

Risk Management: Risk Control Programmes 2012/13 and 2013/14
Report by Gerald Tait, Risk and Audit Manager

1. Purpose of the Report

This report invites scrutiny of the Risk Control Programme for 2012/13 and the one planned for 2013/14.

2. Background

Risk Management best practice and Council policy obliges the Council to control risk and the Cabinet, on 26th February 2013, approved a new policy and monitored the Risk Control Programme for 2012/13 (to date) and approved a Programme for 2013/14.

The essentials of the report to Cabinet are repeated here:-

Risk Management responsibilities during 2012/13

Performance indicators (PIs) for measuring adherence to risk management responsibilities are in place and are shown in the table below. Officials consider that if the Council is robust in terms of the 23 PIs, then it will have largely satisfied its risk management responsibilities. Here is a progress report on each one, as at 26 February 2013:

No.	PI	Progress Report
1	Corporate priorities progressing unhindered and risk controlled	Corporate Priorities have been monitored during the year through quarterly performance reporting. Many of the risks in these priorities are included in operational, project or corporate risk registers and are therefore controlled. Risk headline: Risk is controlled.
2	Corporate Risk Register (CRR) managed by CMT and reviewed at least quarterly. 12 key risks:- 1. Employees; 2. Governance and Standards in Public Life; 3. Customers and Service Performance; 4. Corporate Policies; 5. Financial Health of the Council; 6. Procurement; 7. Welfare Reform Bill; 8. Legal & Regulatory Compliance;	CMT has examined and approved the CRR on 3 occasions during 2012/13 and has on 18 th February reviewed the CRR again. The next review by CMT is programmed for April. The timing of these reviews was not strictly in accordance with the risk management strategy and this is being regularised, so that CMT views the CRR immediately after quarterly performance reporting. However, while not totally compliant, senior officials and the Risk and Audit Manager have been reviewing and updating the 12 key risks listed. All these risk exposures are in a reasonable state of control. Procurement structures, compliance, and benefits realised therefrom, shows a marked improvement, corporate policies, which are mainly HR related, are being updated, the Council is in a better position to deal with emergencies, the Council continues to comply with legislation, some investment has been made across all assets and the budget is set for 2013/14. The People Strategy is being progressed, there is

No.	PI	Progress Report
	9. Internal Control System; 10. Dealing with Emergencies and being able to recover business 11. Change and Transformation; and 12. State of Assets: Roads, Computers, Properties, Vehicles etc	<p>embedding of a revised Standards Committee, realising further and essential savings from the Business Transformation Programme is vital, embedding the Welfare Reform legislation is ongoing but challenging, Business Continuity Plans are being updated for each major building and further investment is being made across the asset base.</p> <p>Risk headline: residual risk still exists but CMT is aware of it and controlling it through various means.</p>
3	Local Code of Corporate Governance and Annual Governance Statement (AGS)	<p>The current Code was written in 2008, serves the purpose, but is due a review and update. This is an action for the Legal & Secretariat Manager. As well as the Risk Management Policy driving risk management, so does the Code. The AGS for the financial year 2011/12 was successfully completed on time, approved by the External Auditor and actions arising from it are being implemented by management. The AGS for 2012/13 is due in May 2013.</p> <p>Risk headline: risk controlled</p>
4	Internal Audit Plan risk-based (for 2012/13)	<p>The plan continues to focus on the potential high risks facing the Council and the plan is on course to be completed on time.</p> <p>Risk headline: low risk as the Plan is continually focusing on high risks. This assurance is reinforced through External Audit reviewing the Council's high risks. Elected members and management can rely on internal audit exposing any high risks</p>
5	Internal audit reports focus on risk management	<p>Internal Auditors are trained to test management's awareness, perception and management of risk and any weaknesses found are generally mirrored in internal audit recommendations.</p> <p>Risk headline: low risk because the normal theme of an audit assignment is one of examining the management of risk. The only risk is that management may not fully install audit recommendations so the Audit Plan contains an element of recommendations follow-up.</p>
6	Heads of Service (HOS) reviewing operational risk registers quarterly	<p>The Risk and Audit Manager meets HOS each quarter to review their risk registers, discuss risks that can be down-graded, risks that should be upgraded to high risks, risks on the horizon and the effectiveness of internal controls. HOS focus on potentially troublesome risks.</p> <p>Risk headline; this is a robust routine that continues the discussion and review of risks.</p>
7	Project risk registers monitored monthly	<p>This routine is in place for the biggest projects like the Social Housing Programme, Scottish Housing Quality Standard and the Lasswade High School Replacement projects. Other projects within the</p>

No.	PI	Progress Report
		<p>capital plans like Roads upgrades, the risk is registered and controlled through risk registers in 6 above.</p> <p>Risk headline: risk is controlled.</p>
8	Community Planning risk register reviewed quarterly	<p>The Community Planning Working Group maintains a risk register and would report any problematic threats to the Steering Committee.</p> <p>Risk headline: this routine can be relied upon to expose any risk, and control it.</p>
9	Major, new legislation risk assessed	<p>A considerable amount of work has been carried out in the past six months in assessing, and risk assessing, the impact of the Welfare Reform legislation. A dedicated project board, and project manager, deal with a risk register.</p> <p>Risk headline: Risk is gradually being controlled.</p>
10	High risks reviewed quarterly by senior management, Cabinet and Performance Review & Scrutiny Committee	<p>Heads of Service (HOS) meet the Risk and Audit Manager quarterly and discuss these risks, and medium risks too. There are normally between 15 and 25 high risks at any given quarter. Many of the high risks are as a consequence of budget constraints, the economic climate and the transformation within the Council. Internal controls are reviewed for their adequacy and HOS project when risk exposures will reach an acceptable tolerance/appetite level.</p> <p>Risk headline: as much as possible is being done to control, and gradually reduce the potential impact, of these high risks.</p>
11	Business Transformation Programme (BTP) Risk Registers reviewed at least quarterly	<p>The overall BTP risk register is reviewed regularly by the BTB and any high risks are elevated to the BTP Steering Group. This is a robust process which is making attempts at driving forward change and realising benefits, which is the core risk within BTP. A recent review of BTP project risk registers has shown some robust risk assessment, while in a couple of others there is work in progress.</p> <p>Risk headline: process of identifying, evaluating and controlling risk is transparent.</p>
12	Risk management statement in official reports to elected and to the CMT of a high standard	<p>Generally these statements, which are shown within the Report Implications of any official report, and see 3.2 below as an example, are useful and with sufficient depth, but on occasions the depth of detail could be better. Results of an ongoing survey will be reported to the officer Risk Management Group and Divisional Management Teams in early March 2013.</p> <p>Risk headline: the process and routine is well-established with issues of a marginal nature to be rectified.</p>
13	Risk management	<p>These are reviewed each quarter but occasionally actions become time expired. These are discussed</p>

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	actions in risk registers dealt with on time	<p>with responsible officers. Risk actions are a useful augmentation to internal controls in managing and controlling risk.</p> <p>Risk headline: the process is robust and there is a control that picks up and reports any actions that are time expired.</p>
14	Risk management projects and risk control programme monitored at least six times a year by the Risk Management Group of officials	<p>The Risk Management Group has a history of meeting around 8 times per financial year where the agenda is focused and projects are monitored e.g. development of a new violent incidents database and policy. However, the agenda can be inconsistent and a new business calendar has been developed so that all these PIs can be reviewed on a staggered basis, thus bringing more consistency to the agenda.</p> <p>Risk headline: the process is working, the group is made up of delegates from high risk areas of the Council and the business calendar will improve matters</p>
15	Risk Management Group of officers assesses its performance quarterly	<p>Having reviewed the membership of the group in 2011, the group's achievements and influence are measured six monthly. The minutes of the group are presented to Divisional Management Teams, the Chief Executive and the Elected and Independent Members on the Audit Committee.</p> <p>Risk headline: the process is robust and the group is able to drive improvements in risk management.</p>
16	Insurance claims experience performance	<p>Very rarely does the Council have to make a large insurance claim. Also very rare are large liability claims against the Council.</p> <p>The normal insurance claims experience is: pothole claims, damage to private property allegedly caused by the Council, slips and trips allegedly caused by the Council and vehicle accidents on the fleet and leased car policies. Our insurance contract exercise of 2012 showed that our claims experience was good.</p> <p>Risk headline: the process is robust and every effort is made to ensure that valid claims are settled on time and spurious claims are exposed. However, we need to consolidate the management information on uninsurable losses which are referred to by the insurance industry as 'ground-up claims experience'.</p>
17	Deadlines met in Insurance procurement years	<p>2012 (July) was an insurance procurement year and the current contract runs to 2015. The Council was able to achieve, through proactive marketing of our positive claims experience, a premium saving of over £100,000 with only slight changes to excesses and deductibles. In some policies, extra perils were added at no cost.</p>

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		<p>Risk headline: best value has been achieved in this procurement exercise. Officials are currently in the process of re-tendering the insurance brokerage contract.</p>
18	Risk managers having a clear vision of their desired risk appetite and the means to achieve this	<p>This is one of the most important parts of risk management. Managers with unacceptably high and medium risk are routinely predicting when low risk, and an acceptable risk appetite, will be achieved and are managing internal controls to make this happen. The Council currently has 195 medium risks and only about 15% of these will not shift from this status. Managers are currently reviewing the adequacy of controls against the 85% of medium risks.</p> <p>Risk headline: the process is robust but more work is required within the 85% of medium risks.</p>
19	Achievement of Contingency Planning work plan	<p>Officials feel that if arrangements for emergency planning and business continuity (this PI), health and safety (PI 20), insurance (PI 21) and information management and data security (PI 22), in addition to the Internal Audit Plan mentioned under PI 4, are regularly monitored and improved, then a large part of the risk to the Council is reduced. In the case of Contingency Planning (which is essentially Emergency Planning and Business Continuity Management), the work plan is reviewed every month by officials and any concerns reported to the Contingency Planning Group, chaired by a Director, and updated monthly by management.</p> <p>Risk headline: the process is robust and Emergency Planning has shown a marked improvement in the last year. The Council is compliant with the Civil Contingencies Act but officials are currently working on improvements to Business Recovery Plans and their testing.</p>
20	Achievement of health and safety work plan	<p>A shared service arrangement is in place with East Lothian Council, sharing resource and expertise and dealing with issues. Midlothian policies are currently being updated and the expectation is that through time the Council will move from level 2 compliance through to level 4.</p> <p>Risk headline: the process of exposing and dealing with any risk is robust but the health and safety resource has recently been enhanced and an improvement plan is being progressed.</p>
21	Achievement of Insurance work plan	<p>The plan is being proactively used to deal with insurance cover, management queries, liaison with the broker and insurers and the processing of claims</p> <p>Risk headline: the process is robust but work is currently being carried out to accurately determine the accuracy of damage which is uninsurable and within the insurance excess levels.</p>

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22	Achievement of Information Security work plan	The Information Security Risk Register and Information Management Action Plan are being used to mitigate further data protection problems. The Information Commissioner is carrying out an audit next month, in certain parts of the Council's operations. Risk headline: every effort is being made to reduce the risk of data loss.
23	Proactive risk management intranet site and appropriate training in place	The intranet site can be found under the Finance tab > FAQs > Risk Management. It is kept up to date and around five useful documents are available to be read by any officer or elected member with responsibility for risk management. Face-to-face training is also carried out to raise awareness. Risk headline: PI is being achieved.

Conclusion

The above PIs are largely event/process/routine-oriented, but are nevertheless essential in ensuring that all the key aspects of risk management are monitored. This makes the remit of the Risk Management Group, Corporate Management Team and Audit Committee much more focused.

In addition, a collaborative benchmarking 'club' with a small number of Councils (East Lothian, West Lothian, Scottish Borders, South Lanarkshire and Renfrewshire) has been reinstated and this is proving useful.

Another change is that from now on risk management facilitation and coordination responsibilities have been moved from the Risk and Audit Manager post to the Risk, Safety and Civil Contingencies (RSCC) Manager post.

The essentials of most of the PIs, and the 2012/13 Risk Control Programme, have largely been achieved as the Council moves towards 2013/14 when the PIs will again be systematically reviewed. Meantime, improvements highlighted in the table above are being addressed now and into financial year 2013/14. In summary, these are:-

PI	Improvement Required (with responsible officer included)
1	Ensure CMT views the Corporate Risk Register immediately after each quarterly performance reporting process (RSCC)
3	Review, update and have Council approve a new Local Code of Corporate Governance (Legal and Secretariat Manager)
3	Action the improvements in the Annual Governance Statement for 2012/13 (monitored by the Corporate Improvement Team)
5	Ensure all Internal Audit recommendations are fully implemented (Internal Audit Manager)
8	Review the Community Planning risk assessment and include Single Outcome Agreement and Midlothian Single Plan (RSCC)
9	Set up a quarterly routine of scanning the horizon for new legislation or regulation (this could be effected through the officer Risk Management Group (RSCC))
11	Ensure subsidiary Business Transformation Programme risk registers are updated (Business Transformation Manager)
12	Present a report to the Risk Management Group and Divisional

PI	Improvement Required (with responsible officer included)
	Management Teams on 'Risk Implications' in official reports (RSCC)
14	Activate the approved business calendar for the Risk Management Group so that these 23 PIs can be reviewed on a staggered basis. (RSCC)
16	Confirm the value of damage to Council assets that is deemed uninsurable and within the insurance excesses (Insurance Officer)
17	Tender the insurance brokerage services for the contract to commence by 1.4.13 (Financial Services Manager)
18	Managers improve residual risk exposure (generally in medium scored risks) and move towards risk tolerance/appetite (Managers and RSCC)
19	Finalise Business Recovery Plans for key buildings (RSCC)
22	Respond to the findings of the Information Commissioner audit (Head of Customer Services and divisional managers)

Therefore, the above actions, and the regular monitoring of the PIs, make up the Risk Control Programme for 2013/14.

3. Report Implications

3.1 Resource

There are no direct resource implications in this report.

3.2 Risk

Regular review of the PIs in 2012/13 has led to risk being controlled to an acceptable level. Risk management contributes to the safeguarding of the Council's reputation, finances, projects and services. Awareness of risk continues to be high and risk management continues to be ingrained in quarterly performance reporting.

The improvements planned for 2013/14 should contribute further to the control of risk but the Audit Committee needs to be aware that there are some medium scored risks where the risk appetite is not yet achieved.

Along with other keys essential involving the management and control of assets, the proper management of risk is at the heart of Best Value obligations placed on the council. Risk Management is also linked with day-to-day management at all levels within the Council.

The nominated PIs provide a robust focus and an organised way for risks to be identified, evaluated and controlled.

The Audit Committee can be assured that the Council's risk management policy, strategic direction and framework are compliant with national standards. However, the actions in the above table are very important and should be addressed as soon as possible and the officer Risk Management Group will monitor progress, as should the Audit Committee.

3.3 Policy

Strategy – this report addresses directly the council's policy to have a robust internal control environment, management of risk and effective governance.

Consultation – Discussions have taken place with managers involved with risk management, the officer Risk Management Group, the Corporate Management Team and Cabinet.

Equalities – There are no equalities issues arising from this report. Any inequalities would normally be exposed in risk assessments, in policy and strategy changes and in Internal Audit assignments.

Sustainability – Robust risk management helps the sustainability of the Council, its services, projects and protection of assets and reputation.

4. Recommendations

The Audit Committee is invited to:-

- (1) Scrutinise the risk management performance in 2012/13; and
- (2) Endorse the list of actions for 2013/14.

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