Risk Management Control Programme 2012/13
Report by Gerald Tait, Risk and Audit Manager

1.   **Introduction**

This report presents progress with the Risk Management Control Programme for 2012/13 and invites Audit Committee scrutiny.

2.   **Background**

Under best value, risk management within a local authority is a statutory duty and the principles of risk assessment have to be applied to corporate aims and objectives, major projects, new legislation, community planning and operational services. A Council has to know its potential threats and demonstrably manage these as far as possible. Normally, the consequences of failing to do this are contained within a poor inspection report. To date, Midlothian has received two best value inspection reports where risk management has been commended.

It is best practice to set out an annual risk control programme that ensures success in managing risks, transparency and accountability. Members of the Audit Committee are meant to promote these principles and at officer level the main group that oversees this is the Risk Management Group.

The annual risk control programme normally centres on a set of Risk Management Performance Indicators (PIs) which can be viewed in the appendix.

3.   **Report Implications**

3.1 Resource

There are unlikely to be any direct resource implications arising from this report.

3.2 Risk

Risk Management guidance indicates that it is essential to have an annual risk management control programme in support of a body's risk management policy.

3.3 Policy

Strategy – this report addresses directly the council's policy to have a robust risk management system.

Consultation – Consultation has taken principally within the risk management group.

Equalities – there are no equalities issues arising from this report

Sustainability – The risk management control programme is aimed at ensuring the Council's risk appetite across its corporate aims, policies, projects and operations.

4.   Recommendations

The Audit Committee is invited to:-

(1) Scrutinise the progress made with the 2012/13 risk management control programme; and

(2) Note that a further update will be presented to the committee later in the financial year (March, as per the Audit Committee Reporting Calendar).

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RISK MANAGEMENT PIs

PI	Measurement method	Progress Report as at 31 August 2012	Robust assurance	Awaiting assurance on robust governance
1. % of agreed corporate priorities that have been risk assessed in the year and reported	Review of risk registers. Always aiming for 100% coverage	Most, if not all, corporate priorities can be found in existing risk registers and therefore automatically come under quarterly review.	✓	
2. Corporate Risk Registers presented to the CMT at least quarterly during the financial year	Calendar achievement and risk controlled	The Corporate Risk Register has twice been presented to CMT in 2012/13, the latest in July. It was reported that the 12 corporate risks were generally controlled but the Chief Executive instructed that extra risk analysis be undertaken on three risks: (1) Employees and the potential threats to a high-performing staffing establishment (2) Balancing budgets in the coming years and (3) the future for the Business Transformation Programme. This extra analysis is underway.	✓	✓
3. Local Code of Governance reviewed annually and used to produce the Council's Annual Statement of Governance	Calendar achievement and statement revealing robust governance	Internal Audit's annual review of the code, and compliance with it, was completed in May 2012 for the 2011/12 financial year and members can view the results in a separate paper on today's agenda.	✓	
4. Internal Audit Plan risk-based	External Audit review and achievement of the Plan. Also audit assignments revealing low risk results.	Audit Scotland found for the 2010/11 financial year that they could rely on Internal Audit's risk-based plan. A similar plan is being progressed in 2012/13 and our new External Auditors, Grant Thornton, have provided similar comments. Any high risk issues are normally reported to management straightaway.	✓	
5. Internal Audit reports focus on risk management	QA system low risk levels found in audit findings	Audits always focus on risk exposure and particularly residual risk when viewed against risk appetite.	✓	
6. Heads of Service risk registers reviewed/updated at least quarterly (These registers	Calendar achievement and high risks controlled	Indications are that risk registers, containing up to 15 problematic risk exposures, are reviewed every quarter but not all risk registers are updated fully and/or give a		✓

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cover operational service risk)		projection into the future for the problem risks. This is now being addressed.		
7. Project risk registers reviewed/updated monthly	Calendar achievement and high risks controlled	Significant projects e.g. Social Housing Programme, SFT Lasswade High School Replacement and Business Transformation Projects all have risk registers and risk reporting lines.	✓	
8. Community Planning risk registers updated at least quarterly	Calendar achievement and high risks controlled	The Steering Committee and Sub Groups have brief risk registers which are reviewed quarterly. However, this is to be audited in the next quarter and results are awaited.		✓
9. Major new pieces of legislation risk assessed	Head of Service awareness > Risk and Audit Manager > Risk Management Group > Risk Assessment	Each major, new piece of legislation is risk assessed and significant resource is currently being input to complying with the Welfare Reform Bill. To date some potentially high risks have been avoided and while some risks remain medium risk, there is a downward trend in risk scores. Work is underway to ensure that all major aspects of legislation are risk assessed and results are awaited		✓
10.High risks reviewed quarterly by senior management, the Cabinet and Performance Review and Scrutiny Committee	Calendar achievement and high risks controlled	Any risks scored high are automatically elevated to senior management and elected member levels. At Q1 12/13, there were 25 registered high risks from a total of 457. However, there are around 220 medium risks which are passing through a period of detailed review and comments on robust governance are awaited.		✓
11. Business Transformation risk registers reviewed/updated at least quarterly	Calendar achievement and high risks controlled	There is a high-level risk register for the Board and each project has developed/is developing its own risk registers	✓	
12. Risk Management Statements in official reports to CMT and elected members are of a sufficiently high standard	Sample tests by Risk Manager	Members will see that comments on risk have to be included in all reports to members. This is also a requirement for reports to the Corporate Management Team and Business Transformation Board. While some reports properly analyse risk in the statement, some do not and		✓

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		this is to be reviewed/addressed in the coming months		
13. Risk management actions in risk registers are dealt with on time	Head of Service Review and calendar achievement. Actions clearly help to augment risk management	A recent review of 60+ actions in the Corporate Risk Register showed that over 50 of these had been completed and had helped to control risk. Throughout the 35 risk registers managed, management review the actions on a quarterly basis. However, this process is to be reviewed shortly.		✓
14. Risk management projects and risk management control programme are monitored by the risk management group at least six times in a financial year	Calendar achievement and group able to clearly influence risk management and make a difference	The Risk Management Group meets every 6 weeks and generally covers all potential threats to the Council's aims, projects, finances and services. Minutes are generally issued to a wide audience including the Audit Committee members. Each group meeting lists where the influence has been clearly demonstrated but also where any risk management is performing poorly.	✓	
15.The risk management group assesses its performance in promoting robust risk management at least twice a year	Calendar achievement and the 'promoting' essential evident	As immediately above. Review of performance every six weeks.	✓	
16. Insurance claims experience performance	Claims experience reviewed at each meeting of the Risk Management Group and any defects rectified	There is a robust means of assessing existing claims being processed and new claims, especially on the liability and motor policies. Every effort is made to spot trends and rectify these.	✓	
17. Deadlines have been met in insurance procurement years	Calendar achievement and successful procurement	2012 was a procurement year for all insurance policies - public liability, employer's liability, official's indemnity, fidelity guarantee, engineering inspections, motor fleet, motor leased cars and off-site excursion like school trips. The exercise proved that Midlothian's claims experience was historically good and therefore the search was widened to bring in new insurers to introduce	✓	

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		competition in premiums without disturbing the existing cover. The procurement exercise has delivered just over £100,000 savings pa in premiums. The Council now has four insurers covering different lots of insurance cover. Meetings have been held with these to ensure that their performance standards will be high and this will be a continuing focus. The insurance contracts are for three years (to 2015) with the possibility of a one-year extension.	✓	
18. Each risk manager in charge of a risk register has a clear vision of where risk appetite should be and is comparing it at least quarterly to residual risk.	Risk and Audit Manager review Internal Audit review Risk Management Group review	While some managers are carrying out this duty properly, others are not demonstrating awareness of this requirement. Therefore, covalent is not displaying a projected future for some risks and this is to be addressed in the next quarter.		✓
19. Contingency Planning Work Plan achieved	Calendar achievement and compliance with the Civil Contingencies Act	Since the introduction of a work plan in 2011/12, there has been increased updating of emergency plans, exercises carried out over the plans, incident response plans updated and a greater focus for the Contingency Planning Group chaired by the Director, Corporate Resources. During the remainder of 2012, the focus of attention is mainly in focusing on testing the Emergency Plan, updating Main Buildings Recovery Plans and making sure staff and computer systems could be recovered quickly after a serious incident. All this, and other activity, indicates that the Council is compliant with the Act.		✓
20. Health and Safety Work Plan achieved	Calendar achievement and compliance with health and safety legislation	The work plan is focusing on updating health and safety policies and any health and safety weakness. For example, there is some improvement required in asbestos management		✓
21. Insurance	Calendar	Apart from day-to-day	✓	

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Work Plan achieved	achievement robust insurance regime in place	actions, the main focus is on items 16 and 17 above		
22. Information Security Work Plan achieved	Calendar achievement and reduced risk of data loss	Various actions have been completed to ensure robust information management and data protection. An audit facilitated by the Information Commissioner should add to the existing action. The Information Security Officer provides an update to every risk management group.		✓