

Report

Audit Committee



Part 1

Date: 28th May 2015

Item No: 06

Subject Corporate Risk Register Update

Purpose To present an updated Corporate Risk Register

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Ward All

Summary This report contains the latest update of the Corporate Risk Register. There are eight risks identified in the register, 1 high risks and 7 medium risks. Since the last update assessments of 4 risks remain unchanged, 1 risk has increased and 3 risks have reduced.

Proposal Note the contents of the Corporate Risk Register

Action by Chief Executive, Strategic Directors and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Cabinet
- Deputy Leader
- Audit Committee
- Head of Law and Standards
- Head of People and Transformation
- Head of Finance
- Head of Customer and Information Services

Signed

Background

1. Corporate Assessment

As part of its governance arrangements the Council has a risk management strategy and a corporate risk register is monitored twice a year. Through the Corporate Assessment these documents were recognised by the Wales Audit Office although the conclusions of the Corporate Assessment were that risk management arrangements within the organisation are in need of improvement.

2. Risk Management Strategy

The Risk Management Strategy was agreed by Cabinet in September 2014. It was updated to reflect a revised approach to risk management and improved processes for identifying and escalating risk. Potential benefits of an improved risk management approach are improved decision making, avoidance of shocks and the ability to mitigate threats and take advantage of opportunities.

The strategy includes six key areas where risks are identified and managed:

- Decision Making Process
- Revenue and Capital Monitoring
- Change and Efficiency Programme
- Service and Improvement Planning
- Horizon Scanning Activities
- Information Risk Management

3. Role of Audit Committee

Since the introduction of the Local Government Measure 2011 the local authority's Audit Committee have a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and Strategies about risk management should be reviewed by the Committee however the content of the risk register including setting and changing risks included in the register is *not* the role of the Audit Committee.

4. Closed Risks

Risk Title: Delivering a Balanced Budget

Risk Description: That the savings required to deliver a balanced budget in the following year cannot be achieved

In November 2014 this risk was scored as probability 1 and impact 1. This was because a balanced budget was drafted and being progressed through the council's decision making hierarchy. A balanced budget was approved by Cabinet and Council in February 2015 and this risk is now considered to be closed.

Financial Summary

- There are no direct costs associated with this report

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
That the strategy and process are not robust enough to capture all high risks	M	L	Reviewing, testing and embedding processes to ensure that they are fit for purpose	Heads of Service and Performance Team

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the council's priorities and plans will be implemented successfully

Comments of Chief Financial Officer

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan

Comments of Monitoring Officer

The Council's corporate governance arrangements are an integral part of the risk management strategy, in ensuring that all decisions are made lawfully and constitutionally and that all risks are identified, assessed and mitigated. The absence of successful call-in and legal challenges demonstrates that these arrangements are robust. However, as part of the review of the Constitution, improvements in the Report templates will be considered to further embed risk management principles within the decision-making processes. The Local Government (Wales) Measure 2011 required the Council to establish a stand-alone Audit Committee with statutory responsibility for reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. However, the identification of corporate risks, for inclusion within the risk register, is an executive decision for Cabinet.

Staffing Implications: Comments of Head of People and Business Change

There are no direct staffing implications arising from this report.

Risk management is a key element of the Council's improvement programme and the Administration's commitment to ensuring strong corporate governance and robust performance management.

Local issues

none

Background Papers

Corporate Assessment, Cabinet 21st October 2013

Corporate Risk Register, Cabinet 13th January 2014, Audit Committee 30th January 2014.
Draft Corporate Risk Management Strategy, Cabinet, 12th May 2014
Draft Corporate Risk Management Strategy Audit Committee 29th May 2014
Corporate Risk Management Strategy and Register, Cabinet, 8th September 2014
Corporate Risk Management Strategy and Register, Audit Committee, 18th September 2014
Corporate Risk Register, Cabinet, 8th December 2014
Corporate Risk Register, Audit Committee, 22nd January 2015
Corporate Risk Register, Cabinet, 22nd April 2015

Dated: 12th May 2015

Risk Management Roles and Responsibilities

The roles and responsibilities of individuals and groups are set out below:

Role	Responsibility
Cabinet and Cabinet Members	To work with Strategic Directors and Heads of Service to define, assess and manage corporate risks. To work with Heads of Service to manage risks within their service delivery portfolios To consider corporate risks as part of the decision making process
Members	To be aware of the corporate risks and to consider risk management in scrutiny meetings and regulatory committees
Audit Committee	To take an overview of the processes involved in managing risk in the council To receive regular reports on the corporate risk register and risk management processes
Strategic Leadership Team	To work with Cabinet Members and Heads of Service to define, assess and manage corporate risks To monitor risks in the risk register To recommend additions and revisions to the risk register To initiate mitigating action for escalating risks To ensure risks are assessed accurately
Heads of Service	To work with Cabinet Members and Strategic Directors to define, assess and manage corporate risks To work with the Cabinet Member to manage risks To implement mitigating action for escalating risks To recommend mitigating action for corporate risks to the appropriate decision making body To ensure risks are assessed accurately
Senior Information Risk Owner (SIRO)	To leading and foster a culture that values, protects and uses information for the success of the organisation and benefit of its customers To own the organisation's overall information risk policy and risk assessment processes and ensuring they are implemented consistently by Information Asset Owners (IAO's) To advise the Chief Executive or relevant accounting officer on the information risk aspects of the Council's annual governance statement To own the organisation's information incident management framework
Report Authors / Project Managers / Officers	To be aware of corporate risks and the service area risks the impact on their areas of work To consider the risk register when preparing project documentation and recommending action through decision making processes To recommend mitigating action for escalating risks To implement mitigating action for risks arising through the course of normal service delivery To ensure risks are assessed accurately

Assessing Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

Risk Assessment Matrix

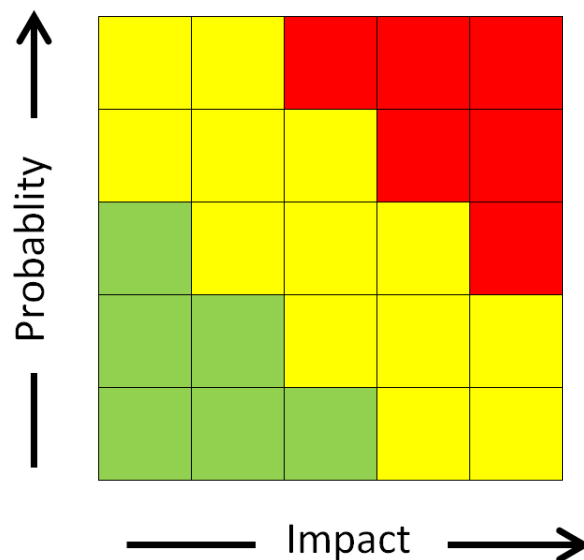
A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix one.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

Risk Scoring

Probability description	Score
Very Low probability	1
Low probability	2
Medium probability	3
High probability	4
Very high probability	5
Impact description	Score
Negligible	1
Low	2
Medium	3
High	4
Very High	5

Risk Matrix



Impact Matrix


RATING	SEVERITY OF IMPACT	GENERAL DESCRIPTION	IMPACT FACTORS						
			Strategic	Operational	Financial Management	Resources	Governance	Health & Safety	Reputation
1	Negligible	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k		Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	Low	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution
3	Medium	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (eg several institutions), adverse local press, complaint/s upheld by Ombudsman
4	High	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
5	Very High	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence

RISK 1: Social Services and Well-being (Wales) Act 2014

That the Act potentially places significant duties on the Authority that the organisation does not have the finances to fulfil and/or existing services are compromised.

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	9	3	3	Reduced 	September 2015
	August 2014	16	Medium probability	Medium Governance impact	<i>As more details of the act become known the amount of uncertainty involved in the implementation of the act reduced and therefore the level of risk reduces</i>	
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Specific details and guidance for the Act is being produced. Officers are participating in Working Groups with Welsh Government to formulate and influence the guidance. • Work is being undertaken on eligibility criteria • Staff are being regularly informed of progress • Possible implementation of the Act is planned for March 2015 onwards • Big emphasis on prevention and early intervention • Possible funding available for Welsh authorities 					
Responsible Officer: Strategic Director People						
Responsible Cabinet Member: Cabinet Member for Social Care and Wellbeing						
Scrutiny Committee: Community Planning and Development (Adults), Learning, Caring and Leisure (Children's)						

RISK 2: Increasing Ageing Population

That an increasing percentage of the population are over 65 are this puts an increasing strain on demand led services, particularly those that are statutory in nature

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	12	4	3	Increased	June 2015
	August 2014	8	High probability	Medium Financial Management Impact	<i>The base budget for Social Services is reduced so the risk of overspend is increased. The base budget is now only 0.27% higher in real terms than in 09/10, mainly due to late changes in funding from Welsh Government.</i>	
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Focussing on preventative measures and developing resources for prevention and early intervention with colleague agencies to reduce pressure on more acute statutory services • Transforming existing services to provide an optimal care pathway for older people focussing on independence and re-ablement • Implementing through project management approach with strong management and performance monitoring • Development of a long term dialogue with communities aiming to strengthen community resilience and capability • Development of a whole council approach to building community resilience 					
Responsible Officer: Strategic Director People						
Responsible Cabinet Member: Cabinet Member for Social Care and Wellbeing						
Scrutiny Committee: Community Planning and Development						

RISK 3: Total Reward						
That the complex and contentious tensions inherent to the Single Status pay and grading review delay the project implementation.						
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
<p>Probability</p> <p>Impact</p>	March 2015	12	3	4	. Reduced	June 2015
	November 2014	16	Medium probability	High Strategic Impact	<i>Trade unions have agreed to recommend proposal in full. Council have agreed the proposals subject to successful ballot. The majority of governing bodies have agreed to adopt proposal subject to a successful ballot</i>	
	August 2014	20				
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Communication strategy in place. • Conducted quality assurance and an equality impact assessment. • Critical assessment of management, process and component information is ongoing in order to identify and address any false outcomes that may have an adverse effect on project margins. • Continued communication with key stakeholder updating them of progress • Strong project governance and resource monitoring. • Consideration of the possibility of direct implementation, moving to dismissal and reengagement, should a collective agreement be unachievable. 					
Responsible Officer: Chief Executive						
Responsible Cabinet Member: Cabinet Member for Human Resources and Assets						
Scrutiny Committee: Community Planning and Development						

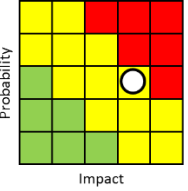

RISK 4: Welsh Language Standards

That the authority cannot fully satisfy the requirements of the Welsh Language Act and that this results in significant fines and potential court proceedings

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	16	4	4	Unchanged	June 2015
	November 2014	16	High probability	High Governance Impact	<i>While progress has been made the risk remains high and there is still some work needed to better understand the current Welsh Language capacity of the council and what the future needs may be.</i>	
	August 2014	16				
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Project team established • Project plan agreed and in place • Translator employed and based with Caerphilly CBC to enable both authorities to work in partnership • Extended provision of Welsh language courses provided by Caerphilly CBC • Early engagement with Welsh Language groups in the area, providing support and expertise for the development of the Welsh Language Standards action plan (in development) • Welsh Language included in Service Plans • Increasing awareness of the Welsh Language Standards across the authority 					
Responsible Officer: Chief Executive						
Responsible Cabinet Member: Cabinet Member for Human Resources and Assets						
Scrutiny Committee: Community Planning and Development						

RISK 5: Reducing budgets and the delivery of Statutory Services

That reducing budgets compromises statutory services to the point where that are not fully or consistently delivered over the course of the Medium Term Financial Plan

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	12	3	4	Unchanged 	June 2015
	November 2014	12	Medium probability	High Governance Impact	<i>Budget setting and monitoring processes are set up to protect statutory services as far as possible for the 15/16 budget.</i>	
	August 2014	12				
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Specifically identifying savings to protect statutory services • Provision and monitoring of the Medium Term Financial Plan • Budget setting process protects statutory services • Current proposals for 15/16 do not impact on statutory services • Significant medium term savings yet to be developed and therefore a risk that statutory services could be impacted in the longer term 					
Responsible Officer: Chief Executive						
Responsible Cabinet Member: Leader						
Scrutiny Committee: Community Planning and Development						

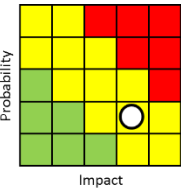

RISK 6: Safeguarding

That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	8	2	4	Unchanged <i>There are no significant changes affecting the level of risk in this area of work. Current actions and control strategies remain effective and in place</i>	September 2015
	August 2014	8	Low Probability	High Governance Impact		
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Safeguarding Action Plan agreed and implementation underway • Continuous review of policies and procedures • Partnership working • Raising awareness of policies and procedures with staff • Appointment of a Service Manager for Safeguarding 					
Responsible Officer: Strategic Director - People						
Responsible Cabinet Member: Cabinet Member for Education and Young People, Cabinet Member for Social Care and Wellbeing						
Scrutiny Committee: Learning, Caring and Leisure						

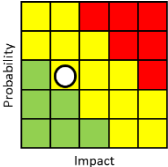

RISK 7: Investment in Friars Walk Development

That the development does not realise its target value and the developer is unable to sell or re-finance the scheme to repay the loan

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	8	2	4	Reduced 	June 2015
	November 2014	12	Low Probability	High Financial Management Impact	<i>More retailers have taken up pre-let agreements, and this is followed up by increased marketing for the retail centre. This reduced the risk of being unable to sell the development upon completion</i>	
	August 2014	12				
Current Action Status / Control Strategy	<ul style="list-style-type: none"> • Financial Appraisals independently verified by Deloitte • Financial modelling undertaken based on different yields, voids rates and rental levels • Retail and Leisure anchor stores secured (Debenhams and Cineworld) and other major store units now leased. • Robust and tested Funding Agreement, Development Agreement and Lease • Safeguards built in to mitigate financial risks • Council able to exercise step-in rights • Monthly meetings with Developers to monitor progress • (See Council Report 26th November 2013) 					
Responsible Officer: Strategic Director – Place						
Responsible Cabinet Member: Cabinet Member for Regeneration and Development						
Scrutiny Committee: Streetscene, Regeneration and Safety						

RISK 8: Information Governance

That the council does not have adequate arrangements in place to protect the data in holds and that this results in significant fines and reputational damage

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	March 2015	6	3	2	Unchanged  <i>There are no significant changes affecting the level of risk in this area of work. Current actions and control strategies remain effective and in place</i>	September 2015
	August 2014	6	Medium Probability	Low Reputational Impact		

Current Action Status / Control Strategy

- Information Risk Management Policy
- Annual Information Risk Report 2013/14 complete and associated action plan being implemented, Annual Information Risk Report 2014/15 compiled shortly with action plan for the coming year
- Wales Audit Office (WAO) review of Information Governance 2014, (report pending) with findings to be incorporated into action plan (as above)
- Senior Information Risk Owner role (SIRO) in place and on-going
- Information Governance Group
- Staff training and awareness raising
- Policies and Procedures including investigation of all reported security incidents and staff communications where appropriate
- Management of information risk register
- Compliance with PSN (Public Services Network) and PCI-DSS (Payment Card Industry Data Security Standards)
- Management of information security incidents

Responsible Officer: Chief Executive, Head of Customer and Information (SIRO)

Responsible Cabinet Member: Deputy Leader

Scrutiny Committee: Community Planning and Development