Risk Management: High Risks
Report by Gerald Tait, Risk and Audit Manager

1.   **Introduction**

This report presents progress with the management of risks that are assessed as high and invites Audit Committee scrutiny of the process and routines in managing these risks.

2.   **Background**

Main points

- Risk management in a local authority continues to be a statutory obligation;
- The Council's risks are registered, assessed and treated within the Council's performance management system, covalent, and reviewed quarterly, sometimes monthly;
- There are currently 19 high risks, 193 medium risks and 152 low risks. The medium risks are currently being reviewed by management and the Risk Management Group;
- It is important that high risks are controlled and measures put in place to ensure that the risk exposure can be loweredn if only gradually; and
- Management has been reviewing the high risks as part of quarterly performance reporting and the Q3 report is attached, which members should find self-explanatory.

Other Relevant Points

- The number of high risks has not changed in the past quarter, except that two (Procurement and External Placements within the Children and Families service) have dropped from high risk into medium risk as a result of continued improvements. I have discussed the improvements with each Head of Service and the reduction in risk score appears warranted;
- Management has agreed that Internal Audit will examine internal control in three of the risk exposures: ACC01-05 (testing the commitments system and its relationship to budgetary control), CF01-19 and CSE01-06 (follow up review of recommendations on data protection) and CSE01-19 (follow up review of recommendations on accounts receivable collection performance);
- Not specifically mentioned under CSE01-07, there is ongoing work in respect of complying with the Payment Card Industry Standard when collecting income electronically and eliminating the possibility of fraud and consequential heavy fines;
- Under CSE01-08 the insurer has been notified of the 'two computer rooms within close proximity of each other' (Audit Committee discussion 11.12.12) and an insurer survey is to be carried out when the Council's current position can be discussed fully; and
- The risk register MC06 – Business Transformation – Service Review Programme is currently being updated as this report is prepared.

An important point to make is that whilst the high risks report contains exposures that ostensibly appear less than controlled, this is not the case and considerable resource is devoted to these risk exposures in an attempt to

reduce risk to an acceptable tolerance. The procurement and external placements situations mentioned are two examples of where detailed attention has led to lower risk.

3.   Report Implications

3.1 Resource

Extra resource would probably reduce risk quicker than currently planned but in the economic climate this is not possible. Therefore, finite resource has to be allocated appropriately to each risk exposure.

There are no direct recommendations in terms of resource arising from this report.

3.2 Risk

Risk exists in all organisations and it has to be controlled properly. The Council follows best value guidance and best practice by having a risk management system that is compliant and brings benefit to the Council.

The system allows high risks to be elevated to senior management and elected members, for their attention and scrutiny, and the high risks are automatically included in quarterly performance reporting.

The 19 high risks listed have arisen as a result of a few reasons including: economic climate and constrained budgets, the drive for transformation, improved data protection, further compliance with legislation, enhancing procedures to recover quickly from emergencies, the Welfare Reform Bill and dealing with certain environmental matters like the Straiton Caravan Park.

The plan is to reduce these risk exposures over a period of time.

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 – During the Q3 12/13 performance reporting process, the 19 high risks will be discussed in detail, at various levels within the Council.

Equalities – There are no equalities issues arising from this report.

Sustainability – Having a robust risk management system assists the Council in sustaining its services, projects and corporate aims.

4.   Recommendations

The Audit Committee is invited to:-

(1) Scrutinise the progress made with the current list of high risks; and

(2) Approve the risk management process that controls these risks.

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