
Report to **Resources & Audit Committee**

Date of Meeting: **4th December 2014**

Subject: **Corporate Risk & External Audit Actions**

Report by: **Head of Strategy & Customer Services**

1.0 Purpose

- 1.1. This report provides Resources & Audit Committee with an update on significant risks facing the Council, the Internal Controls already in place to reduce risks and, where appropriate, further planned mitigating actions.
- 1.2. The report also provides an update on progress and ownership of the actions recommended by the Council's external auditors (Deloitte UK) in September 2014. (A list of abbreviations is included at the end of this report).

2.0 Recommendations

- 2.1. It is recommended that the Committee notes the report and comments and challenges as appropriate.

3.0 Considerations

Purpose of Risk Management

- 3.1. The Council produces many plans for how we will deliver services, but these can only be realistic if we also consider what might stop us achieving our goals. Therefore, in addition to monitoring indicators that tell us how we're performing and actions to improve performance, we must also monitor risks that could threaten our achievement of long-term strategic goals, or shorter-term operational service delivery. In addition to monitoring, where possible and appropriate, the Council should actively manage risks by taking action and putting in place 'internal controls' (mechanisms that reduce the likelihood of the risk occurring and/or the impact if it does occur).
- 3.2. There are many issues outwith the control of the Council and even with unlimited resources not all risks could be mitigated, as any change involves some risk, but there are also risks in not changing. The financial climate means the Council can no longer expect to improve in all areas: difficult decisions must be made about whether the benefit of improving a process's effectiveness outweighs the cost. In some cases short-term efficiency may be the priority, in others investment may reduce future costs. The aim of risk

management, therefore, is not to be 'risk averse' but 'risk aware', to ensure that informed decisions are made, taking into account potential threats.

Risk Management Methodology

- 3.3. The Council follows a systematic risk management process, reporting corporate risks to Resources & Audit Committee every 6 months and service risks to service committees quarterly. Our Risk Management processes are assessed via Internal and External Audit, Clacks Improvement Model self-assessments and the Annual Governance Statement, and reported to Resources & Audit Committee annually (including the Emergency Planning Statement of Preparedness). Responsibility for the corporate risk management approach is held by the Head of Strategy & Customer Services, Heads of Service are responsible for risk registers in their respective service areas and the corporate risk log is owned by the Council Management Team.
- 3.4. We identify our approach to managing each risk as 'Treat' (action is required) or 'Tolerate' (actions within our control are complete and plans are in place to manage the risk, should it materialise). Risks with implications for more than half of the Council, or with significant implications for a specific service, are considered for escalation to the corporate log where they are monitored until their significance reduces. Risks are recorded on the Covalent performance management system and are associated with actions (or action plans), internal controls (strategies, policies, procedures, etc.) and priority outcomes.
- 3.5. Each review of the corporate risk log involves gathering information from internal and external sources and forums. Meetings are then held with members of the Council and Service Management Teams, including:
 - Reviewing existing corporate and service risks with their owners;
 - Reviewing the entire corporate log (including with officers in areas not directly affected by or responsible for mitigating particular risks) to gain wider perspectives and discuss 'knock-on' effects;
 - Assessing whether issues from the review of information sources should be added;
 - Assessing potential new risks which are, again, peer-reviewed.

2014/15 Half Year Review of the Corporate Risk Log

- 3.6. The revised corporate risk log is presented in **Appendix A**, with the Risk Analysis & Reporting guidelines shown in **Appendix B**. As would be expected from the corporate risk log, most risks are red or amber as the log captures the most significant issues. Widely-recognised principles state that risk management should focus on threats to objectives and, as our priority outcomes include references to the area, people, etc., the scoring of risks reflects impact on our communities as well as the organisation itself.
- 3.7. This report presents a general picture of increasing risk ratings. Whilst the impact should the risk come to pass is generally not considered greater than previously reported, the increase does reflect an assessment of a greater likelihood of certain risks associated with financial resilience, change, public sector reform and public health emergency actually occurring.

- 3.8. Inter-relationships between risks mean that the increased rating of Financial Resilience is linked to corresponding increases in some other areas (such as Change Management), due to the growing importance of efficiency. Some changes are also related to the timing of this report, such as being closer to deadlines for aspects of Health & Social Care Integration (Partnerships) and entering the 'flu season' (Public Health Emergency). We are also now aware of the findings of the Children's Services Inspection and the Internal Audit of Health & Safety, and risks have been amended accordingly.
- 3.9. The Governance risk was previously increased, partly due to the Head of Resources & Governance post being vacant, so this is expected to reduce now this post has been filled. Though themes identified through the governance assurance process are listed in the overall Governance risk, the most significant are also included as separate risks to increase awareness and scrutiny. The 2014/15 internal and external audit plans highlighted areas for investigation, which are referenced throughout the log. The overall change for Industrial Unrest is a decrease as it is felt that the significance and duration of impact is less than previously assessed (particularly when compared to other corporate risks). At the time of writing this report, however, pay negotiation, consultation and balloting is still ongoing.
- 3.10. The most immediate aspects of Climate Change (Severe Weather) have been recorded in a new separate risk and will remain on the corporate log, while Climate Change as a whole will now be monitored via the work of the Enterprise & Environment Committee (and removed from the log). Though there is limited potential for volcanic activity to impact on staff availability for work (even in 'holiday season'), there is a longer-term risk of land contamination associated with the release of Hydrogen Fluoride gas.
- 3.11. As part of the 2014/15 half year review, a number of potential new risks were raised but agreed to be inappropriate for inclusion, having been assessed as having limited or no direct impact on the area (to the end of the financial year, and the next risk report). National and international issues such as terrorism, organised crime, unconventional gas extraction, ebola (and other VHF blood diseases) continue to be monitored. More general potential risks around food chain contamination or industrial accident/toxic release are also monitored and there are currently no specific reasons for concern in these areas.
- 3.12. The extension of powers devolved to the Scottish Government was also discussed, but will be managed as with any other political, organisational or legislative change. The Accounts Commission report 'An Overview of Local Government in Scotland' (27-Mar-14) was again reviewed, as were some reports specific to other Councils and no new issues were identified.
- 3.13. Corporate risk management approaches and training, as well as the format and content of reports to the Resources & Audit Committee will continue to be developed on an ongoing basis.

External Audit Actions

- 3.14. The Council's external auditors (Deloitte UK) recommended a number of actions in 2 reports to Resources & Audit Committee on 25-Sep-14 (on the 2013/14 Audit and Arms Length External Organisations). These actions are

shown in **Appendix C**, including the initial management response and any progress made so far though, at the time of producing this report, progress is limited in some areas due to the short time period since the actions were reported. The corporate risk log also shows direct links to these actions where appropriate. An owner has been assigned to each action and after this report, actions will be included in the owners' quarterly business plan reports to the respective service committees. Progress will subsequently be reviewed by Deloitte UK as part of the 2014/15 audit.

Abbreviations:

ACC	Accountancy	ALEO	Arms Length External Organisation
CIPFA	Chartered Institute of Public Finance & Accountancy	CMT	Corporate Management Team
CoSLA	Convention of Scottish Local Authorities	COU	Council
CPN	Corporate Plan	CRR	Corporate Risk Register
EDU	Education	EXA	External Audit
HCS	Housing & Community Safety	H&S	Health & Safety
HSE	Health & Safety Executive	ICT	Information & Communication Technologies
MCB	Making Clackmannanshire Better	RAG	Resources & Governance
SAP	Strategy & Performance	SBP	Service Business Plan
SCH	Schools	SCS	Strategy & Customer Services
SLA	Service Level Agreement	SOA	Single Outcome Agreement
SOS	Social Services	SSS	Shared Social Services
STP	Services to People	UK	United Kingdom
VHF	Viral Haemorrhagic Fever		

4.0 Sustainability Implications

4.1. There are no direct sustainability implications arising from this report.

5.0 Resource Implications

5.1. Financial Details

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

5.4. There are no direct financial implications arising from this report.

5.5. Staffing

5.6. There are no direct staffing implications arising from this report.

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Corporate Risk Log

Appendix B - Risk Analysis & Reporting Guidelines

Appendix C - External Audit Action Plan

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Judi Richardson	Performance & Information Adviser	2105

Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Customer Services	Signed: S Crickmar
Garry Dallas	Executive Director	Signed: G Dallas

Appendix A - Corporate Risk Log







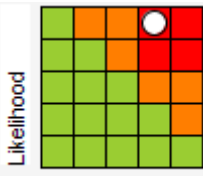
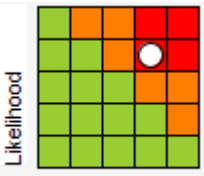
Corporate Risk Log Summary








Summary of Changes	Distribution of Ratings																									
<p>During the first half of the 2014/15 financial year (out of a total of 13 risks):</p> <p>Status</p> <ul style="list-style-type: none"> ● 5 risks are red (increase from 4 in the previous report at 2013/14 year end) ▲ 6 risks are amber (increase from 5), and ● 2 risks are green (decrease from 3). <p>Approach</p> <p>9 risks will be treated (same as in previous report), and 4 risks must be tolerated (increase from 3).</p> <p>Change in Rating (or Score) Since Last Review</p> <ul style="list-style-type: none"> I 5 risks have increased, = 3 risks remain the same, D 2 risks have decreased, N 2 risks have been newly added to the log (both previously included, then demoted to service logs but now re-escalated/reworded), and R 1 risk will be removed from the log after this report (to be monitored via the Enterprise & Environment Committee). 	<p>The matrix shows the following counts:</p> <table border="1"> <tr> <td></td> <td>Green</td> <td>Amber</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>High</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>1</td> <td>1</td> <td>3</td> <td>0</td> </tr> <tr> <td>Low</td> <td>0</td> <td>1</td> <td>3</td> <td>2</td> </tr> <tr> <td>Very Low</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </table>		Green	Amber	Red	Red	High	0	0	1	1	Medium	1	1	3	0	Low	0	1	3	2	Very Low	0	0	0	0
	Green	Amber	Red	Red																						
High	0	0	1	1																						
Medium	1	1	3	0																						
Low	0	1	3	2																						
Very Low	0	0	0	0																						


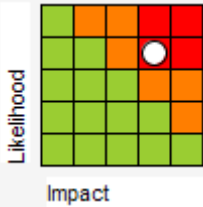
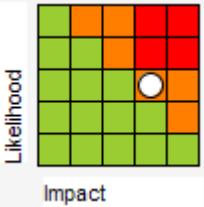
Code	Title	Rating	Status	Approach	Change Since Last Review
COU CRR 008	Insufficient Financial Resilience	25	●	Treat	I
COU CRR 028	Inadequate Co-ordination of Partnerships	20	●	Treat	I
COU CRR 034	Insufficient Pace of Organisational Change	16	●	Treat	I
COU CRR 009	Poor Information & Knowledge Management	16	●	Treat	=
COU CRR 022	Public Health Emergency	16	●	Tolerate	I
COU CRR 011	Harm to Child(ren)	15	▲	Treat	I
COU CRR 005	Failure to Respond to Changing Demographics	15	▲	Treat	=
COU CRR 032	Council & Community Impact of Welfare Reform	12	▲	Treat	D
COU CRR 031	Failure to Prepare for Severe Weather Events	12	▲	Tolerate	N
COU CRR 012	Health & Safety Non-compliance	12	▲	Treat	N
COU CRR 033	Major Governance Failure	12	▲	Treat	=
COU CRR 027	Failure to Adapt to Changing Climate	9	●	Tolerate	R
COU CRR 023	Industrial Unrest	8	●	Tolerate	D


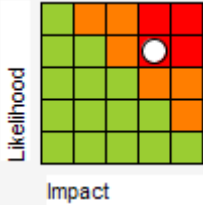
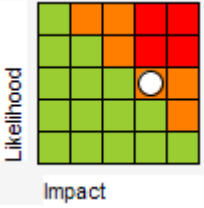
Approach: Treat


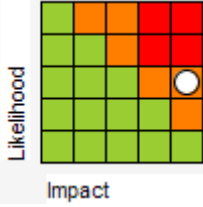
Insufficient Financial Resilience		Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
COU CRR 008				Current Rating	25	Target Rating	20
Description	The Council does not have sufficient funds to meet its liabilities and cannot meet essential service demands or customer expectations, or respond to external agendas.						
Potential Effect	Reputational damage, legal implications and severe and extended loss of service provision. Possibility of Alliance partners also being affected contributes to the potential impact, given the interdependencies.			Likelihood		Impact	
Related Actions	Complete review of financial regulations and make proposals for amendments	ACC ACC 001	Internal Controls	Budget Challenge & Financial Monitoring			
	Reduce the Council's levels of debt and ensure the implementation of the Council's Debt Policy	COU CPN 010		Making Clackmannanshire Better Programme			
	Making Clackmannanshire Better – detailed benefits realisation planning	COU EXA 001		Invest to Save Principles & Processes			
Latest Note	As reported to Council on 23-Oct-14, the funding gap for the period to 2017/18 is forecast as £21.85m or £22.24m (based on pay inflation rates of 1.5% and 2.0%, respectively, which remain under negotiation). Budget Strategy has refocused and Budget Challenge process redesigned. Cross-Council groups established to deliver the MCB programme through Target Operating Models and 'Plan B' options for ceasing or reducing service provision.						


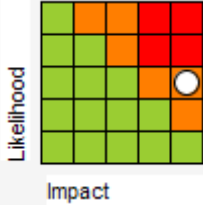
Inadequate Co-ordination of Partnerships		Priority Outcome(s)	5. Vulnerable people and families are supported; 9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
COU CRR 028				Current Rating	20	Target Rating	16
Description	Loss of influence and accountability through failure to effectively manage partnerships due to lack of clear purpose, delivery model, or resource-sharing or performance management arrangements. Particular risk to major partnerships, such as Shared Services, Health & Social Care and Community Planning Partnership.						
Potential Effect	Failure to meet efficiency, customer or statutory needs/requirements, significant consequences for vulnerable groups and reputational implications. Need for further redesign, recruitment, retraining or retendering, reduced momentum for further integration and impact on staff morale and productivity.			Likelihood		Impact	
Related Actions	Register of Council Involvement	COU EXA 012	Internal Controls	Single Outcome Agreement			
	Establishment of a shared development team to progress the work of the Joint Management Team, with regard to formal Health integration with adult services	S0S SSS 037		Shared Services Programme Board			
	Support Public Service Reform & efficient business of the Alliance through implementation of agreed delivery plans	SCS SAP 001		Health & Social Care Integration Joint Board			
Latest Note	Delivery model for Health & Social Care Integration agreed and Business Plan and Governance Scheme in development. Shared Service Lead authority models rolled out and SOA and Community Planning arrangements being revised. Better use of options appraisal, adherence to Governance principles, SLA monitoring and communication, sharing best practice, achieving efficiencies and clarifying objectives and resource needs.						


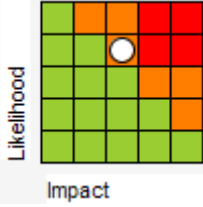
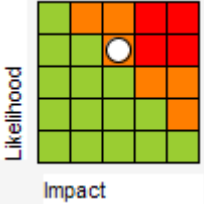
 Low risk - 9 or below
  Medium risk - 10 to 15
  High risk - 16 or above
 | Rating has increased
  Rating is consistent
  Rating has decreased
  Newly added
  Remove from log


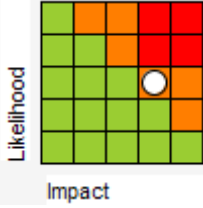
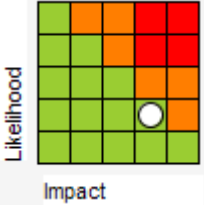
Insufficient Pace of Organisational Change		Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
COU CRR 034				Current Rating	16	Target Rating	12
Description	The Council fails to proactively drive the fundamental redesign of services and organisational practices with the speed required to address the funding gap due to ineffective change management						
Potential Effect	Inefficient and unsustainable processes and working practices and increasing, rather than mitigating, financial and customer risks. Lack of clarity and focus on statutory and priority areas with disruption to service delivery and harm to vulnerable individuals with associated audit/legal implications and reputational damage.						
Related Actions	Complete tender process to source a supplier to analyse performance data and deliver training to staff on Lean Systems Thinking	HCS SBP 031	Internal Controls	Making Clackmannanshire Better Programme			
	Implement MCB Target Operating Models	CRR SCS 002		Communications Strategy			
	Support the changes to enable new ways of working	RAG RAG 001		People Strategy			
Latest Note	Senior Managers' Forum briefed on MCB Programme, with workstreams: Making it Happen (Tullibody Pilot), Focussing on Early Intervention, Developing Integrated & Sustainable Services, Making Best Use of Assets & Resources and Making Our Organisation Stronger. Revised People and Communications Strategies being implemented to support programme. Target Operating Models being taken forward by cross-Council working groups, and a revised benefits realisation process and programme and project management approach has been established.						



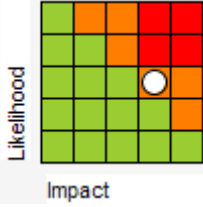
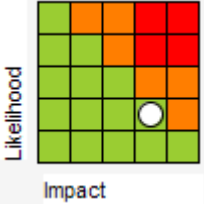
Poor Information & Knowledge Management		Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	=
COU CRR 009				Current Rating	16	Target Rating	12
Description	Organisational information and knowledge are not effectively managed due to poor information sharing, records and absence management and succession planning, increased dependence on IT systems and unrecorded knowledge held by staff members.						
Potential Effect	Increased difficulty and time to access information and loss of tacit information and knowledge when staff leave or are absent, resulting in duplication or non-completion of (possibly statutory) duties. Loss of productivity when systems do not operate effectively, causing frustration and impact on staff morale.						
Related Actions	2014/15 Internal Audit Plan	CRR RAG 002	Internal Controls	People Strategy			
	Assign Records Management duties to an appropriate Council officer	CRR RAG 003		Information Management Strategy			
	Deliver actions and projects required to support the outcomes of the Making Clackmannanshire Better Programme. Particular focus on Workstream 5, making the Organisation Stronger.	RAG RAG 005		Information & Communication Technology Strategy			
Latest Note	Assessment of adherence to guidance on the iDox document management system and retention schedule carried out. Work ongoing in the areas of Freedom of Information and Data Protection, and Business Continuity Plans being revised in light of move to Kilncraigs. Revised Information Management, ICT, and People Strategies have been developed and recommendations provided by Internal Audit.						

Harm to Child(ren)	Priority Outcome(s)	5. Vulnerable people and families are supported; 6. Substance misuse and its effects are reduced	Status		Change Since Last Review	
COU CRR 011						
Description	A lack of intervention or action by the Council fails to prevent the serious harm of a child/children.					
Potential Effect	The effects of the injury or death on the individual, family, friends and staff members, and reputational harm or criminal proceedings, with associated costs, as well as the impact of reputational damage and negative publicity on morale, workforce development and sustainability.					
Related Actions	Action Plan - Care Inspectorate Joint Inspection of Services for Children & Young People in Clackmannanshire & Stirling	CRR STP 001	Internal Controls	Corporate Parenting Strategy		
				Early Years Framework		
				Child Protection Performance & Quality Assurance Framework		
Latest Note	Care Inspectorate joint inspection of Clacks and Stirling Community Planning area in early 2014. Inspection covered range of services with role in benefitting children, young people & families. Inspection findings reported to R&A Committee on 25-Sep-14 - performance assessed as 'good' for 3 themes, 'adequate' for 5 and 'weak' for 1. Action plan developed through multi-agency group and provided to Care Inspectorate.					


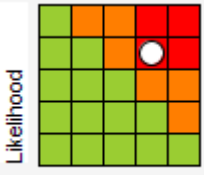

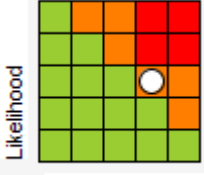

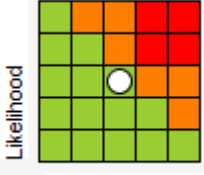
Failure to Respond to Changing Demographics	Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	-
COU CRR 005						
Description	The Councils fails to appropriately redesign services due to not predicting or acting on predictions of changing needs and demand, in areas such as the 'ageing population' (including more single-person households) and increasing school roles, or is unable to respond due to a contracting workforce.					
Potential Effect	Inappropriate allocation of resources and assets, misalignment of corporate objectives with customer needs, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to situations that have not been planned for.					
Related Actions	Encourage better use of data analysis by services to inform budget process	CRR SCS 001	Internal Controls	Budget Challenge & Financial Monitoring		
	Continue to improve the school estate so that children and young people are able to attain, achieve and flourish.	EDU SCH 011		Customer Service Excellence Preparation/Surveillance		
	Shift the balance of care towards effective care at home	SOS SSS 034		Community Engagement Process		
Latest Note	Improved use of data on demand-led pressures in budget-setting process. Improvements in community engagement and planning and work towards Customer Service Excellence standard ongoing across services, improving availability and accuracy of customer insight, performance and demographic information. Further work required to demonstrate how this informs decisions on service redesign.					


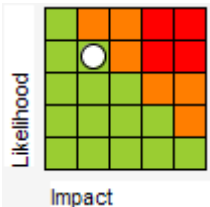
Council & Community Impact of Welfare Reform	Priority Outcome(s)	1. The area has a positive image and attracts people and businesses; 5. Vulnerable people and families are supported	Status		Change Since Last Review	D
COU CRR 032						
Description	The welfare reform agenda increases deprivation in the area, removes between £8 million and £10 million from the local economy and requires the Council to provide additional services and support due to a national priority of reducing welfare expenditure.					
Potential Effect	Potential reversal of efforts to reduce deprivation and improve economic development in the area, as well as reputational, budget and staffing implications of providing new services (the impact of the transfer to Universal Credit cannot yet be quantified).					
Related Actions	Help and support individuals and families by continuing the Council Tax freeze	COU CPN 022	Internal Controls	Welfare Reform Working Group		
	Support Clackmannanshire Credit Union and seek ways in which the Council can work to maximise uptake of membership within Clackmannanshire	COU CPN 032		Crisis & Community Grants		
	Maximise income for individuals, the service and the Council	HCS SBP 032		Housing Options Service		
Latest Note	In addition to Clacks Works and Housing Options, a multi-agency group is producing plans and advising staff, politicians, local groups, CoSLA and the Scottish Government. Continued funding secured, lower than expected uptake of Discretionary Housing Payments and difficulties with rent increase inflation now likely to be less severe than predicted. Risk likely to increase again when Universal Credit implemented.					

Health & Safety Non-compliance	Priority Outcome(s)	7. Health is improving and health inequalities are reducing; 9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	N
COU CRR 012						
Description	A Health & Safety incident results in the injury to or death of a staff member or customer due to lack of awareness of or non-compliance with policies and procedures. Such incidents may also arise from the actions of third parties, whose activities may be outwith the direct control of the Council.					
Potential Effect	The effects on individuals and their families, financial penalties (including HSE intervention fees), criminal proceedings, adverse publicity, increased insurance or damage to Council assets.					
Related Actions	Health & Safety Internal Audit Action Plan	CRR RAG 004	Internal Controls	Health & Safety Management System		
				Maximising Attendance & Employee Wellbeing Policy		
				Potentially Violent Persons Register		
Latest Note	This risk had previously been removed from the corporate log but some areas for improvement have been identified through an Internal Audit, conducted in advance of launching a new Health & Safety Management System. Actions have been identified in response to the audit findings, many of which relate to services not adhering to corporate H&S policies and procedures. These actions will be progressed and the Management System re-launched.					

Major Governance Failure		Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
COU CRR 033				Current Rating	12	Target Rating	8
Description	A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls of procedures.						
Potential Effect	Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery.						
Related Actions	Pursue a policy of robust Corporate Governance within the Council	COU CPN 004	Internal Controls	Scheme of Delegation			
	External Audit Action Plan (2013/14 Audit)	COU EXA		Resources & Audit Committee			
	Governance Improvement Plans across all services	CRR RAG 001		Governance & Audit Processes			
Latest Note	Governance and audit processes identify improvement actions and scrutiny of action plans is increasing. Corporate themes: workforce development, business transformation, procurement, roles and responsibilities of elected members and officers, risk management, shared service governance and information management. Work to improve awareness and adherence is ongoing and a Head of Resources & Governance has now been appointed.						

Approach: Tolerate

Public Health Emergency		Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	I
COU CRR 022				Current Rating	16	Internal Controls	
Description	Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic.			 <p>Likelihood</p> <p>Impact</p>	Business Continuity Plans		
Potential Effect	Depending on the nature of the health emergency, potentially short- and long-term health implications for members of the public and staff absence if either ill themselves or caring for family and/or friends. Substantial disruption to back-office support functions and front-line service provision, including to customer groups already considered vulnerable.				Major Incident Operational Procedures		
					Pandemic Flu Plan		
Failure to Prepare for Severe Weather Events		Priority Outcome(s)	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status		Change Since Last Review	N
COU CRR 031				Current Rating	12	Internal Controls	
Description	Inability to respond to impact of severe weather events on workforce or community due to lack of appropriate planning. Could include local events (flooding from rainfall or coastal surges, hazardous winter weather or heatwaves) or wider events (volcanic activity and wind patterns causing air traffic disruption).			 <p>Likelihood</p> <p>Impact</p>	Forth Valley Local Resilience Partnership		
Potential Effect	Widespread community dislocation, damage to properties, businesses, roads and utility infrastructure (including telecoms or power loss), or inability of staff to get to workplace. Increased workload in Emergency Planning, Housing, Roads and Customer Services, resulting impact on service delivery, reputation and finances. (Previously recorded as part of 'Failure to Adapt to a Changing Climate', see below).				Business Continuity Plans		
					Flood Management Plan		
Failure to Adapt to Changing Climate		Priority Outcome(s)	4. Our communities are safer; 8. The environment is protected and enhanced for all	Status		Change Since Last Review	R
COU CRR 027				Current Rating	9	Internal Controls	
Description	The Council fails to develop and use sustainable practices and/or does not effectively adapt to an increasingly volatile and turbulent climate.			 <p>Likelihood</p> <p>Impact</p>	Sustainability & Climate Change Strategy		
Potential Effect	Impacts listed under the closely-linked risk COU CRR 031, showing the immediate issues the Council must manage. It is recommended that longer-term Climate Change be removed from the corporate risk log after this report as a report specific to this area is now regularly provided for the Enterprise & Environment Committee.						

Industrial Unrest	Priority Outcome(s)	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	D
COU CRR 023			Current Rating	8	Internal Controls	
Description	Industrial action by Council staff (including shared service staff employed by Stirling Council), partners or suppliers arises, normally in relation to local or national budget-related changes to terms and conditions, or restructuring.			Business Continuity Plans		
Potential Effect	Impact on staff morale and productivity with associated impact on service delivery, costs and reputation, as well as significant impact on customers dependent on services. In the case of partner or supplier strike action, we may decide not to complete all aspects of normal service delivery, such as not using certain equipment during a Fire Service strike. Strike action by suppliers, such as utility or fuel providers, may require negotiation with partners to prioritise resource allocation, with service provision reducing or ceasing temporarily in non-priority areas. Though the likelihood of this risk occurring has increased due to the recent ballots, it is felt that the impact of strike action is less than previously assessed, therefore the overall score has reduced.			Forth Valley Local Resilience Partnership		
				Trade Union Communications Protocol		

Analysing a Risk

Risk management is a key planning tool that is an integral component of corporate and service business planning. It involves, on at least an annual basis, identifying things that could stop the Council or Service from delivering on its objectives, so they can be systematically managed and taken into account when making decisions. The risk management cycle is outlined in the flowchart below. Risks must focus on specific issues and be as explicit as possible about their impact on the Council, though this is often difficult when speculating about hypothetical scenarios. Risk registers don't need infinite detail on every possible thing that could go wrong, but they should provide a clear and succinct view of the main issues. The four areas to be analysed in relation to a risk are:

- Cause** The source or trigger of a risk. Risks generally originate from wider issues in the internal or external environment, often outwith our control. Examples are: climate change, the aging population, legislative changes or issues relating to the nature and culture of the organisation. Note: the cause is **not the key focus of the risk**.
- Event** How the cause specifically affects the Council. This may be a single point in time, such as Council staff not delivering services (cause: industrial action), or it may develop more gradually, such as inability to meet increasing demand for services (cause: the effects of the financial crisis on local citizens). Several events may arise from the same cause (e.g. the financial crisis may also cause budget overspend or reduced staff numbers) each of which should be analysed and recorded separately.
- Consequence** The result of the event occurring. This should be more specific than 'inability to deliver services' as this is the fundamental consequence of any risk to the Council. As much detail as possible should be given of the stakeholders and services affected, and the potential extent of reputational, legal or financial implications.
- Approach** Whether the Council should treat or tolerate an identified risk. This decision is closely related to cause and event. If the cause of the risk is outwith the Council's control, e.g. pandemic flu or climate change, treat is unlikely to be a realistic prospect. In such circumstances the risk would be tolerated, though contingencies could be considered within business continuity arrangements. If the cause or trigger is considered within the Council's control, e.g. regulatory criticism or customer dissatisfaction, then action should be considered to treat the risk.

Evaluating a Risk

Once the nature of the risk has been analysed, as many elements as possible should be clarified, or even quantified. While evaluation and scoring are an approximation and can't be determined using entirely scientific methods, they should take into account as much management, organisational and environmental information as possible. Risk evaluation should include looking at:

- **The past** - whether it's happened before, what caused it, and whether it was managed effectively.
- **The present** - whether similar circumstances are developing, and how others are managing it,
- **The future** - whether forecasts and projections suggest it will happen again in the near future,
- **Organisational changes** - whether changes to leadership, policies or resources affect the risk,
- **External changes** - whether PESTELO¹ factors will influence how the risk should be managed,
- **Relevant actions** - how Council projects and initiatives increase or decrease the risk,
- **Performance indicators** - to tell us if the risk's occurring, or if we're managing it effectively.

Perceptions of risk can vary substantially and personal experience or a widely publicised example can make a risk appear more significant. Similarly, if press coverage of a certain issue reduces, it may imply that the risk has reduced (such as reduced reporting on the flu pandemic, despite this still being a significant threat). Different individuals may also have different perceptions of risk. It's therefore important to document key information about the risk, including a justification of the scoring and any supporting statistics and facts. Peer reviews are also useful for challenging the risk evaluation to ensure that it's robust and not purely based on someone's subjective impression of an issue.

¹ Political, Economic, Social, Technological, Environmental, Legislative & Organisational.
Appendices to Corporate Risk & External Audit Report (Appendix B - Risk Analysis & Reporting Guidelines)

Scoring a Risk

The likelihood of a risk occurring, and the impact if it does occur are each scored on a scale of 1 to 5, with 1 being the least likely or the least significant impact. The Original rating does **not** take into account mitigating actions, the Current rating takes into account completed actions, and the Target rating takes into account actions planned to take place before the next assessment (see page 3).

Likelihood

Evaluation information should help in assessing how likely it is that the risk will happen. This is only ever a 'point in time' judgement as circumstances can change significantly between assessments.

- | | |
|-------------------|---|
| 1. Unlikely | There is little evidence that the risk is likely to occur |
| 2. Possible | There is a fairly low chance of the risk occurring |
| 3. Quite Possible | There is a reasonable chance of the risk occurring |
| 4. Likely | There is a strong chance of the risk occurring |
| 5. Very Likely | It is fairly certain that the risk will occur, or it has already occurred |

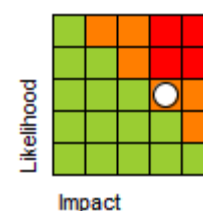
Impact

This is an assessment of the extent of the risk's impact. It's highly unlikely that the impact will involve only one of these elements, so the more elements involved, the greater the impact score will be.

Score	Financial ²	Reputational	Harm	Disturbance	Audit/Legal
1. Not material	Less than 0.01% of budget	Managed incident, no customer impact but in the public domain	Minor injury	Minor disruption to one service	Query from audit body or mention in Shared Risk Assessment
2. Material	0.01% - 0.5% of budget	Local media interest and/or customer complaint	Multiple minor injuries or serious injury	Minor disruption to multiple services	Negative audit/inspection report
3. Serious	0.5% - 5% of budget	Regional (central Scotland) media interest and/or multiple customer complaints	Multiple serious injuries	Serious disruption to multiple services and/or some loss of service	Follow-up action or repeated negative audit/inspection reports
4. Very serious	5% - 10% of budget	National media interest and/or serious loss of confidence	Death	Major disruption and/or loss of multiple services	Legal action
5. Catastrophic	Over 10% of budget	Major national media interest	Multiple deaths	Extended loss of service	Legal action from multiple sources

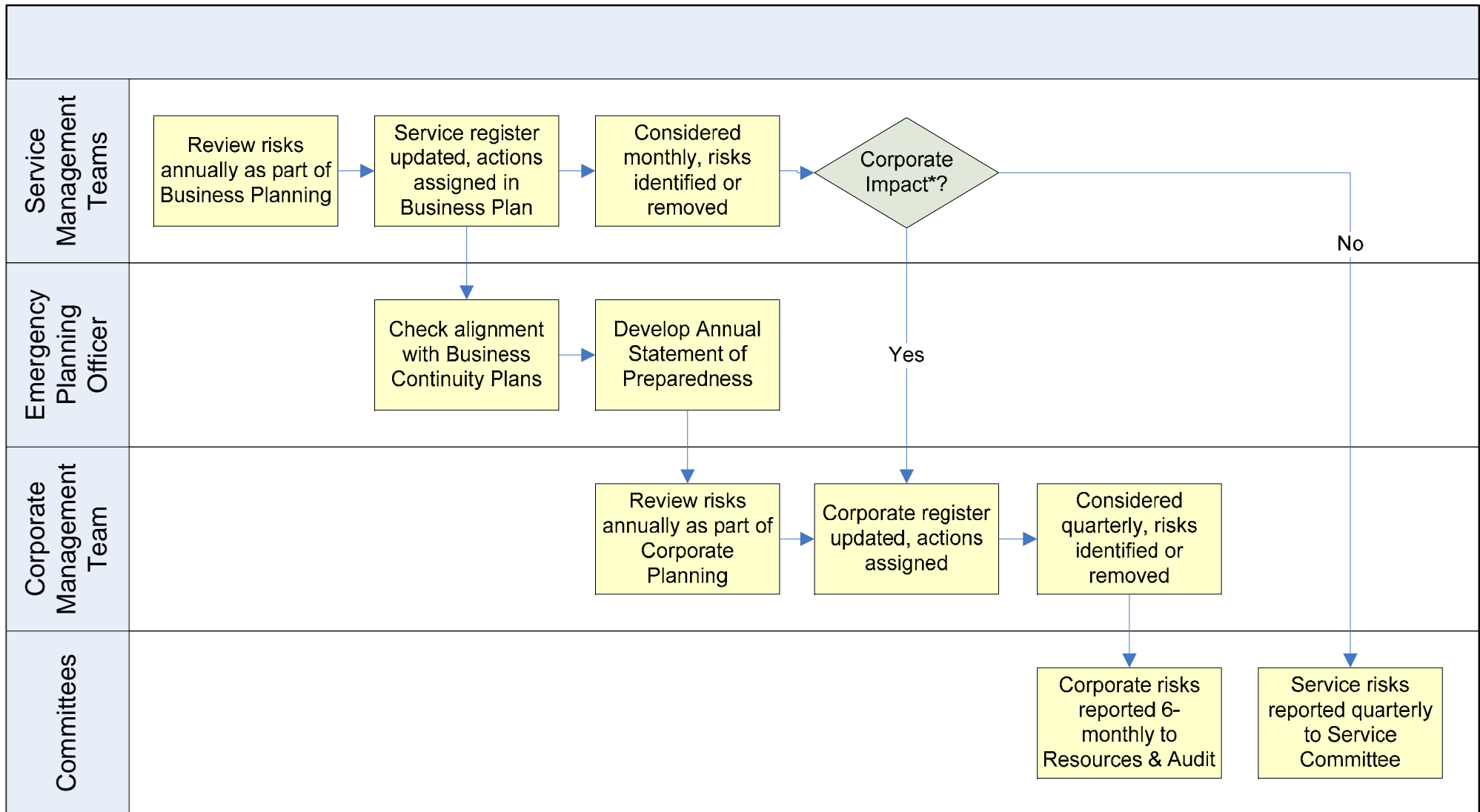
Overall Risk Rating (or Score)

The result of multiplying the likelihood and impact scores is the risk rating (or the risk score). This example shows an impact of 4 and a likelihood of 3, so $4 \times 3 = 12$, therefore the rating is 12 and the risk is amber. As risk registers need to focus on the most significant risks, it's common for there to be more amber and red risks than green. The highest possible rating is $5 \times 5 = 25$.



² The total service expenditure budget for 2012-13 is around £104m so for corporate risks the financial values are roughly: 0.01% = £10,000; 0.5% = £500,000; 5% = £5m; 10% = £10m. The percentages above should be used to calculate financial values for service logs based on the service budget.




The Risk Management Cycle



*Risks should be considered for inclusion on the corporate log if there is a 'corporate impact': risks potentially affecting more than half of Council services (4 of the 7 services), or potentially significant risks for less than half of the Council (red risks on a service register).

Recording a Risk

When defining or reviewing risks, the following areas should be recorded:

ID (or Code)	The code used to refer to a risk, which will remain the same regardless of changes to the details or scoring (this does not indicate the risk's severity). Codes for the corporate risk register are assigned by the Performance & Information Adviser. Coding for service registers should be discussed with the appropriate superuser.
Title	A brief summary of the nature of the risk.
Description	Key details of the risk including the cause and event (see page 1). While the cause of a risk may be external to the Council, it is the event (the way the Council is directly affected) that a risk should focus on.
Potential Effect	The possible consequences of the risk materialising (see page 1). This may refer to the groups of staff, customers or other stakeholders affected, the specific effects on particular areas of service provision, and potential extent of reputational, legal or financial implications.
Approach	Whether the risk is to be <u>Tolerated</u> or <u>Treated</u> .
Related Links	The decision to <u>Treat</u> a risk should stimulate an action or actions. Actions should be captured in business plans, linked to risks, and monitored via established processes.
Internal Controls	Existing strategies, processes and arrangements that are relevant to the risk should be selected from the Internal Controls list (superusers can add items to this list).
Latest Note	To be completed where the approach is <u>Treat</u> . Progress made in mitigating the risk, including planned or completed actions, and how this has/will impact the risk rating. Relevant statistics or performance information should also be included.
Rating (or Score)	<p>The score of a risk's severity, calculated by multiplying the likelihood of it occurring by the impact of it occurring (see page 2).</p> <p>Original What the rating would be if we had no controls in place. Though this doesn't appear in some reports, it can be a useful starting point for assessing the Current rating. This is not just the first score, but the 'gross' score if we had nothing in place to mitigate the risk.</p> <p>Current The rating which reflects the present position, taking into account actions that have already been completed and external factors.</p> <p>Target The rating we aim to achieve by the next review of the register (quarterly or 6-monthly), taking into account planned actions and external factors.</p>
Managed by	The owner, or person responsible for managing the risk. For the corporate register, this will be the Chief Executive, Director or Head of Service, depending on the service areas impacted by/responsible for the risk. It should be ensured that service owners have appropriate authority to manage the risk effectively.
Status	<p>Whether the risk is currently grouped as red, amber or green, depending on its 'Current Rating' (see diagram on page 2):</p> <ul style="list-style-type: none">  Red - risks with a current rating of 16 and above,  Amber - risks with a current rating from 10 to 15,  Green - risks with a current rating of 9 or below.
Change	<p>A symbol indicating how the rating's changed since the last review. Sometimes mitigating actions are cancelled out by a worsening external situation, so ratings may remain the same despite our efforts. (There's currently no Covalent field to record this in so the symbol's added once the report's exported into Word).</p> <ul style="list-style-type: none"> I Increased rating (more likely to occur or a greater impact) D Decreased rating (less likely to occur or a lesser impact) = Consistent rating (remaining the same) C Corrected rating (the previous rating is judged to have been inaccurate) N The risk has been newly added to the register R The risk should be removed from the register

Appendix C - External Audit Action Plan (2013/14 Audit)



Priority 1 (Red) - High risk requiring urgent attention (None identified)

Priority 2 (Amber) - Potential to become high risk if not addressed promptly (3 identified)

COU EXA 001	Making Clackmannanshire Better – detailed benefits realisation planning		Due Date	31-Mar-2015
Recommendation	Management needs to complete its detailed benefits realisation planning process for delivering the financial and non financial benefits from the MCB programme. This process needs to fully integrate the various benefits realisations steps, some of which individually are already in place within the Council. Once completed, the integrated benefits realisation planning process should also be communicated to all key programme stakeholders to ensure there is visibility, engagement and understanding of the approach being applied.		Owner	Head of Strategy & Customer Services
Management Comments	22-Oct-2014	This has since been considerably developed, and was considered by CMT in October 2014. The work been undertaken as part of budget development, including that of cross-cutting groups will feed into this process.	Progress	<input type="text" value="40%"/>
	25-Sep-2014	Work is progressing well to complete this exercise. The draft approach was presented to the MCB Steering Group on the 25 August 2014. Appropriate communication will take place once the work is completed.	Expected Outcome	
COU EXA 003	Clackmannanshire Council Sundry Trust Funds – appointment of independent trustee		Due Date	31-Mar-2015
Recommendation	We recommend that consideration is given to the appointment of an independent trustee to the Board of each charity. This would remove the formal audit requirement under Section 106 of the Local Government (Scotland) Act 1973.		Owner	Head of Strategy & Customer Services
Management Comments	22-Oct-2014	Work is at an early stage.	Progress	<input type="text" value="10%"/>
	25-Sep-2014	Management commitment to this principle was in place prior to the start of the audit process. However, timescales did not permit that this could be implemented in respect of the 2013/14 statements.	Expected Outcome	
COU EXA 007	Difficulties obtaining information in relation to the reconciled Council Tax ledger		Due Date	31-Mar-2015
Recommendation	We recommend that the Council ensures that a complete reconciliation is available to the audit team for the 2015 audit.		Owner	Head of Housing & Community Safety
Management Comments	25-Sep-2014	In checking the detailed supporting information for the audit process, weaknesses in the system reporting functions of the Council tax system have been identified. Work is now being taken forward with Northgate (software supplier) to remedy this for the future. To ensure that any changes are effective, full monthly reconciliations of the Council tax system will be undertaken throughout the year and not just at year end.	Progress	<input type="text" value="0%"/>
			Expected Outcome	



Priority 3 (Green) - Other risk factor noted (7 identified)

COU EXA 002	Falkirk Pension Scheme – late delivery of data return		Due Date	31-Mar-2015
Recommendation	We recommend that this issue is pursued with the software supplier to ensure that the Council can supply the required information to Falkirk Pension Scheme in line with agreed timetables.		Owner	Head of Resources & Governance
Management Comments	25-Sep-2014	The establishment of the annual pensions return reports within the iTrent system has proved problematic and required manual intervention to complete the process. Work is in hand with Midland (iTrent software supplier) to resolve this matter for the future.	Progress	0%
			Expected Outcome	
COU EXA 004	Clackmannanshire Council Sundry Trust Funds – basis of preparation		Due Date	31-Mar-2015
Recommendation	Management clearly review basis of preparation moving forward to ensure that it is consistent and correct.		Owner	Head of Resources & Governance
Management Comments	25-Sep-2014	Presentational changes have been made to the 2013/14 financial statements. This did not have any financial impact on the position previously presented to elected members. The change will be applied to future years as appropriate.	Progress	100%
			Expected Outcome	
COU EXA 005	Criminal Justice Social Work Services – service level agreements		Due Date	31-Mar-2015
Recommendation	For a sample of expenditure amounts relating to independent sector providers, the Council was unable to locate a signed service level agreement between the independent provider and the local authority, which could be used to confirm expenditure related to specified service. We recommend that the Council ensures that an SLA is put in place for this instance and that the annual review process remains a priority to ensure that SLAs are in place across the council's external/independent providers.		Owner	Head of Social Services
Management Comments	21-Oct-2014	CJ services operates an SLA with APEX and WISH. A new SLA has been agreed with WISH for 14/15 (awaiting final sign off). Both these arrangements run until 31st March 15 and will be reviewed in January 2015 in advance of potential renewal in 15/16. The SLA arrangements in relation to Barnardos have been looked at in significant detail via the internal audit of 3rd sector commissioning in Aug. The outcomes of that review and any subsequent actions will be discussed signed off in Oct/Nov 14.	Progress	100%
	25-Sep-2014		Expected Outcome	



COU EXA 006	Some key reports not available to audit at year end date		Due Date	31-Mar-2015
Recommendation	We recommend that these reports are available at the year end date to avoid a time-consuming reconciliation process.		Owner	Head of Resources & Governance
Management Comments	21-Oct-2014	This was a one-off issue due to the transfer of offices from Greenfield to Kilncraigs and is not expected to arise again.	Progress	<input type="text" value="100%"/>
	25-Sep-2014	Reports had been produced at the year end to support preparation of the draft statements. However, these were not available to the auditors during the audit process as a consequence of IT changes following the move to Kilncraigs. Checks will be implemented to ensure key reports are retained and available for audit inspection.	Expected Outcome	
COU EXA 008	Education Maintenance Allowance – archiving procedures		Due Date	31-Mar-2015
Recommendation	We were unable to performed detailed testing on the first four months of the year as a result of the relevant files being misplaced during the move to Kilncraigs. We recommend that the Council review its archiving procedures to prevent this issue recurring in the future.		Owner	Head of Education
Management Comments	30-Oct-2014	Having been alerted to the concern around the availability of EMA documentation due to the relocation of files during the move the Education service have taken appropriate management action to ensure that this information will be available moving forward.	Progress	<input type="text" value="100%"/>
	25-Sep-2014	This appears to be a one off incident. However, arrangements will be reviewed to prevent reoccurrences in the future.	Expected Outcome	
COU EXA 009	Format and contents of financial statements		Due Date	31-Mar-2015
Recommendation	Clackmannanshire Council should consider CIPFA's guidance in undertaking its next scheduled review of the format and content of its financial statements, which is scheduled for next year.		Owner	Head of Resources & Governance
Management Comments	25-Sep-2014	A significant review of disclosures was undertaken as part of the preparation of the 2011/12 financial statements with a review by exception in the last two years. A further full review of the format and presentation of the financial statements is scheduled prior to the preparation of the 2014/15 statements. The review will be undertaken with reference to the most up to date best practice guidance.	Progress	<input type="text" value="0%"/>
			Expected Outcome	
COU EXA 010	ALEOs – disclosure within financial statements		Due Date	31-Mar-2015
Recommendation	We note that there is no disclosure of the individual voluntary organisations that the Council funds. We recommend that disclosure is included in the accounts providing details of each individual voluntary organisation including the Council role, the Council contribution and the type of services delivered.		Owner	Head of Strategy & Customer Services
Management Comments	25-Sep-2014	The principle of ensuring transparency over the Council's arrangements is agreed. However, the recommendation suggests an additional voluntary disclosure which would add to the length of the Council's financial statements. On this basis, and to be consistent with previous management of this issue, it is proposed that the requirement will be addressed as part of the annual budget setting process.	Progress	<input type="text" value="0%"/>
			Expected Outcome	

Priority not stated (3 identified)

COU EXA 011	External Body Nomination Review		Due Date	31-Mar-2015
Recommendation	We recommend that the Council's continued involvement with its nominated external bodies is reviewed annually by elected members.		Owner	Head of Strategy & Customer Services
Management Comments	22-Oct-2014	Will be considered annually as part of the redesigned budget process.	Progress	<input type="text" value="0%"/>
	25-Sep-2014	Accepted that the list of organisations the Council makes nominations to should be considered annually.	Expected Outcome	
COU EXA 012	Register of Council Involvement		Due Date	30-Sep-2015
Recommendation	We recommend that the Council creates a formal register of Council Involvement by body to enhance the processes allowing members to better understand the risks they are exposed to through outside bodies.		Owner	Head of Strategy & Customer Services
Management Comments	25-Sep-2014	Accepted. Council involvement in outside bodies is monitored through a register of interest, however, following the Auditor's recommendation, we are in agreement on the need to create a formal register highlighting the scope of the Council's involvement with each body, enabling an informed assessment of continued involvement.	Progress	<input type="text" value="0%"/>
			Expected Outcome	
COU EXA 013	Elected Member Training		Due Date	30-Sep-2015
Recommendation	We recommend that the Council consider on an annual basis whether there is a requirement to provide any additional training to elected members to support and supplement the training previously provided and the guidance currently provided within the Code of Practice.		Owner	Head of Strategy & Customer Services
Management Comments	22-Oct-2014	At this stage we are researching potential providers.	Progress	<input type="text" value="10%"/>
	25-Sep-2014	Accepted. This will be considered as part of the training needs assessment process undertaken for elected members.	Expected Outcome	

