noting.

3   DETAIL

         Use of Strategic Risk Register

3.1   There was significant discussion at the Audit Committee Away Day around risk management. This covered the role of the Audit Committee in relation to risk management, how the Audit Committee can use risk as a tool to target audit resource and as a focus for gaining assurance.

3.2   The role of the Audit Committee is to be satisfied there is an effective system of risk management in place. It is not to take the role of actually managing risk.

3.3   Audit activity should be risk based. Audit resources are limited and the Audit Committee wants to gain assurance in the most effective way possible. This means targeting scare audit resources at the areas of most significant risk.

3.4   In targeting audit resources the Audit Committee will want to understand the risks facing the Council and the effectiveness of the controls related to these risks. This will provide the Audit Committee with information to reach a view on whether it has sufficient assurance that risk management is effective and also the overall effectiveness of the Council's management control system. The mantra is "Risk, Controls, Assurance".

3.5   The SRR is a key tool in identifying the risks facing the Council. This should inform audit activity and should be kept under review. It was suggested that the SRR should be an item for consideration at each meeting of the Audit Committee not from the point of view of trying to manage the risks on the SRR but to consider how it gets assurance on the adequacy of controls and overall control framework.

3.6   The SRR is in need of review and it is planned to carry this out and update the SRR over the next few months. Much of the work over the last year or so

has been putting in place arrangements for regular review of operational risk registers (ORRs). The existing SRR is reviewed quarterly based on the review of ORRs but needs a more comprehensive review and update. It is proposed that in moving to a more risk focussed approach to the work of the Audit Committee that the following is adopted:

- For June Audit Committee – Complete review of SRR and agree overall approach to utilising the SRR to support the work of the Audit Committee.
- For September Audit Committee – Develop and agree more detail of how this will work and the specific areas of audit interest.
- For December Audit Committee – Use the SRR and understanding developed at June and September meetings to set framework/guidance for 2014-15 internal audit plan.
- For March 2014 Audit Committee – Consider draft 2013-14 internal audit plan against SRR and whether it provides the Audit Committee with assurance that audit activity is targeted on the controls for key risks.

3.7   A copy of the current SRR is attached for information.

Ongoing Developments in Risk Management

3.8   A quarterly update is provided to the Audit Committee on developments/progress in relation to risk management. These reports are not about making the Audit Committee responsible for managing risks but to provide assurance around the process and systems the Council has in place in relation to risk management.

3.9   A report was presented to the Audit Committee on 7 December advising the Audit Committee on the progress against the risk management action plan for 2012-13. A copy of the risk management action plan for 2012-13 is attached to this report.

3.10   Whilst work is progressing against the actions shown in the risk management action plan 2012-13, there are two items currently classified as being off track These are:

- Deliver and Develop Training Programme to ensure People are equipped to Manage Risk, and

- Developing Shared Risk arrangements to ensure effective arrangements for managing risk with partners.

3.11   Work is on-going in relation to Delivering and Developing a Training Programme, discussions are scheduled to take place with our Insurance partners Zurich Muncipal regarding a number of options. It is anticipated that this action point will be now be completed by a revised deadline of March 31 2013

3.12   In relation to Developing Shared Risk arrangements, discussions were

scheduled to take place at the Strategic Risk Group 29th November regarding a preferred model however this meeting was cancelled an took place in 31 January. Consequently a revised deadline of 31 March has been set. A draft proposal will be submitted to the Strategic Risk Group which is scheduled to convene during March.

3.13   The Operational Risk Registers continue to be reviewed on a quarterly basis and were reported to Departmental Management Teams and Strategic Management Team (SMT) at the end of December 2012.

3.14   The key issues for the next few months will be:
- review of ORRs at end of 31 March 2013
- updating ORRs in respect of recently approved Service Plans planning process
- Issue and review of Annual Risk Assurance Statements 31 March.
- completing risk management action plan tasks currently off track
- completing any risk management action plan tasks due 31 March
- Preparing a Risk Management Action Plan for 13/14

4   CONCLUSION

4.1   This report summarises progress and future issues in relation to risk management.

Bruce West
Head of Strategic Finance
8 March 2013

Strategic Risk Register 2010 As At 8 March 2013						
Risk	Updated	Like-lihood	Impact	Risk Score	Red/ Amber/ Green	Trend
SR01 Staff Absence	FQ4 12/13	2	3	6	Amber	⇨
SR02 Recruitment and Retention of high quality staff	FQ4 12/13	3	3	9	Amber	⇨
SR03 Failure to implement legislation in relation to the young and vulnerable	FQ4 12/13	3	4	12	Amber	⇨
SR04 Adverse media coverage due to ineffective and inaccurate communication by the Council	FQ4 12/13	3	4	12	Amber	⇨
SR05 Failure or loss of IT software and existing data	FQ4 12/13	2	4	8	Amber	⇨
SR06 Failure to provide strong leadership and direction	FQ4 12/13	2	4	8	Amber	⇨
SR07 Failure to maximise the benefits of Best Value	FQ4 12/13	2	3	6	Amber	⇨
SR08 Failure to develop shared services opportunities	FQ4 12/13	2	3	6	Amber	⇨
SR09 Failure to Progress CPP	FQ4 12/13	2	3	6	Amber	⇨

SR10 Inefficient use of Council Assets	FQ4 12/13	2	3	6	Amber	→
SR11 Failure to meet capital/revenue spending targets	FQ4 12/13	2	4	8	Amber	→
SR12 Failure of Members to maintain standards of conduct in public life	FQ4 12/13	2	4	8	Amber	→
SR13 Failure to comply with new legislation, regulations or statutory responsibilities	FQ4 12/13	2	3	6	Amber	→
SR14 Failure to implement the Single Outcome Agreement	FQ4 12/13	2	3	6	Amber	→
SR15 Financial Management processes not aligned	FQ4 12/13	2	4	8	Amber	→
SR16 Failure to have a robust internal control process and system	FQ4 12/13	2	4	8	Amber	→
SR17 Non recurring financial burdens and one off financial crisis	FQ4 12/13	2	3	6	Amber	→
SR18 Failure to embed risk management into the organisation	FQ4 12/13	2	3	6	Amber	→
SR19 Failure to progress Business Continuity Programme	FQ4 12/13	2	3	6	Amber	→
SR20 Failure to ensure the Council acts in accordance with the law and its own regulatory framework	FQ4 12/13	2	4	8	Amber	→

SR21 Failure to maintain and improve attainment/achievement levels of school pupils	FQ4 12/13	2	3	6	Amber	➡
SR23 Demographic/ Societal changes which increase demand for services	FQ4 12/13	2	4	8	Amber	➡
SR24 Changes to Scottish, UK and European Government Policy	FQ4 12/13	3	3	9	Amber	➡
SR25 Failure to comply with H&S legislation	FQ4 12/13	3	3	9	Amber	➡
SR26 Failure to attract external funding to assist councils strategic projects	FQ4 12/13	3	4	12	Amber	➡
SR27 Failure to effectively manage CHORD programme	FQ4 12/13	2	4	8	Amber	➡
SR30 Failure to meet recycling targets	FQ4 12/13	1	3	3	Green	➡
SR31 Failure of lifeline ferries/damage to ferries/collapse of ferry contractor	FQ4 12/13	2	4	8	Amber	➡
SR32 Failure to maintain Council Roads Infrastructure	FQ4 12/13	3	4	12	Amber	➡
SR33 Failure to achieve income targets	FQ4 12/13	3	3	9	Amber	➡

SR34 Failure to ingather Council Tax and Non Domestic Rates	FQ4 12/13	3	3	9	● Amber	➡