North Lanarkshire Council

Audit and Scrutiny Panel

Report

Agenda item 7   **Ref:** KA/LA

☐for approval ☒for noting   **Date:** 28/06/2017

Risk Management

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Executive Summary

The purpose of this report is to provide members with background on the council's risk management framework, including an overview of the council's current risk management arrangements and ongoing work programmes designed to further enhance those arrangements. The report will also highlight the role of the Panel in relation to risk management.

A more detailed report will be submitted to Panel at its meeting in October 2017, which will provide further information on the evolving risk management arrangements, as well as more detailed information on the key corporate risks and how they are currently being managed.

Recommendations

The Panel is invited to note the contents of this report and to agree that a more detailed report in relation to risk management will be submitted to its meeting in October 2017, with updates at each meeting of the Panel thereafter.

Links
Council plan to 2020: Having adequate and effective risk management arrangements to support the delivery of all corporate priorities.

Appendix 1: Summary of risks in the corporate risk register.

1. Background

1.1 As a Council, we face many challenges; pace of change, reducing budgets, growing demand for services, impacts from new legislation, the need to comply with often complex legal and regulatory requirements, and the need to continually improve efficiency to name but a few. With these challenges come risks, so it is vitally important that we have robust and comprehensive arrangements to deal with them.

1.2 Risk Management is the mechanism that enables us to identify the key risks we face, evaluate them, and take steps to manage them effectively. These arrangements focus on how we plan to prevent risks occurring, and how we expect to minimise their potential impacts if they do.

1.3 The following extract from the Panel's Terms of Reference is a useful reminder of the Panel's responsibilities in relation to Risk Management:

The Audit and Panel's remit in relation to risk management includes:

- *to review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; and*

- *To monitor the effective development and operation of risk management in the Council, including monitoring progress in addressing risk-related issues reported to the Panel.*

1.4 Members should be aware that reviews undertaken by Internal Audit and external risk consultants had previously identified significant scope for improvements in the Council's risk management arrangements highlighting opportunities to improve consistency of approach, increase risk awareness, develop better reporting of risk management and to improve the linkage between risk management, business planning and decision making. The intention behind these recommendations was to seek to ensure that risk management was embedded in the culture of the authority; with members and managers at all levels being risk aware and recognising that risk management is an integral part of the Council's management of its activities and of the Council's governance arrangements.

2. Report

2.1 In response to these findings, the Council has made significant progress across a number of areas. These actions have been captured in a comprehensive Risk Management Plan and have included:

- Significant ongoing engagement with Senior Management to ensure commitment and buy-in including monthly engagement with CMT on the development and oversight of corporate risks and on progress more generally in respect of risk management arrangements;
- The creation of a dedicated Risk Management resource reporting to Head of Audit & Inspection;
- The re-establishment of the Risk Management Corporate Working Group with refreshed Terms of Reference and the creation of a Risk network comprising Risk Champions within each Service and Risk Facilitators within each Division, with agreed roles and responsibilities;
- Identification and ongoing delivery of appropriate Risk Management training;
- Planned implementation of an electronic Risk Management Information System to drive consistency and quality of risk information, enabling better reporting to Senior Management and Members with information on key risks and how they are being managed.

- Revised format for capturing risk information and ongoing review of risk registers, resulting in ongoing enhancements to risk registers at both Service and Corporate level; and
- Regular reporting to Audit & Governance Panel

2.2 The arrangements are designed to provide a framework where risk registers will be in place for all Services, Divisions and teams, capturing information on key risks which can impact service delivery and/or the achievement of planned outcomes and/or Council priorities. Services will be required to review, update and monitor their risks, escalating where necessary to the Corporate Register those risks which with potentially the most significant impacts which may be either cross-cutting, impacting several areas of the organisation or, because of interdependencies, require more strategic leadership and focus.

2.3 As well as escalated Service level risks, the Corporate Risk Register will record risks:

- Which have potential impacts that could significantly impair the organisation's ability to achieve its corporate priorities; and/or

- Which are more significant or corporate in nature and which typically will require corporate leadership and direction to control and/or manage.

2.4 The Corporate risk register, including information on how these risks are being managed, is subject to regular monitoring by the Council's Corporate Management Team.

2.5 Appendix 1 contains a summary of the current key Corporate risks for the Panel's information.

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3. Implications

Financial impact

None identified

HR/Policy/Legislative Impact

None identified

Environmental Impact

None identified

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4. Measures of success

Risk Management will report quarterly to the Audit and Scrutiny Panel on progress in respect of planned improvements to the council's risk management arrangements, and will provide an overview of the Council's key corporate risks.

The adequacy and effectiveness of the Council's risk management arrangements will be reviewed regularly by Internal Audit who will report directly to the Audit and Scrutiny Panel.

Ken Adamson, Head of Audit and Inspection

APPENDIX 1 – Summary Corporate Risk Register

ID	Risk
O6	Lack of adequate Risk Management arrangements which aid decision making, and help prioritise resources
L6	Lack of Information Security and Information Governance resulting in mismanagement of information
L8	Non-compliance with legal requirement to provide adequate Public Protection including vulnerable children and adults
S1	Inability to manage the level of Strategic Change required to deliver corporate objectives
L3	Failure to comply with Health & Safety requirements to protect employees and others who can be affected by our activities
O2	Failure to make best use of North Lanarkshire assets due to ineffective Community Partnership Planning arrangements
O4	Lack of Business Continuity Planning resulting in NLC's inability to respond in a co-ordinated manner to disruptive events
H1	Human Resources – lack of skilled staff and appropriate numbers of staff, appropriate recruitment and retention, training, development and screening of staff
S2	Technology Strategy inadequate to support future initiatives and underpin business requirements
F2	Financial - Planning & Resources: With significant cost pressures and demographic/legislative change, comes potential inability to fund and plan resources to meet service delivery and achieve planned outcomes
O8	Lack of effective Communications both internal and external
O1	Procurement risk arising from process failures, and failure to mitigate against fraudulent or unethical behaviour
F1	Financial - Policies and Controls: Risk of inadequate financial control over council activities including partnership arrangements
O7	Criminal Activity fraud, exploitation, corruption, serious organised crime and terrorism
S3	Risk of ineffective relationships between Elected Members and Senior Management due to lack of sufficient and timely communication and engagement, and/or changes in political governance arrangements making agreement difficult to obtain
L9	Carbon Management "Green Risk" and risk of non-compliance with requirements of the Climate Change (Scotland) Act 2009
O3	Risk that ALEOs fail to effectively deliver Council Services due to inadequate governance arrangements by the Council and management by ALEOs, meaning council fails to deliver Best Value services
F3	Finance: Grant Funded Capital Programmes – Inability of NLC to deliver on major capital or revenue programmes or projects where there is potential for substantial grant clawback
L4	Risk that NLC's response to a Civil Contingency event is inadequate and NLC fails in its regulatory duty of care to the people of North Lanarkshire
IT1	Risk that IT systems and software are not sufficiently secure or robust, resulting in significant disruption to business operations and service delivery
L10	Risk that NLC is unable to meet the challenges arising from the impact of the Welfare Reform Act 2012
S4	Risk that NLC is unable to meet requirements of the JIB Strategic plan, and/or that JIB direction puts effective service delivery at risk
L12	Risk that NLC will be unable to comply with statutory requests from the Scottish Child Abuse Inquiry, and increased financial exposure from potential compensation claims.