

**DRAFT**

**To:** Audit & Governance Committee

**Date:** 24<sup>th</sup> November 2009 **Item No:** 16

**Report of:** Head of Finance

**Title of Report:** Summary of Q2 09 Corporate Risk Register (CRR) Update

**Summary and Recommendations**

**Purpose of report:** To provide a summary of the changes to the Corporate Risk Register (CRR) submitted as part of the Quarter 2 2009-10 update.

**Report Approved by:**

**Finance:**

**Legal:**

**Policy Framework:** Improving value for money & service performance

**Recommendation(s):**

a) Audit and Governance Committee approve the inclusion of the two new risks 'Failure to manage the negative impacts of Swine Flu on council services and objectives' and 'Internal control and standards of financial administration'.

b) A 'blank sheet' exercise to be carried out at the beginning of 2010 with the Executive Directors and the Chief Executive Officer. Taking this approach will ensure that time is spent identifying new risks rather than reviewing and validating risks which have already been captured. The outcome of this will then be reviewed against the current risk register.

## Summary

1. There are no CRR red risks being reported this quarter, that is risks with a risk score of  $\geq 15$ . All risks have a risk score of  $< 10$ .
2. There is only one risk which has seen a very slight deterioration in position this quarter, this is 'Failure to deliver expected budget out turn at year end'. There is one risk which has been escalated from a Service Risk Register (SRR) to the Corporate Risk Register (CRR) this quarter. This is 'Qualification of annual accounts'.
3. There are 2 new risks recommended for adding to the CRR. These are 'Failure to manage the negative impacts of Swine Flu on council services and objectives' and 'Internal control and standards of financial administration'. The Audit and Governance Committee is asked to note and approve the addition of these risks to the CRR.
4. There were 4 red risks on the SRR in Q2. These are being brought to the attention of the Audit & Governance Committee.
5. There have been 2 risks which have not been updated this quarter.

## Purpose of Report

6. The purpose of this report is to provide a summary of the changes to the Corporate Risk Register (CRR) submitted as part of the Quarter 2 2009 update.

## Report Structure

7. During this update risk owners have simply been asked to review their current risks and to report on their status. New risks have been incorporated where raised through the Risk Manager.
8. This report will show a summary of SRR profile to show the total potential exposure to OCC.
9. As with the SRR, all risks are currently expressed as threats.
10. This report will not report on all the outcome based risk management performance indicators as outlined in the OCC Risk Management Policy. This is due to a lack of comparative data.
11. Red risks are those risks which have a combined impact x probability score known as a risk score of greater than or equal to 15.
12. There have been 2 risks which have not been reported on by the Service Area Property and Facilities Management. An update will be obtained and the CRR will be updated. Any items of note will be brought to the attention of the Audit & Governance Committee by way of an interim report. The risks for the purpose of this analysis have been assumed to have not changed since reported in Q1.
13. The full CRR can be found at [M:\Corporate\Risk-Register\CRR\\_2009\\_Q2 Update\OCC RiskMatrix\\_09\\_10Q2 draft.xls](M:\Corporate\Risk-Register\CRR_2009_Q2_Update\OCC_RiskMatrix_09_10Q2_draft.xls). Please contact Jo Hargreaves for passwords or if you do not have access.

## Report Details

14. The summary of updates is provided in Appendix 1.

15. There are 12 risks on the CRR in Q2 2009.

## Red Risks

16. Red Risks are those risks which have a net/residual risk score risk score, impact x probability of  $\geq 15$ . There are no risks classified as 'red risks' which are on the CRR.

## Changes in risk profiles

### Changes to Gross or Net Risk Scores

17. The following risk profile has changed negatively this quarter:

| Risk   | Profile change                               | Original Risk Score | Q1 Net/Residual Risk Score | Q2 Net/Residual Risk Score |
|--|--|---------------------|----------------------------|----------------------------|
| Failure to deliver expected budget out turn at year end. | Increase in net risk probability from 2 to 3 | 9                   | 6                          | 9                          |

18. The Owner of this Risk is Finance. There have been no changes to the causes of this risk or to the mitigating controls, however Finance continues to actively monitor this risk and has taken additional actions in order to control this risk further.

19. The actions taken include negotiating a lower reimbursement rate with bus operator for 2009-10 to reduce the impact of concessionary fares on the budget; Recommending changes to the counterparty list to reduce the impact of the low interest rates on income; Line by line budget reviews in Q2 to reduce the probability of planned budget savings not being achieved.

20. It is recommended that Finance maintain a watching brief on this risk to ensure that it does not change to 'red status' (that is risk score  $\geq 15$ ).

## Risks Escalated from SRR to CRR

22. The risk 'Qualification of annual accounts' has been closed from Finance's SRR and has been reviewed and escalated to the CRR.

23. Finance will be reporting separately on the outcome of this risk and lessons learned.

24. The detail of the new risk is shown in 25.

## New Risks

25. There have been two new risks raised this quarter. These are:

| Area Raising Risk | Risk Title   | Risk Owner  | Gross Risk Score | Net/Residual Risk Score |
|-------------------|--|-------------|------------------|-------------------------|
| Finance           | Failure to manage the negative impacts of Swine Flu on council services and objectives | HOS – HR    | 16               | 6                       |
| Finance           | Internal control and standards of financial administration                             | HOS Finance | 12               | 8                       |

26. Appendix 2 includes New Corporate Risk forms for these risks. The Audit and Governance Committee is asked to approve the inclusion of these risks on to the CRR.

## Removed Risks

27. No risks were removed from the CRR.

## Service Risk Register Red Risks

| Risk  | Gross Risk Score | Net/Residual Risk Score | Current Risk Score |
|---|------------------|-------------------------|--------------------|
| Failure to Secure income  | 16               | 9                       | 16 (↑ from 12)     |
| Delays to Council projects caused by outside agencies                   | 16 (↑ from 12)   | 9                       | 16 (↑ from 12)     |
| Loss of main income stream from Elderly Services Team.                  | 16               | 12                      | 16 (↑ from 12)     |
| Major changes to the Major Repairs Allowance and/or subsidy calculation | 16               | 16                      | 16                 |

28. There are currently 4 red risks on the SRR. It has been recommended to the Service Areas that if there is a continued deterioration in risk profile that these risks are considered for escalation to the CRR. A summary of the SRR profile is shown in 30.

## Current Risk Profile

### 29. CRR Risk Profile

#### a) Q1 Position

|             |                |        |               |       |          |       |              |
|-------------|----------------|--------|---------------|-------|----------|-------|--------------|
| PROBABILITY | Almost certain | 5      |               |       |          |       |              |
|             | Likely         | 4      |               |       |          |       |              |
|             | Possible       | 3      |               |       | 7        | 1     |              |
|             | Unlikely       | 2      |               | 1     | 1        |       |              |
|             | Rare           | 1      |               |       |          |       |              |
|             |                |        | 1             | 2     | 3        | 4     | 5            |
|             |                | IMPACT | Insignificant | Minor | Moderate | Major | Catastrophic |

#### Key: Risk Score (impact x probability)

Green ≤3

Yellow 4-9

Orange 10-14

Red ≥15

#### b) Q2 Position

|             |                |        |               |       |          |       |              |
|-------------|----------------|--------|---------------|-------|----------|-------|--------------|
| PROBABILITY | Almost certain | 5      |               |       |          |       |              |
|             | Likely         | 4      |               |       |          |       |              |
|             | Possible       | 3      |               | 2     | 4        |       |              |
|             | Unlikely       | 2      |               | 4     |          |       |              |
|             | Rare           | 1      |               |       |          |       |              |
|             |                |        | 1             | 2     | 3        | 4     | 5            |
|             |                | IMPACT | Insignificant | Minor | Moderate | Major | Catastrophic |

#### Key: Risk Score (impact x probability)

Green ≤3

Yellow 4-9

Orange 10-14

Red ≥15

As can be seen there has been a slight overall improvement in the risk profile of OCC in Q2 with all risks falling within the green or yellow brackets that is all risks have a risk score of <10.

### 30. SRR Risk Profile

#### a) Q2 Position

|             |                |        |               |       |          |       |              |
|-------------|----------------|--------|---------------|-------|----------|-------|--------------|
| PROBABILITY | Almost certain | 5      |               |       |          |       |              |
|             | Likely         | 4      |               |       |          | 4     |              |
|             | Possible       | 3      |               | 5     | 26       | 4     |              |
|             | Unlikely       | 2      |               | 20    | 31       | 3     | 1            |
|             | Rare           | 1      | 3             | 6     | 16       | 1     |              |
|             |                |        | 1             | 2     | 3        | 4     | 5            |
|             |                | Impact | Insignificant | Minor | Moderate | Major | Catastrophic |

**Key: Risk Score**

Green ≤3

Yellow 4-9

Orange 10-14

Red ≥15

31. The above chart reflects the position within the service areas as at the end of Q2. There are a number of risks within the yellow banding. Next quarter it will be possible to report on the movement in risk profile within the Service Areas.

#### Recommendations

32. Audit and Governance Committee approve the inclusion of the two new risks 'Failure to manage the negative impacts of Swine Flu on council services and objectives' and 'Internal control and standards of financial administration'.
33. A 'blank sheet' exercise be carried out at the beginning of 2010 with the Executive Directors and the Chief Executive Officer. Taking this approach will ensure that time is spent identifying new risks rather than reviewing and validating risks which have already been captured. The outcome of this will then be reviewed against the current risk register

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**Background papers: None**

**Version number:**