

Critical and High Risks

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AUDIT COMMITTEE 29.1.13


HELPFUL NOTES:

1. Management continues to review these risk exposures during Q3 12/13 performance reporting;
2. Latest Notes are aimed at giving the present position but also the future with each risk exposure;
3. The Current Rating indicates that these risk exposures are above an acceptable level of risk;
4. Internal Controls are meant to control risk, immediately or gradually;
5. Not shown here are extra actions to help mitigate risk and these are proving to be helpful;
6. The covering report indicates that there are 19 high risks but the report below counts only 18. This is because the 'Balancing Budgets and Financial Health of the Council' risk is reported twice, within the Head of Finance and HR's operational risk register and the Corporate Risk Register. This duplication is seen as appropriate at present; and
7. Officials are on hand today to provide further information.




ACC01 Operational - Adult and Community Care




Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
ACC01-05 Meeting growing demands with constrained/reduced budgets, especially from external funders	<u>Community Care</u> : Risks from demographic pressures arising from increasing elderly population and increasing numbers of adults with disabilities and complex needs. <u>Regeneration and SI services</u> e.g. MTS heavily reliant on external funding (around 50% of total funding). Could fail in bids or funding landscape changes. Growing numbers of unemployed and young unemployed	Q3 2012/13 Demands on resources have increase significantly during 2012/13 leading to considerable budget overspend. Steps are being taken to bring the budget back in line alongside ensuring that commitment information is accurate on the new Framework system. Grades have improved at Newbyres whilst other services in both Older People and Learning Disability are at grades 4 and 5.	<ul style="list-style-type: none"> •01 - Eligibility criteria etc •02 - Performance reporting •03 - Service transformation programme-older people •04 - Capacity planning and commissioning LD and complex needs •05 - Monitoring and reporting waiting times •06 - Developing performance indicators for reviewing policy •07 - Regeneration sourcing external funding •08 - Monitoring performance to meet contractual requirements •09 - Budget monitoring •10 - Shared services 11- Regeneration Service Review 		19

CF01 Operational - Children and Families

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
CF01-19 GENERIC - Data protection breaches	Risk to reputation of the Council through sensitive information being sent to the wrong recipient(s) and potential concern for clients affected. As experience has shown, the Council's finances can also be affected. The main issue is that controls have been enhanced but there exists residual risk that a member of staff could make a mistake.	Q3 12/13: The likelihood of sensitive/personal data loss remains very low, with a training regime and controls in place, but there still exists the potential for a member of staff to make a mistake. The impact of this would be critical, with a major fine likely.	01 - New staff in place who are working to new procedures 02 - New procedures for existing staff to work to 03 - All staff have attended training sessions 04 - All staff undertaken MILO training 05 - Reporting of any breaches to the Information Commissioner 06 - Actions from the Information Management Group 07 - Various Corporate initiatives like signage on computers, advice of Information Commissioner 08 - E-mail procedures and encryption applied		17



CSE01 Operational - Customer Services Unit

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
CSE01-06 IT - Information Security and closing any immediate gaps; isolated incident that becomes high profile.	This is the risk of not protecting sensitive information due to inter agency working, data sharing, remote and mobile accesses. The risk is reducing as various initiatives are underway, or have been completed, but the impact of any non compliance is likely to be high.	Q3 2012/13:- This remains a high risk for the Council, and further information has been provided and presented to CMT on 17/12/2012. The presentation highlighted a number of options that are under investigation but this will remain a high risk for the Council at this time and further updates and actions will be added to manage this risk.	01 - Access Controls 02 - Policies and procedures 03 - Software management 04 - Compliance with industry standards (ISO) 05 - Security and risk management reporting (inc separate risk register) 06 - Information management group 07 - Risk Management group 08 - New Projects approved \ initiated via Digital Strategy Group \ CMT		18
CSE01-07 IT - Compliance - Regulatory, Contractual and Legal	This is the risk of censure and includes DPA, FOI, RIPSA, Computer Misuse, Health and Safety,GSX, NHS, Police q	Q3 2012/13 On Target: This continues to be an area of High risk for the Council due to current time and resource pressures around key projects and changes in compliance. The project risks are being managed through the individual projects already scoped but the wider compliance needs to be continually monitored.	<u>The main internal controls are:-</u> 01 - Identify areas of poor practice 02 - Educate users with their Information Security responsibilities 03 - Undertake risk assessment of compliance responsibilities for GSX, ViSOR, PLDN and SCRO 04 - Policies and Guidelines exist to maintain compliance 05 - New Projects approved \ initiated via Digital Strategy Group \ CMT		19
CSE01-08 IT - Computer Business Continuity	Computers play a major role in continuity of business and any major disruption would be crucial and jeopardise the Council's approach to	Q3 12/13 : This remains a high risk for the Council due to the recent failure of Air Conditioning units in Midlothian House computer room. A number of actions and controls have now been agreed and	<u>The main internal controls are:-</u> 01 - List of critical business systems contained with a generic IT BC Plan 02 - Routine of reporting IT BC into CMT and BCG 03 - Ongoing programme of resilience		18



Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
Management	the Civil Contingencies Act	once in place should help to manage this risk. Grant Thornton (external auditors) have noted a number of advisory recommendations - Business continuity plan testing and locality of two computer rooms within close proximity to each other. These recommendations have been raised with the Contingency planning group.	04 - Corporate BC plan 05 - Back ups of data and systems on an incremental and full basis. 06 - Specific risk assessment adopted by the Audit Committee on 8 February 2011(attached)		
CSE01-19 Revenues - collection performance and collection levels across all income streams	This risk relates to the difficulties in maintaining or in fact improving collection rates in all aspects of revenues, despite the currently challenging economic position both externally and internally.	Q2 12/13: Council Tax collection still holding level and rent arrears are still marginally down year on year. Accounts Receivable continues to make progress due to the renewed corporate ownership/awareness. Proactive preventative and recovery work ongoing, including debt and benefits advice. Collection will remain a high risk though during the ongoing financial downturn/recession.	<u>The main internal controls are:-</u> 01 - Arrears Management section covers all income sources except AR. Focus on recommendations made in Internal Audit report of December 2009. 02 - AR debt recovery performance is a topic of focus as collection performance begins to rise; the AR system has been assessed in January 2011 and buy-in to internal control increased. 03 - Increased focus on ensuring that Sundry Debt invoices are accurate when issued 04 - More robust regime in AR over 'holds' 05 - Use of external Debt Managers and Sheriff Officers 06 - Collection PIs regularly monitored across all income streams 07 - Robust standard rent arrears procedure including reminders, notice of proceedings, pursuit through court for decree for repossession and recovery of arrears 08 - Robust legislative recovery process for Council Tax including reminder, final demand, Summary Warrant and diligence 09 - Range of payment methods available including DD, SO, ATP, bank giro, internet, cash/cheques 10 - Use of well established software, Civica OpenRevenues (IBS) and Academy Housing Rent system 11 - Sheriff Interface complete 12 - Secured best possible third party collection agents for Sheriff Officer services. 13 - Data matching exercise to identify large debtors		18
CSE01-20 Revenues - Ensuring longer term arrangement for Non Domestic Rates	It is necessary to explore the options in relation to administration of non domestic rates and to secure the best option for Midlothian going forward as the current service is proving expensive.	Q3 12/13: City of Edinburgh Council (CEC) will continue to provide our NDR services in-house. Working with Procurement colleagues to formalise our arrangement for the forthcoming period. Shared service option elsewhere previously ruled out, due to lack of interest and higher costs. Risk score will be reduced from High to Medium/Low once new agreement formalised/documentated with CEC.	<u>The main internal controls are:-</u> 01 - Consider options in light of strategy to exit City of Edinburgh arrangement 02 - Go through formal tender process to evaluate and assess best value of options 03 - Implement new detailed contract with successful tenderer, for a fixed period, with clear outline of our requirements and stipulations in relation to administration 04 - regularly review performance on an ongoing basis, addressing any issues that arise (operational and strategic)		18
CSE01-22	This is the risk associated with the	Q3 12/13: This will remain High risk for the	Whilst we have no overall control over the changes which will be imposed		19

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
Revenues - Legislative changes, inc Welfare Reform Act	significant changes in legislation arising from the Welfare Reform Act and other major changes	foreseeable future. There continues to be a lot of uncertainty whilst clarity is awaited around the Welfare Reform changes, however it is known that these will have a significant impact both on staff and customers, as well as the wider impact on the finances of the Council, both through loss of Admin Grant, likely increase in arrears, more difficulty in collecting all revenue etc. Timetabled dates have been agreed for introduction of Universal Credit. Customer Services is working with the cross divisional working group co-ordinating activity. The Revenues Management team is also keeping a close eye on government announcements and other information available through the network of revenues professionals.	upon us, the controls available in relation to our handling of these include: 1 - good network of revenues professionals and contacts to provide direct feedback from DWP and government (through IRRV Scottish Revenues Forum and IRRV Scottish LA Investigators Group) 2 - regular liaison with software suppliers 3 - experienced and well qualified management team, keeping abreast of legislation as it progresses through the stages before implementation 4 – project management resource 5 – reporting to elected members		


CSE04 Business Transformation Project - Customer Services

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
CSE04-01 Resources - FINANCIAL to support each element of the BT-CS workstream and associated savings	This is the risk surrounding financial resources required for each individual project within the workstream	Q3 12/13: This risk remains HIGH, as there is a risk that failure to commit the necessary resources to implement the solutions proposed, will mean failure of the project overall.	1 - BT funding - procedure to follow to bid for additional financial resource to support business transformation 2 - PDD & scoping documentation for each project should identify resource required to facilitate the change		18
CSE04-04 One Stop Shop development - physical location and provision	This is the risk associated with the relocation of the Contact Centre, including development of a centralised One Stop Shop, allowing co-location of all frontline services in a fully customer focused environment.	Q3 12/13: This is a high risk and remains out of the control of the Project Board, therefore remaining action cancelled meantime.	1 - Property strand of the Asset Management workstream is addressing this risk.		19

CSU01 Operational - Communities and Support Services

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
CSU01-22 Uninsured Losses	The impact the closure of the 'insurance fund' will have on school budgets. The risk relates to the financial impact that vandalism/injury claims will have on the divisional budget as this will be directly hit.	Q3 12/13: No reduction in risk. The Council has public and employee liability insurance and education property insurance. However, a recent change in insurers has resulted in even greater excesses of Employer Liability-£50k, Public liability-£50k, storm damage-£50k and other excesses-£25k.	01 – Insurance service has agreed insurance cover that balanced premiums with excesses 02 – Council does not have a history of several large insurance claims 03 – Raising excesses to £50k reduced the premiums because very few insurance claims are experienced between the £25k - £50k brackets 04 – Should a large claim be experienced in the future, it would be discussed in terms of meeting the settlement from reserves		19
CSU01-23 Libraries - Service Provision	The risk relates to failing to retain skilled staff or up to date technology in order to provide a quality service and therefore not meeting user expectations.	Q3 12/13: Council employed an IT consultant to review IT provision within Council and for customer facing services. Waiting for clarification as to whether recommendation includes updating public access computers in libraries.	01 - Staff are made to feel valued through positive feedback 02 - Staff are encouraged to reach their full potential through development of work programmes and work related objectives 03 - External funding opportunities are taken advantage of and new technology introduced eg e-audio book service		19


ED02 Operational - Schools ICT section risks

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
ED02-12 Recovery of Service after Major Incident	The main risks are (1) data back up and recovery (2) application failure affecting school and central operations (3) outbreak of fire in comms room (4) cabling difficulties in schools (5) loss of major hub sites (6) failure to support online services (7) smartcard application failure affecting school operations (8) infrastructure failure (INTERCONNECT) (9) loss of minor hub sites (10) power failure in major/minor sites (11) infrastructure failure (WAN) (12) email failure (13) infrastructure failure (LAN) (14) major component failure (15) other major service failure (16) failed environmental controls (17) incompatibility between corporate and schools ICT systems and (18)	Q3 12/13: Risks 1, 2, 3, 4, 5, 7, 9, 12, 13, 14, 15, 17, 18 risk reduced to acceptable level Rest are as follows, which retains the risk score at high. 6 - Glow refreshment underway 8 - Glow Interconnect 2 exceptionally reliable. Resilience unaffordable. 10 - UPS in place but no power backup in major hub sites. Major problem for power outage of more than a couple of hours. 11 - All possible routes in place 16 - Monitoring in place and working well. Out of hours still adhoc, cover by senior officers.	Data back up/recovery 01 - procedure 02 - information shared with staff back up security 03 - Generic IT Business Continuity Plan Application failure 01 - local support in place 02 - external support contract in place 03 - liaison with other education authorities Fire in Comms Room 01 - fire safety policy//guidance from H&S 02 - fire risk assessment 03 - fire detection equipment 04 - environmental monitoring equipment in place Cabling difficulties in schools 01 - TSO route planning with contractor 02 - Asbestos register alert on all appropriate orders 03 - partner working with Commercial Loss of Major Hub Sites 01 - Greenhall, Dalkeith Campus BC plans		18


Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
	hostile environment in comms room.		02 - WAN disaster recovery plan 03 - Resilience reviews Online Services 01 - Quality of on-line services monitored by EO Smartcard 01 - System monitored by Education and Commercial Services 02 - Support contract in place InterConnect 01 - National SSDN contract in place 02 - 24x7 monitoring 03 - resilience Minor Hub sites 01 - WAN disaster recovery 02 - resilience Power failure - major/minor sites 01 - power supply recovery plan 02 - UPS on critical services WAN 01 - contracts with suppliers 02 - 24 x 7 monitoring 03 - resilience E-mail 01 - daily system testing, 24x7 monitoring 02 - external support contract 03 - external consultancy on best solution LAN 01 - 10x5 monitoring 02 - swap out procedure 03 - resilience Major Components 01 - support contracts 02 - staff training 03 - resilience Other Major Service Failure 01 - daily system test, 24x7 monitoring 02 - external support contract 03 - external consultancy on best solution Environmental Controls 01 - Financial directive 02 - IT intranet guidance 03 - knowledge of procedures, staff and training Corporate and Education ICT 01 - regular contact 02 - standards compliance 03 - Head of It/EO monitoring		

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
			Hostile environment in Comms Room 01 - environ monitoring equipment 02 - Duty Officer		

FHR01 Operational - Finance and Human Resources Risks



Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
FHR01-03 FINANCIAL- Not achieving balanced and sustainable budget	Main risk is not achieving efficiency savings at required rate to meet the threat of budget deficits. Autumn 2012: Business Transformation delays in realising savings, requiring budget pressures into 2013/14 budget.	Q3 12/13: The following formed part of the report to Council on 18.12.12 on budgets for 13/14 and 14/15. Within any financial year's budget there are a number of inherent assumptions made in arriving at figures and budget provisions, and therefore risks that may be faced if costs change or new pressures emerge. The economic climate and significant emerging issues such as welfare reform mean that risk is inevitably greater and more difficult to predict. The following key risks and issues are highlighted in the context of the budget: Impact of economic climate on range of factors including: inflation, interest rates, employment, tax and income levels, service demands; Outstanding pay award settlements; Outstanding employment tribunal claims; Extreme weather events (or other events) and provision for immediate response as well as longer-term implications; Cost pressures exceeding budget estimates; Non-delivery or late delivery of planned savings; and Impact of Welfare Reform changes. The budget process and the business transformation programme and the actions being taken by the Chief Executive mitigates a number of these risks by improving forward planning, and the early identification of future saving proposals. For the time being, until there is further certainty, the current risk score remains at high. Meantime, however, actions have been taken to sustain a balanced budget for 2013/14, which is a statutory duty.	01 - Subsumed within the Business Transformation Programme and risk managed through it. 02 - Regular reporting to Full Council on financial strategy 03 - While the BTP has an agreed programme and reserves are at sustainable levels, it is recognised that the BTP will need to remain flexible and be adapted as the financial position is clarified over the coming months. 04 - Work of the Strategic Leadership Group in reviewing budget pressures and cuts 05 - Financial discipline across all services		18

HCS01 Operational - Housing and Community Safety Unit

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
HCS01-10 Environmental Health - Caravan sites	There are 4 residential caravan sites in Midlothian accommodating around 180 caravans. Historically non- adherence against	Q2. 12/13: Most caravan parks in Midlothian compliant. An Emergency Planning Exercise completed in June 2012 for Straiton Park. A specific land stability issue at Straiton Caravan Park is	01 - Local knowledge or public reporting - such a situation would receive appropriate enforcement 02 - Where a change (eg in ownership etc) is notified, ensure that new licence procedures followed & lic granted as appropriate		22


Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
that are unsafe and in contravention of national standards	national standards with poor condition of caravans, or sites, often poorer people and elderly are the occupants. Fire risk increased in restricted spaces. Straiton Park has considerable risk of instability. 3 touring sites all considered low risk. All sites licensed - licences broadly compliant with national model standards.	under review at MC Planning Committee and a Sheriff Court action.	03 - Regular inspections with appropriate action taken 04 - Experienced staff; training by senior management 05 - Action within 3 month period or agree extension with applicant 06 - Ensure during inspection of sites that gas safety records are being maintained. 07 - No H&S legislative powers 08 - Licensing conditions monitored against the model stds 09- Re stability at Straiton Park Emergency Plan developed Oct 2008 and desk top exercise completed Nov 2008 - 3 yr review and 2012 More recent controls:- 01 - Report on Straiton to Council January 2013 02 - Straiton issues being addressed through the courts		

MC01 Corporate Risk Register


Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
MC01-08 Corporate Change and Transition	<u>Potential</u> sub risks include:- 01 - Delays 02 - Cost creep 03 - Slow benefits realisation and budget savings 04 - Objectives of changes not actually met 05 - Adverse impact on services 06 - Staff morale affected 07 - Government step-in	Q2 12/13: BT Programme risk register updated 6 weekly in alignment with BTB/BTSG meeting schedule, but reviewed weekly by the Business Transformation Team. There are currently 11 identified programme risks with 26 associated actions. Of these actions 19 are complete, 2 on target, and 5 off target. The 5 actions identified as off target are being addressed to bring them back on target to mitigate the overall risk to the delivery of the programme.	01 - Corporate Improvement Programme and BT Programme supported by Governance Framework and a Strategy 02 - Business Transformation Board 03 - Approved BT Governance Model 04 - Risk assessments at appropriate levels within the BT Programme 05 - BT maintained at a high profile through various initiatives including Leadership Forum, agendas and minutes available to staff and In brief. 06 - PC Replacement Programme investment, in support of change, approved by CMT on 18.6.12		19
MC01-12 Welfare Reform Bill	This is deemed to be a severe challenge for the Council and its citizens with specific risks identified in a report to CMT on 18.6.12 as follows: Insufficient Service Capacity, Reduced Revenues for Council and Organisational Change. There are sub-risks as well, all to be developed in the Project Risk Management Plan. Normally, this risk would sit under risk MC01-09 but because of its high impact, it has been separated out.	Q3 12/13: Likelihood remains fairly and impact could be major. Report to Council in December 2012.	01 - Working Group chaired by Acting Director, CWB and involving 3 divisions 02 - Risk Assessment within project - WF risks as well as project risks 03 - Summarising reports to CMT 04 - Project management set up; adopting project management principles and creating work streams and project deliverables 05 - Work streams are - targeted advice programme, advice and support services, interagency training and development, housing, revenues and communications 06 - Appropriate project and training resource identified 07 - One report already submitted to Council after New Year 2012; another planned for Summer 2012 08 - First phase of impact analysis 09 - PDD is planned to bring clarity 10 - Attempting to influence external risks which could be uncontrollable		19

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
			11 - CoSLA attendance and other elements of consultation e.g. with community planning partners		

MC06 Project - BT Workstream - Service Review Programme Risk Register

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
MC06-09 Lack of robust Options Development, Appraisal and Challenge Process.	Lack of identifying options and a robust options appraisal and challenge process may result in an option being selected/approved/progressed which may not be the most appropriate and may not lead to business transformation.	16/12/11: Risk status remains critical. Whilst the majority of reviews have robust options development there is still the requirement to ensure that all options are considered and evaluated.	01 - Options developed and presented using the Service Review Process and Guidance. 02 - Options must be clearly defined and documented to show the effect on the future. 03 - Review and challenge of options is undertaken through the governance process. 04 - Options detailed must satisfy objectives of the review. 05 - Options quality assured where required by external expert evaluators.		18

PD01 Operational - Planning and Development Unit

Risk Code & Title	Description	Latest Note	Internal Controls		Current Rating
PD01-12 GENERIC - Identifying, Managing and Realising Developer Contributions	Where developers want to develop properties they must contribute to the direct consequences they are creating. For example, extra children present within a development that impacts on local school sizes. Threat that these aren't identified and controlled and as a consequence result in developer not making essential contributions, with the shortfall having to be provided by the Council.	Q3 12/13: Developer Contributions Steering Group met on 13 December 2012 and, <i>inter alia</i> , agreed the following actions: 1. confirmation of what payments are currently held in the accounts; 2. spreadsheet to be amended and planning applications reference numbers attached; 3. all legal information to be added with list of agreements coded appropriately and 3 phases identified; 4. once database is up to date, Uniform element to be looked at with Admin support; 5. updates then to be input 4-weekly in sync with the ledger periods – dates to be set and programmed in line with Building Standard schedules; 6. spreadsheet thereafter updated an ongoing basis, with a proper monitoring phase to follow.	01 - Role of the developer contributions steering group. 02 - Role of Property Strategy Manager in liaison with Development Management		18