

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**STRATEGIC RISK REGISTER**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To seek Audit Committee approval for the council's revised Strategic Risk Register.
- 1.2 In revising the Register, risks identified in the new style service plans have been considered along with guidance provided by CIPFA and ALARM. National and local factors are also incorporated.
- 1.3 Recommendations made in External Audit's VFM report (August 2010) are also included to improve risk management reporting to the Audit Committee.

**2. BACKGROUND INFORMATION**

- 2.1 Strategic risks are defined as 'those risks, which will significantly impair the achievement of the council's principal aims and objectives, core service delivery and overall probity'.
- 2.2 The council's current Risk Register contains 20 strategic risks (listed in appendix A). The council's Strategic Risk Management Group has recently considered three potential additions to the register:
  - splitting risk 15 'Failure of a major partner, contractor or supplier' to distinguish between contractual arrangements and service delivery in partnership with other organizations such as health, police etc.
  - 'Failure to safeguard children and vulnerable adults'
  - 'Failure to achieve the carbon management action plan to reduce carbon emissions'.The three additions are shown in red in appendix A.
- 2.3 Risks identified in the newly designed service plans were analysed against the current strategic risk register. In addition guidance available from CIPFA and ALARM was considered. Strategic risk registers from other local authorities (in particular those that received a high score in the Use of Resources assessment for internal control and risk management) were also used to cross check for obvious omissions or points of good practice

2.4 National conditions and local factors were also taken into account including economic and funding constraints as well as governance and stewardship responsibilities. Advice was also sought from the council's insurance brokers/ risk management advisers (Jardine Lloyd Thompson) to provide an industry perspective on the national picture.

2.5 Proposed changes to the current strategic risk register are highlighted in appendix A. The revised strategic risk register is attached as appendix B for the Committee to consider. The main changes suggested are:

- Two new strategic risks have been identified through analysis of service plans (SR 19 Failure to provide customer focused services & SR 20 Failure to deliver major projects and capital schemes)
- Four strategic risks have been categorized under their generic headings (Poor Data Quality, Breach of Health and Safety Legislation, Safeguarding and Achievement of the carbon management action plan)
- Other strategic risks have been reworded or extended to incorporate significant issues for the council such as achievement of the Transformation Plan, reduced financial settlement, and workforce planning challenges.

Of the 23 strategic risks listed in appendix A, four are incorporated into other strategic risks and two new strategic risks have been added to give a new total of 21. Also included in appendix B are some of the triggers and consequences of these risks to help illustrate their scope.

2.6 External Audit's VFM report included a recommendation to improve risk management reporting to the Audit Committee. The recommendation reads:

'In risk reporting to the audit committee the current traffic light system, control mechanisms are described as 'good' without any explanation or description of the control Risk. Providing clearer evidence of the control systems in place to support these conclusions would improve the level of assurance given to the Audit Committee.'

An evaluation of controls in place to manage strategic risks will be reported to the Audit Committee in January and will include a description of the adequacy of controls. To improve reporting it is suggested that the following definitions are adopted:

<b>Significant Assurance</b>	Controls are designed to support the council's corporate and service objectives and are consistently applied in all the areas reviewed.
<b>Adequate Assurance</b>	There is generally a sound system of control designed to support the council's corporate and service objectives. However some improvements to the design or application of controls are required.

<b>Partial Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement some of the council's corporate and service objectives at risk in the areas reviewed.
<b>No Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

### 3 **OPTIONS FOR CONSIDERATION**

- 3.1 The Committee should consider whether this update provides sufficient assurance on the adequacy of risk management arrangements and whether the revised strategic risk register reflects the current risk the council faces. The Committee should ask questions about the contents of the report and seek clarification as necessary.
- 3.2 The Committee may consider that the report does not provide sufficient assurance on the adequacy of risk management arrangements; and may reject or wish to replace some of the strategic risks that have been identified or may seek further clarification.

### 4. **ANALYSIS OF OPTIONS**

- 4.1 The Strategic Risk Register is an important component of the Risk Management Strategy and to comply with statutory requirements and professional guidance available it is important that strategic risks are identified and adequate arrangements are in place to manage them. Updates on key internal control issues are designed to provide this Committee with the assurance required. Members should ask sufficient questions to ensure adequate assurance is provided.
- 4.2 The option set out in paragraph 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively if adequate clarification is not provided.

### 5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY.IT)**

- 5.1 Resources are met from the Audit and Risk Management budget.
- 5.2 Sound risk management arrangements should help safeguard the council's assets and ensure that value for money is achieved in the use of resources. There are no staffing, property or IT implications.

## **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

6.1 The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

6.2 The evaluation of the council's arrangements will help to promote good corporate governance. Risk management work is a component of the council's internal control framework and a key source of assurance to support the Annual Governance Statement. The risk management framework addresses all key risks the council may face. It promotes appropriate action to manage risks to an appropriate level.

## **7. OUTCOMES OF CONSULTATION**

7.1 The strategic risk register was discussed with the Strategic Risk Management Group. The group is made up of representatives from each service and is therefore the outcome of a comprehensive consultation process.

## **8. RECOMMENDATION**

8.1 The Audit Committee should consider the assurance provided by the risk management report on the adequacy of risk management arrangements detailed for consideration and approve the updated strategic risk register.

SERVICE DIRECTOR FINANCE

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### **Background Papers used in the preparation of this report:**

Risk Management Strategy and Action Plan 2010/2011  
Service Plans  
Value for Money North Lincolnshire Council Audit 2009/10

## Current Strategic Risk Register

Risk	Proposed revision (see appendix B)
1. Adoption of priorities that do not meet national or local needs	None
2. Failure of the decision-making process	None
3. Inappropriate pace of innovation and modernisation	Reworded to reflect the importance of achieving the transformation plan
4. Abrupt policy change resulting from changed political leadership nationally or locally	None
5. Recession resulting from national or local problems including closure of a major employer	None
6. Inability to recruit and retain key staff and effects of industrial action	Reworded to reflect the importance of workforce planning
7. Available resources inadequate to meet identified needs (e.g. inability to access external funding)	Reworded to the impact of reduced financial settlements
8. Failure to meet the needs of disaffected communities	None
9. Low levels of education attainment	None
10. Civil disorder	None
11. Serious breach of information integrity, confidentiality and availability	Extended to include data quality implications
12. Inadequate response to legislation	Extended to incorporate all significant legislation such as Health and Safety and Corporate Manslaughter
13. Contamination and pollution	None
14. Major events such as severe weather conditions; flooding; fuel shortages; pandemic flu etc.	Reworded to highlight the importance of emergency planning and business continuity arrangements
15. Failure of major contractor or supplier	Reworded
16. Adverse reports from inspectors on corporate capacity or whole services and bad media relations	None
17. Breakdown of prudent financial management	Reworded

<b>including treasury risks</b>	
<b>18. Inappropriate officer/member relations/conduct</b>	<b>Replaced by wider aspects of governance and financial probity</b>
<b>19. Breach in legislation: Health and Safety and Corporate Manslaughter</b>	<b>Included in SR 12</b>
<b>20. Poor data quality</b>	<b>Included in SR 2 &amp; 11</b>
<b>21. Failure of major partnership</b>	<b>None</b>
<b>22. Failure to safeguard children and vulnerable adults</b>	<b>Included in SR 19</b>
<b>23. Failure to achieve the carbon management action plan to reduce carbon emissions</b>	<b>Included in SR 20</b>

## Revised Strategic Risk Register

Risk	Triggers /consequences
1. Adoption of priorities that do not meet national or local needs	Dissatisfaction with the council. Disengagement with communities and partners. Potential funding issues. Insufficient capacity to identify emerging priorities.
2. Failure of the decision-making process	Policy-making and decisions failing to anticipate all options/ costs/service implications. Unlawful/inappropriate decisions.
3. Inappropriate pace of change resulting in failure to meet the council's transformation plan	Efficiencies not met, poor use of resources. Poor inspection rating. Limited commitment to change. Limited capacity for major change management.
4. Abrupt policy change resulting from changed political leadership nationally or locally	Funding/ workforce implications. Existing plans cut short before they can be delivered. Unforeseen financial implications emerging after making commitment
5. Recession resulting from national or local problems including closure of a major employer	Funding issues, workforces issues, impact on jobs market
6. Inadequate workforce planning and management to meet current and future needs	Budget issues, skills and experience shortage, poor succession planning, Dissatisfaction with conditions of employment.
7. Reduced financial settlement resulting in inadequate resources to meet identified needs	Financial plans and commitments may not be met. Strong need to prioritise and maximise VFM .Fraud and corruption risk.
8. Failure to meet the needs of disaffected communities	Low level of satisfaction with the council. Limited capacity for consultation. Breakdown in community cohesion.
9. Low levels of education attainment	Impact on funding, future workforce, potentially crime and disorder levels. Low aspiration. Poor attendance.
10. Civil disorder	Racial/religious tension. Unpopular local or national decisions. Major disruption to public services.

<p><b>11. Serious breach of information integrity, confidentiality, availability and inaccurate data</b></p>	<p>Poor data quality – loss of data integrity, Failure to follow standards, policy etc. Interruption or poor performance of information and communications technology</p>
<p><b>12. Inadequate response to legislation (incl; Health and Safety and Corporate Manslaughter)</b></p>	<p>Injury and impairment of health Potential court action and financial consequences Reputation impact. Some personal liability possible</p>
<p><b>13. Contamination and pollution</b></p>	<p>Failure of the inspection and monitoring regime. Budget and funding issues. Litigation and third party claims. Disruption to services and business.</p>
<p><b>14. Inadequate emergency planning and business continuity arrangements to manage the impact of major events.</b></p>	<p>Impact on key services to vulnerable people. Inadequate partnership working. Unacceptable speed of recovery of key services. Reputation impact on the council. Funding and impact on budgets</p>
<p><b>15. Contract failure or significant supply chain failure</b></p>	<p>Inadequate specification. Inadequate contract management Impact on key services to vulnerable people. Reputation impact on the council, funding and impact on budgets Works supplies and services obtained not on the most economically advantageous terms</p>
<p><b>16. Adverse reports from inspectors on corporate capacity or whole services and bad media relations</b></p>	<p>Poor or weak arrangements with little or no prospect for improvement. Failure to learn from internal or external audit inspections. Increased inspection or intervention. Reputation risk</p>
<p><b>17. Breakdown of prudent financial management including treasury risks resulting in failure to achieve the medium term financial plan</b></p>	<p>Significant losses, risk of fraud and corruption, disruption of service delivery</p>
<p><b>18. Inadequate governance and financial probity arrangements</b></p>	<p>Ill defined procedures Adverse inspection reports. Impact on reputation. Examples of poor officer or member conduct. Public perception low. Increased risk of fraud and corruption</p>
<p><b>19. Failure to provide statutorily required and customer focussed services and inadequate service delivery planning to meet future needs</b></p>	<p>Reputation risk, poor perception of the council, failure to safeguard children and vulnerable adults, road safety risks etc.</p>



<b>20. Failure to deliver major projects and capital schemes</b>	Increase financial impact, reputation risk, poor project management Unforeseen financial implications emerging after making commitment
<b>21. Failure of major partnership</b>	Financial consequences, reputation risk, disruption or loss of service delivery, capacity issues