

FALKIRK COUNCIL

Subject: **CORPORATE RISK MANAGEMENT UPDATE**
Meeting: **AUDIT COMMITTEE**
Date: **25 March 2013**
Author: **DIRECTOR OF DEVELOPMENT SERVICES**

1. INTRODUCTION

The purpose of this report is to update Members on developments in relation to risk management. The report presents a revised Risk Management Policy; a draft Framework; and a proposed Work-Plan for 2013.

These documents were presented to the Corporate Risk Management Group (CRMG) in Feb 2013 and approved.

2. BACKGROUND

- 2.1 The current Risk Management Policy was developed in 2007, and management recognised the need for arrangements to be reviewed, taking account of the recent Internal Audit report.
- 2.2 The recommendations in the most recent Internal Audit Report are summarised:-
- Review the Risk Management Policy and Strategy, and ensure that it is effectively implemented;
 - Develop guidance to be incorporated into the Service Planning process, and embed this through training;
 - Ensure that CRMG is an effective scrutiny & review group, with clear terms of reference and an annual assessment of effectiveness;
 - Ensure that there is a consistent approach to Risk Management throughout the Council (including Corporate, Service and Project Risk Registers), and to implement appropriate escalation and review of the same (quarterly).
- 2.3 Further, the Audit Scotland ‘Assurance and Improvement Plan’ for 2013-16 recognises that improvement is required and highlights that Audit Scotland will follow up the Council’s progress against the internal audit action plan.

3. OBJECTIVES

- 3..1 The purpose of the Risk Management Policy and Framework is to provide a basis for embedding Risk Management processes across the Council. This will also be achieved through the delivery of the 2013 Risk Management Work-Plan.

- 3.2 The Policy and Framework will be supported by guidance, which has been drafted in advance of Service Planning in spring 2013. The guidance will be developed further in 2013 following a review of corporate working groups, including CRMG membership & terms of reference. This will define clearer roles and responsibilities of Members, Committees, Working Groups and Risk Owners (Directors, Chief Officers and Managers) in regards to managing risk.
- 3.3 The Policy & Framework aims to develop a culture where risk management is integral to business decision making. In particular, the Policy emphasises that Good risk management will allow the Council to be ‘risk aware’ rather than ‘risk averse’.
- 3.4 The Framework emphasises that CRMG and Internal Audit will work closely, and reporting to Audit Committee will be in line with the Committee's work-plan.

4. RECOMMENDATIONS

4.1 Members are invited to note the following:

- 4.1.1 Revised Risk Management Policy;**
- 4.1.2 Risk Management Framework;**
- 4.1.3 Risk Management Work Plan for 2013.**

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Director of Development Services

Date: 15 March 2013

POLICY STATEMENT – THE COUNCIL’S RISK MANAGEMENT APPROACH

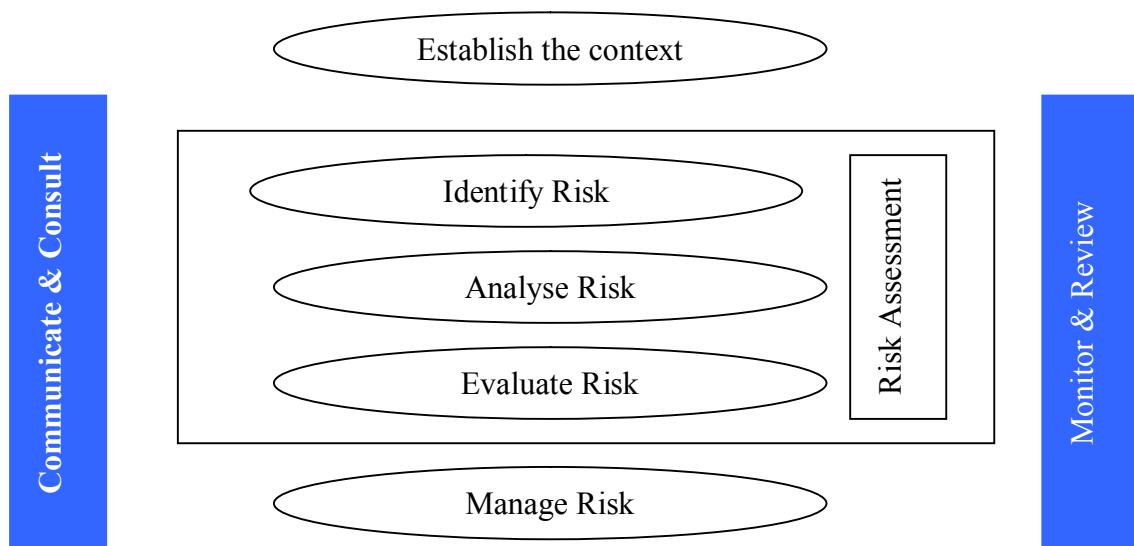
The purpose of this Risk Management Policy is to set out the framework for embedding Risk Management across Falkirk Council.

The Council encourages decision makers to be Risk ‘Aware’ rather than Risk ‘Averse’. This includes encouraging innovation and ‘opportunity related risk’, provided that the risk is assessed and justified in the context of the anticipated benefits for the Council.

The Council aims to embed a culture whereby Risk Management is recognised as a continuous process, demanding awareness and action from employees at every level, to reduce the possibility and impact of injury and loss. Risk Management should be seen as an enabler to achieving the Council’s objectives.

Risk Management requires the identification, assessment, management, monitoring and reporting of risk by the Council, in order to support the effective management of the organisation’s employees, finances, operations, assets and reputation. The following diagram summarises the required approach.

Table 1: Risk Management Process outlines the key stages of the process.



Each stage will be further defined within the Council’s Risk Management Guidance.

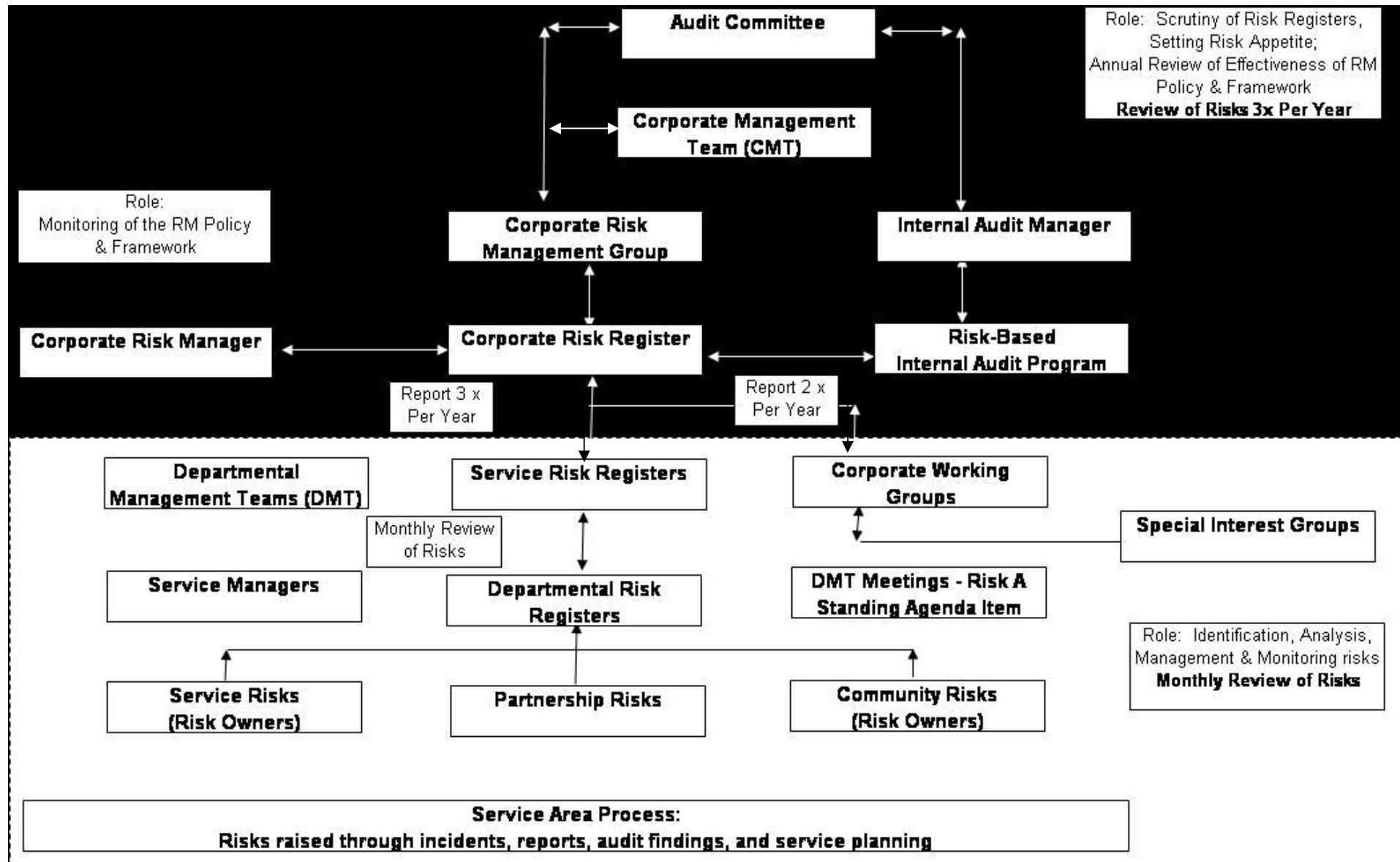
Risk affects every activity to a greater or lesser degree and failure to acknowledge this can lead to serious consequences. The Council’s Corporate Risk Register sets out risk under the following 7 headings:

- Failures in proper **financial** management
- Failures in proper **information** management (availability, integrity and security)
- Failures in **Human Resources** management (including recruitment, retention, safety)
- Failure to properly manage **assets**
- Failure to properly recognise, plan for, and manage significant **change**, both internal and external
- Failures in **governance**, leadership, accountability or decision making
- Failures in **partnerships** or contracts with external bodies

Risk Management is a key component of Corporate Governance and Resilience, and therefore, should be embedded within the Council's management at every level, including Community, Corporate and Service Planning and Performance Management.

If the Council is to manage risk effectively it will be required to demonstrate that Risk Management is carried out in a systematic and structured manner and that it is subject to monitoring & challenge.

RISK MANAGEMENT FRAMEWORK



RISK MANAGEMENT WORK-PLAN FOR 2013

Notes:

1 The RM workload is grouped under ALARM (Assoc Of Local Authorities RM's) 5 streams for Embedding Risk Management

2 Risk Register & Annual Report submissions to CRMG by Services should be in the month preceding the Services update to the Best Value Forum (BVF).
3 Additions to the Annual Report for HSC Statements of Accounts to be consolidated by Services and to be discussed at CRMG.

3 Add into proces time-lines for H&S Statements of Assurance to be completed by Services and to be discussed at CRMG

CORPORATE RISK REGISTER

Risk	Potential outcomes	Potential consequences	Controls	Review mechanisms
1. Failures in proper financial management	• Breach of statutory duty to achieve best value	• Failure to deliver core services to stakeholders.	• CMT commitment to good financial governance and achievement of best value.	• CMT scrutiny;
	• Material mis-statement of financial position	• Failure to achieve and demonstrate best value;	• Clear and up to date Standing Orders and Financial Regulations.	• Internal and External audit scrutiny and other inspections.
	• Inability to fulfil financial and policy obligations	• Prosecution or other legal remedy.		• Member scrutiny via established Committee structure, including the Audit Committee.
	• Failure to collect all income due.	• Compromise the financial position of organisations with whom we interact.	• Reliable financial management IT systems with appropriate automated controls.	• Service management meetings;
	• Flawed borrowing or investment related decision making.	• Compromised medium to long term financial position.	• Robust budgetary control procedures.	• SPSO.
	• Fraud / irregularity;	• Financial loss;	• Timely and accurate management information to officers and members.	
	• Failure to plan for economic climate.	• Damage to reputation;	• Internal and external scrutiny.	
	• Failure to pay invoices timely.	• Detrimental impact on partner organisations.	• CIPFA Code of Practice for Treasury Management.	
	• Failure to achieve SOA, Corporate and Service plan objectives.	• External intervention / control	• Anti-fraud arrangements;	
	• Qualification of Annual Accounts or criticism from the appointed external auditor.		• Complaints procedure	
			• SOA, Corporate and Service Plans (including PI's).	

2. Failures in proper information management (availability, integrity and security).	<ul style="list-style-type: none">• Information / data loss;	<ul style="list-style-type: none">• Financial loss resulting from reliance on flawed or incomplete data.	<ul style="list-style-type: none">• CMT commitment to good information governance.	<ul style="list-style-type: none">• CMT scrutiny;
	<ul style="list-style-type: none">• Information / data corruption.	<ul style="list-style-type: none">• Prosecution or other legal remedy.	<ul style="list-style-type: none">• Compliance with relevant legislation.	<ul style="list-style-type: none">• Internal and External audit scrutiny and other inspections.
	<ul style="list-style-type: none">• Breach of statutory duty;	<ul style="list-style-type: none">Failure to deliver core services.	<ul style="list-style-type: none">• Clear ICT strategy and supporting policy & procedures.	<ul style="list-style-type: none">• Service Management meetings;
	<ul style="list-style-type: none">• Compromised decision making.	<ul style="list-style-type: none">• Detimental impact on partner organisations.	<ul style="list-style-type: none">• Clear Recordsm management policy & procedures.	<ul style="list-style-type: none">• Member scrutiny via established committee structure.
	<ul style="list-style-type: none">• Adverse publicity.	<ul style="list-style-type: none">• Damage to reputation.	<ul style="list-style-type: none">• Acceptable Use of the internet and email policy.	<ul style="list-style-type: none">• SPSO
	<ul style="list-style-type: none">• Breach of confidentiality, compromising staff, public, or other stakeholders.		<ul style="list-style-type: none">• Information Audit and logging of information transfers (electronic or otherwise).	<ul style="list-style-type: none">• SIC
	<ul style="list-style-type: none">• Flawed decision-making or reporting.		<ul style="list-style-type: none">• Complaints procedure;	
	<ul style="list-style-type: none">• Failure to achieve SOA, Corporate and Service plan objectives.		<ul style="list-style-type: none">• SOA, Corporate and Service Plans (including PI's).	
			<ul style="list-style-type: none">• SOA, Corporate and Service Plans (including PI's).	
			<ul style="list-style-type: none">• Corporate working groups including ICT strategy groups, records management working groups, freedom of information working group and CRMG.	

3. Failures in human resource management	<ul style="list-style-type: none"> • Insufficient staff; 	<ul style="list-style-type: none"> • Failure to deliver core services. 	<ul style="list-style-type: none"> • Appropriate management and accountability structures. 	<ul style="list-style-type: none"> • CMT scrutiny;
	<ul style="list-style-type: none"> • recruitment and retention problems 	<ul style="list-style-type: none"> • Damage to reputation ; 	<ul style="list-style-type: none"> • Adequate and appropriate staff establishments. 	<ul style="list-style-type: none"> • Service management meetings;
	<ul style="list-style-type: none"> • absence; 	<ul style="list-style-type: none"> • Prosecution or other legal remedies e.g. employment tribunals, damages. 	<ul style="list-style-type: none"> • Up to date Member / Officer job descriptions in place. 	<ul style="list-style-type: none"> • External accreditation eg IIP;
	<ul style="list-style-type: none"> • Non performing staff,:; 	<ul style="list-style-type: none"> • Cost of identifying and rectifying human errors. 	<ul style="list-style-type: none"> • Clear and robust HR policies and procedures. Including job evaluation scheme. 	<ul style="list-style-type: none"> • Internal and External audit scrutiny and other inspections.
	<ul style="list-style-type: none"> • not properly qualified; 	<ul style="list-style-type: none"> • Cost of covering vacant posts. 	Service Plans including PI's.	<ul style="list-style-type: none"> • SPSO;
	<ul style="list-style-type: none"> • not properly supported; 	<ul style="list-style-type: none"> • Other financial loss. 	Roll out of APDS to all staff.	<ul style="list-style-type: none"> • Member scrutiny via established committee structure including JCC.
	<ul style="list-style-type: none"> • not properly trained; 		Premises Manager handbook and associated guidance.	
	<ul style="list-style-type: none"> • not properly paid; 		<ul style="list-style-type: none"> • Off-site handbook; 	
	<ul style="list-style-type: none"> • Sick/injured staff; 		<ul style="list-style-type: none"> • Timely and accurate management information. 	
	<ul style="list-style-type: none"> • Inequitable treatment of staff. 		<ul style="list-style-type: none"> • SOA, Corporate and Service Plans (including PI's). 	
	<ul style="list-style-type: none"> • Failure to achieve SOA, Corporate and Service plan objectives. 		<ul style="list-style-type: none"> Corporate Working groups, includng Health @ Work, Safety @ Work, CRMG. 	
			Service Based Forum.	

4. Failure to properly manage assets.	Deterioration in both fixed and moveable assets resulting in:	<ul style="list-style-type: none"> Failure to deliver core services 	<ul style="list-style-type: none"> Finance Capital Section / General Services and Housing Capital Programmes. 	<ul style="list-style-type: none"> CMT scrutiny
	• harm to others;	<ul style="list-style-type: none"> Prosecution or other legal remedies. 	<ul style="list-style-type: none"> Asset register; 	<ul style="list-style-type: none"> Service management meetings;
	• increased repairs and maintenance obligations.	<ul style="list-style-type: none"> Damage to reputation; 	<ul style="list-style-type: none"> Asset Management Plan; 	<ul style="list-style-type: none"> SPSO;
	• loss of value if realised;	<ul style="list-style-type: none"> Unnecessary revenue and capital expenditure including insurance claims. 	<ul style="list-style-type: none"> Property and asset maintenance schedules. 	<ul style="list-style-type: none"> Internal and External audit scrutiny and other inspections.
	• increased replacement costs.	<ul style="list-style-type: none"> Shortfall in receipts leading to capital programme slippage or compromise. 		
	• not making best use of fixed assets.	<ul style="list-style-type: none"> Failure to demonstrate and achieve good environmental governance and sustainability. 		<ul style="list-style-type: none"> Member scrutiny via established member structure.
	• environmental impact;		<ul style="list-style-type: none"> Contractual repair and maintenance arrangements. 	
	• Failure to achieve SOA, Corporate and Service plan objectives.		<ul style="list-style-type: none"> Assessment of environmental and other risks. 	
	• [Acquisition]		<ul style="list-style-type: none"> Procurement Strategy, governance and advice. 	
	• [Rationalisation]		<ul style="list-style-type: none"> Sustainability Strategy and environmental management targets. 	
			<ul style="list-style-type: none"> Premises managers' handbooks, including arrangements for health and safety, legionella, etc. 	
			<ul style="list-style-type: none"> Off site plan; 	
			<ul style="list-style-type: none"> Complaints procedure; 	
			<ul style="list-style-type: none"> SOA, Corporate and Service Plans (including PI's). 	
			<ul style="list-style-type: none"> Procurement Strategy, Board and other corporate management groups, and user intelligence groups. 	
5. Failure to properly recognise, plan	• Missed opportunities / failure to maximise financial position.	<ul style="list-style-type: none"> Financial or reputational damage by consequences of change. 	<ul style="list-style-type: none"> Corporate and Service risk management arrangements. 	<ul style="list-style-type: none"> CMT scrutiny

<p>for, and manage significant change, both internal and external.</p>		<ul style="list-style-type: none"> • Failure to achieve SOA, Corporate and Service plan objectives. 		<ul style="list-style-type: none"> • SPSO
		<ul style="list-style-type: none"> • Breach of statutory duty; 	<ul style="list-style-type: none"> • Business continuity plans; 	<ul style="list-style-type: none"> • Internal and External audit scrutiny and other inspections.
		<ul style="list-style-type: none"> • Failure to deliver core services. 	<ul style="list-style-type: none"> • Emergency response plans. 	<ul style="list-style-type: none"> • Member scrutiny via established committee structure.
		<ul style="list-style-type: none"> • Failure to achieve and demonstrate best value; 	<ul style="list-style-type: none"> • [Horizon scanning;] 	
		<ul style="list-style-type: none"> • Prosecution or other legal action. 	<ul style="list-style-type: none"> • Consultation papers and outcomes. 	
		<ul style="list-style-type: none"> • Damage to reputation. 	<ul style="list-style-type: none"> • Service plans; 	
		<ul style="list-style-type: none"> • Financial loss; 	<ul style="list-style-type: none"> • External groups; 	
		<ul style="list-style-type: none"> • Detrimental impact on partner organisations. 	<ul style="list-style-type: none"> • Liaison with Central and Local Government partners. 	
		<ul style="list-style-type: none"> • Failure to deliver core services. 		

6. Failures in governance, leadership, accountability and decision making.	<ul style="list-style-type: none"> • Breakdown in relations between Members and Officers. 	<ul style="list-style-type: none"> • Failure to achieve SOA, Corporate and Service plan objectives. 	<ul style="list-style-type: none"> • SOA, Corporate and Service Plans (including PI's). 	<ul style="list-style-type: none"> • CMT;
	<ul style="list-style-type: none"> • Members / Officers unclear/ unsure of duties and responsibilities. 	<ul style="list-style-type: none"> • External intervention (overturn decisions and consequences thereof). 	<ul style="list-style-type: none"> • Committee structure; 	<ul style="list-style-type: none"> • Internal and External Audit scrutiny;
	<ul style="list-style-type: none"> • Poor quality decisions; 	<ul style="list-style-type: none"> • Breach of statutory duties; 	<ul style="list-style-type: none"> • Monitoring Officer; 	<ul style="list-style-type: none"> • Standards Commissioner;
	<ul style="list-style-type: none"> • Lack of strategic vision, direction and outcomes. 	<ul style="list-style-type: none"> • Damage to reputation; 	<ul style="list-style-type: none"> • APDS for Members; 	<ul style="list-style-type: none"> • Internal and external audit and other inspections.
	<ul style="list-style-type: none"> • Unworkable organisation; 	<ul style="list-style-type: none"> • Failure of Members / officers to fulfil responsibilities. 	<ul style="list-style-type: none"> • Code of conduct 	<ul style="list-style-type: none"> • SPSO;
		<ul style="list-style-type: none"> • Failure to deliver core services. 	<ul style="list-style-type: none"> • Standing orders via scheme of delegation. 	<ul style="list-style-type: none"> • Service management meetings.
		<ul style="list-style-type: none"> • Prosecution and other legal action. 	<ul style="list-style-type: none"> • Democratic process; 	
		<ul style="list-style-type: none"> • Financial loss; 	<ul style="list-style-type: none"> • Annual Governance Statement 	
		<ul style="list-style-type: none"> • Detrimental impact on partner organisations. 	<ul style="list-style-type: none"> • Corporate consultation on draft committee reports. 	
			<ul style="list-style-type: none"> • Service/Best Value reviews. 	
			<ul style="list-style-type: none"> • PSIF 	
			<ul style="list-style-type: none"> • Member scrutiny via established committee structure. 	

7. Failures in partnerships or contracts with external bodies.	• No delivery mechanism for plan/ project.	• Failure to deliver core services.	• Committee scrutiny.	• CMT
	• Failure of supply chain;	• Prosecution or other legal action.	• Partnership agreement.	• Member scrutiny via established committee structure.
	• Failure to achieve SOA, corporate and other objectives.	• Damage to reputation;	• Contract terms;	• Internal and external audit and other inspections.
	• Failure to achieve purpose of partnership or contract.	• Financial loss;	• SOA, Corporate and Service Plans.	• Service management meetings.
		• Detrimental impact on partner organisations.	• Corporate working groups;	
			• External working groups;	
			• Suppliers/partners business continuity arrangements.	
			• External governance arrangements.	