Municipal Buildings, Greenock PA15 1LY

Ref: LC

Date: 13 October 2023

A meeting of the Audit Committee will be held on Tuesday 24 October 2023 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details have been sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Monday 23 October 2023 how they intend to access the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation and as noted above.

Please note that this meeting will be live-streamed via YouTube with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

Further information relating to the recording and live-streaming of meetings can be found at the end of this notice.

IAIN STRACHAN
Head of Legal, Democratic, Digital & Customer Services

BUSINESS

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7.	**Revised Risk Management Strategy** Report by Head of Legal, Democratic, Digital & Customer Services	**p**

The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

Please note: this meeting may be recorded or live-streamed via You Tube and the Council's internet site, where it will be capable of repeated viewing. At the start of the meeting the Provost/Chair will confirm if all or part of the meeting is being recorded or live-streamed.

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If you are participating in the meeting, you acknowledge that you may be filmed and that any information pertaining to you contained in the recording or live-stream of the meeting will be used for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. In making this use of your information the Council is processing data which is necessary for the performance of a task carried out in the public interest. If you are asked to speak at the meeting then your submission to the committee will be captured as part of the recording or live-stream.

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Enquiries to – Lindsay Carrick - Tel 01475 712114

Report To:	**Audit Committee**	**Date:**	**24 October 2023**
Report By:	**Head of Legal, Democratic, Digital and Customer Services**	**Report No:**	**AC/21/23/IS/APr**
Contact Officer:	**Andi Priestman**	**Contact No:**	**01475 712251**
Subject:	**INTERNAL AUDIT PROGRESS REPORT – 31 JULY TO 29 SEPTEMBER 2023**		

1.0 PURPOSE AND SUMMARY

1.1 ☐For Decision   ☒For Information/Noting

1.2 The purpose of this report is to enable Members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.

1.3 The Monitoring Report from 31 July to 29 September 2023 is attached at Appendix 1 since its content is essential to the understanding of the Council's control environment.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 31 July to 29 September 2023.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 In April 2023, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2023-24.

3.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

3.3 There were two internal audit reports finalised since the last progress update to Audit Committee:

- Commercial Waste – Billing and Collection
- Client Accounts – Quarterly Checks 2022/23

3.4 These reports contained 5 issues categorised as follows:

Red	Amber	Green
0	3	2

3.5 The 2023/24 audit plan is now underway and the current status is as follows:

Stage	Number of Reports
Final Report	1
Draft Report	1
Fieldwork Complete – report N/A	0
Fieldwork Complete	0
Fieldwork in Progress	4
Planning	3
Not Started	7
Total	16

3.6 In relation to the audit of Supplier Management, as the new Supplier Management Procedures are currently being piloted, audit work regarding compliance with the procedures will be deferred to the 2024/25 audit plan. Audit resource has been reallocated to an audit of procurement compliance during 2023/24 and planning for this review is now underway.

3.7 In relation to internal audit action plans there were 2 actions due for completion by 31 August 2023. One action is now complete and the completion date relating to one action has been revised. The current status report is attached at Appendix 2.

3.8 The CMT has reviewed and agreed the current status of actions.

4.0 PROPOSALS

4.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 31 July to 29 September 2023.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 **Financial Risk**

There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

Where delays arise in delivering the Internal Audit Plan, there is a risk that this may result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is therefore made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

5.4 **Human Resources Risk**

There are no human resources implications arising directly from this report.

5.5 **Strategic**

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on the report.

7.0 BACKGROUND PAPERS

7.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.

Inverclyde
council

Audit Committee Report
Report on Internal Audit Activity from
31 July to 29 September 2023

1   Audit work undertaken in the period

Reports issued since last update

1.1   In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a **sound** system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion **isolated** areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion **systemic and/or material** control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered **inadequate** to ensure that the organisation is able to achieve its objectives.

1.2   Detailed findings and recommendations reported to management are currently graded using the following criteria:

Red	• In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. • Corrective action must be taken and should start immediately. • Overseen to completion by Corporate Management Team.
Amber	• In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. • Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe. • Overseen to completion by Head of Service.
Green	• In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. • Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA). • Managed by service owner.

1.3   There were 2 audit reviews finalised since the progress update to Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the reviews.

	Grading			
Reports finalised since previous Audit Committee	**Red**	**Amber**	**Green**	**Total Number of Issues**
Commercial Waste Income (Billing and Collection)	0	2	2	**4**
Client Accounts – Quarterly Checks	0	1	0	**1**
Total	**0**	**3**	**2**	**5**

Risk Management

1.4   Risk Management is the subject of separate reporting to Audit Committee and a report on risk management activity is submitted separately on an annual basis.

Internal Audit Action Plan Follow Up

1.5   The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

2   Summary of main findings from reports issued since previous Audit Committee

2.1   We have provided below a summary of the key findings from the final reports issued after 28 July 2023.

Commercial Waste Income (Billing and Collection)

2.2   The Council offers an integrated commercial waste collection, recycling and disposal services to businesses and organisations across Inverclyde. This service also helps customers to reduce, reuse and recycle their waste. In addition, support and advice is provide by the Commercial Waste section of Regeneration, Planning & Public Protection Services. Around 580 premises receive the commercial waste service from the Council.

2.3   On 9th March 2023 the Environment & Regeneration Committee was informed that budgeted income for 2022/23 indicated an under-recovery of £398,370. That report highlighted steps that officers are implementing to reduce the under-recovery of income. It is therefore important that adequate arrangements are in place to collect all commercial waste income whilst also retaining and attracting customers.

2.4   The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the collection of commercial waste income.

2.5   The review focused on the high-level processes and procedures in relation to collecting commercial waste income and concentrated on identified areas of perceived higher risk, such as not adequately retaining existing customers and not adequately collecting income due from customers in a timely manner.

2.6   The overall control environment opinion for this audit review was Satisfactory. There were 2 AMBER issues identified as follows:

Managing the collection of commercial waste income (Amber)
By the start of April and October each year, existing commercial waste customers are required to have paid for uplifts six months in advance. Adequate arrangements must be in place to collect this income and to promptly identify unpaid debtors accounts. However, we have identified two issues as follows:

- debtors accounts for the period 1 April to 30 September 2023 were not issued to existing commercial waste customers until 11 May 2023. Late billing occurred due to a combination of year-end priorities, staff availability and the need to obtain Committee approval for the annual price increase; and
- there is no systematic process in place to promptly identify unpaid debtors accounts and suspend uplifts, although we acknowledge that the Commercial Services Officer uses FMS to undertake ad hoc checks.

In addition, we understand that debtors accounts are raised individually. Service staff advised that the FMS recurring debtors' module could not easily produce the required detail on accounts, however, we understand that there may be scope to upload a suitably formatted spreadsheet into FMS as an alternative to raising individual accounts.

2   **Summary of main findings from reports issued since previous Audit Committee (Continued)**

Documenting contractual relationships with commercial waste customers (Amber)
The Council's interests are more easily protected when appropriate contractual documentation is used to manage new commercial waste customers. We have reviewed the documents used by officers and identified two issues as follows:

- a standard form which records the contractual relationship between new customers and the Council has not been used since the Covid-19 pandemic began; and
- although the commercial waste policy effectively represents the terms and conditions of service provision, this document is not routinely issued to prospective customers nor is it published on the Council's website.

It may be more difficult to resolve any contractual disputes involving commercial waste customers without issuing and publishing appropriate documentation.

2.7   The review identified 4 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 30 April 2024.

Corporate Appointee Client Accounts – Quarterly Checks (2022/23)

2.8   Corporate Appointee Client Accounts are set up and administered by HSCP staff on behalf of vulnerable clients who lack capacity or necessary budgetary skills to ensure their financial well-being. It is important that processes for handling clients' income and expenditure transactions are robust and applied consistently. Operational and administrative staff along with designated Finance officers are involved in managing corporate appointee client accounts.

2.9   The scope of the work included a review of all financial transactions processed through the Corporate Appointee Client Accounts during February 2023. There were 77 transactions contained within 19 accounts during this period, which were reviewed for compliance with the policy and procedures contained within "Supporting individuals to manage their finances".

The audit approach included:
- Examination and evaluation of appropriate documentation, including transaction logs, corporate appointee client account spreadsheets, receipts for cash transactions and bank account statements.
- Discussions with relevant staff involved in the administration of the Corporate Appointee Client Accounts.

2.10   The overall control environment opinion was Satisfactory. There was one AMBER issue identified as follows:

Inaccurate Transaction Records (Amber)
Income and Expenditure transactions are recorded on the corporate appointee client account spreadsheet. However, from a review of the spreadsheet, we identified a small number of transactions where it was evident that the formula within the spreadsheet for the cash running total had been overwritten in order to match other records maintained.

It was also established that although the Corporate Appointees receive a copy of the spreadsheet and bank statements, they do not receive the transaction log and receipts (although they have access to them) and therefore would not be able to identify a missing transaction.

However, through re-performance we did not identify any issues with monies missing or unaccounted for. Management have advised that due to current capacity issues there is a lack of suitably trained staff available to update relevant records which has led to the errors identified.

2   Summary of main findings from reports issued since previous Audit Committee (Continued)

2.11   The review identified one Amber issue and an action plan is in place to address this issue by 30 April 2024.

3 Audit Plan for 2023/2024 – Progress to 28 July 2023

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Supplier Management (b/f from 2022/23)	Deferred to 2024/25 Annual Audit Plan – replaced by Procurement Compliance audit in 2023/24							
Procurement Compliance		✓						
Succession Planning	✓							
Attendance Management		✓	✓	✓	✓	✓		
Building Standards		✓	✓					
ASN Transport		✓	✓	✓				
Commercial Waste Income (Billing and Collection)		✓	✓	✓	✓	✓	✓	October 2023
Limited Scope Financial Reviews								
Non-Domestic Rates	✓							
Advisory Reviews								
Education – Cashless Catering Replacement System		✓	✓	Audit advice and support will be provided to the project.				
UK Shared Prosperity Fund Assurance Arrangements	✓							
Project Assurance Reviews								
Swift Replacement System (Social Work IT System)	✓			Audit support will be provided at testing and implementation phases of the project.				
Corporate Fraud Reviews								
Employee Expenses	Not started.							
Client Accounts – Quarterly Checks	2023-24 checks are now underway.							
Catering – Quarterly Stock Checks	Not started.							
Education Establishment Placing Requests	Not started.							
Regularity Audits								
Education CSA	✓	✓						
Corporate Purchase Cards – Quarterly Checks	Q1 2023-24 complete. Report issued to management.							
Corporate Governance								
Annual Governance Statement 2022-23	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Checks are carried out to establish the validity of discounts and exemptions – see section 4.							
National Fraud Initiative	22/23 Exercise has started – see section 4 of report for more information.							
Carry forward from 2022/23 Audit Plan	Report finalised: Debt Recovery; Corporate Purchase Cards; Client Accounts.							
Inverclyde IJB	20 days allocated to IJB audit plan. Two advisory reviews have been planned.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 31 July to 29 September 2023:

National Fraud Initiative Exercise					
In relation to the 2022/2023 Exercise, matches relating to the relevant datasets have been received and progress is as follows:					

Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
1586	320	315	0	5	£6,205.87

The Council Tax Single Person Discount recheck exercise was refreshed in March 2023 and the results to date are as follows:

Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
8932	1516	1475	33	8	£40,489.27

Employee Expenses – 2023-2024					
Not yet started.					
Client Money Accounts Quarterly Checks – 2023-2024					
Quarterly checks are underway for 2023-24.					
Catering – Quarterly Stock Checks – 2023-2024					
Not yet started.					
Education Establishment Checks 2023-2024					
Not yet started.					

4.2 The team continues to investigate whistleblowing and other enquiries in relation to DWP benefit, blue badge, and Council Tax referrals. Since 1 April 2023 these enquiries have resulted in the identification of overpayments of council tax discounts and exemptions of £39,910.63.

4.3 The team is also progressing whistleblowing and other enquiries as follows:

File Ref	Description	Status
Whistleblowing Enquiries		
23/51	Fraudulent application of Council Tax Single Person Discount	Closed – no fraud identified.
23/59	Fraudulent grant application	Ongoing investigation
Other enquiries		
N/A		

5 **Ad hoc activities undertaken since the previous Audit Committee**

5.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.

5.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:

- Providing relevant information in relation to FOI requests.
- Investigations as set out at sections 4.2 to 4.3 of the report.
- Provision of ongoing advice and support to services.

INVERCLYDE COUNCIL INTERNAL AUDIT

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 AUGUST 2023**

Summary: **Section 1**   **Summary of Management Actions due for completion by 31/08/2023**

There were 2 actions due for completion by 31 August 2023. One action is now complete and the completion date relating to one action has been revised.

Section 2   **Summary of Current Management Actions Plans at 31/08/2023**

At 31 August 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3   **Current Management Actions at 31/08/2023**

At 31 August 2023 there were 11 current audit action points.

Section 4   **Analysis of Missed Deadlines**

At 31 August 2023 there were 5 audit action points where the original due date had been missed.

Section 5   **Summary of Action Plan Points by Audit Year**

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.08.2023

SECTION 1

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	No response received*
Environment and Regeneration	1		1	
Chief Executive	1	1		
Total	**2**	**1**	**1**	

* These actions are included in the Analysis of Missed Deadlines – Section 4

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion September 2023	1
Due for completion October 2023	1
Due for completion April 2024	1
Total Actions	**3**
Environment and Regeneration	
Due for completion October 2023	2
Due for completion November 2023	1
Due for completion January 2024	2
Due for completion April 2024	1
Due for completion May 2024	1
Total Actions	**7**
Chief Executive	
Due for completion October 2023	1
Total Actions	**1**
Total current actions:	**11**

| P | **Homelessness (Report Issued August 2021)** |

Description	Status	Original Due Date	Due Date	Assigned To
Adequacy of policies and procedures (Amber) Management will: • Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; • review the arrangements for implementation and reporting of the Rent Management Policy; • set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and • ensure that version control is consistently and fully applied to all Homelessness policies and procedures.	⚠	31-Mar-2022	31-Oct-2023*	**Service Manager (Homelessness and Addictions)**

| P | **Employee Expenses (Report Issued August 2022)** |

Description	Status	Original Due Date	Due Date	Assigned To
High Mileage Claims (Amber) The service will carry out a refreshed value for money study that takes into account the current situation and will make recommendations accordingly.	⚠	31-Mar-2023	30-Nov-2023*	**Director Environment and Regeneration**

Action Status			
🔴	No response received	⚠	Missed original due date
▶	In Progress	✅	Completed

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023**

SECTION 3

ⓟ **Cyber Security Arrangements (Report Issued January 2023)**

Description	Status	Original Due Date	Due Date	Assigned To
Staff Training in Relation to Cyber Security (Amber) Management will ensure that an exercise is completed to ensure that all existing employees on the Council ICT network have completed the relevant mandatory training courses by 30 June 2023 and staff who have not completed the relevant courses will have their network access suspended. Progress on this exercise will be overseen by the Information Governance Steering Group.	⚠️	30-Jun-2023	30-Sep-2023	**ICT Manager/Head of OD, Policy and Communications**
Overdue External Assessments and Accreditations (Amber) The ICT Manager will ensure that both the PSN compliance/IT Health Check and the Cyber Essentials accreditation for 2021/22 are submitted for assessment as soon as possible.	✅	31-May-2023	31-Aug-2023*	**ICT Manager**

ⓟ **Climate Change – Utilities Management (Report Issued February 2023)**

Description	Status	Original Due Date	Due Date	Assigned To
Adequacy of resources to progress actions from the Net Zero Strategy (Amber) Management will ensure that all scheduled work is monitored, updated and reported to Committee on a regular basis.	▶️	31-Jan-2024	31-Jan-2024	**Head of Physical Assets**

Action Status			
🔴	No response received	⚠️	Missed original due date
▶️	In Progress	✅	Completed

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Collation and reporting of emissions results (Amber) Management will ensure that: • written procedural documentation is developed for the monitoring, collation and reporting of emissions data; • a copy of the procedural documentation is retained and made available for all new members of staff.	⚠️	31-May-2023	31-Oct-2023	**Head of Physical Assets**
Collation and reporting of emissions results (Amber) Management will ensure that a process to evidence periodic review on a regular basis is introduced, which includes version control.	▶️	31-May-2024	31-May-2024	**Head of Physical Assets**
Collation and reporting of emissions results (Amber) Management will ensure that an independent check is completed for all emissions calculations. Evidence of the independent check should be retained.	⚠️	30-Jun-2023	31-Oct-2023	**Head of Physical Assets**

Action Status			
🔴	No response received	⚠️	Missed original due date
▶️	In Progress	✅	Completed

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023

SECTION 3

(P)	**Commercial Waste Income – Billing and Collection (Report Issued August 2023)**

Description	Status	Original Due Date	Due Date	Assigned To
Managing the Collection of Commercial Waste Income (Amber) Management will: • following discussions with the Chief Financial Officer, seek Committee approval during January for the annual rise in commercial waste charges. If this change is agreed with Finance Services, then arrange to issue existing customers with commercial waste debtors accounts on the first working day of March and September each year; • co-ordinate as necessary with relevant Finance staff regarding the accrual of commercial waste income into the new financial year; • ensure that the Commercial Services Officer makes regular use of the FMS historical age report to identify unpaid accounts within two weeks of second reminder letters having been issued by Finance staff. In turn, the Commercial Services Officer will arrange for the suspension of uplifts pending payment of unpaid accounts; and • arrange for the Service Co-ordinator to contact the Finance FMS Team to explore the option of using a spreadsheet upload into FMS as a means of raising debtors accounts.	▶	30-Apr-2024	30-Apr-2024	**Service Manager (Grounds & Waste)**

Action Status			
🔴	No response received	🔺	Missed original due date
▶	In Progress	🟢	Completed

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Documenting contractual relationships with commercial waste customers (Amber) Management will: • consult the relevant Legal Services Manager regarding the best means of documenting the contractual relationship between the Council and commercial waste customers. In addition, this exercise will ensure that the trade waste agreement form reflects any planned changes to the timetable for billing existing customers; and • confirm that the commercial waste policy is both up to date and is also suitable to represent the terms and conditions of service for customers. An updated policy will also be published on the Council's website and routinely issued to prospective customers when they request quotations from the Commercial Services Officer.	▶	31-Jan-2024	31-Jan-2024	**Service Manager (Grounds & Waste)**

Ⓟ **Client Accounts – Quarterly Checks 2022/23 (Report Issued September 2023)**

Description	Status	Original Due Date	Due Date	Assigned To
Inaccurate Transaction Records (Amber) Management have agreed that in the immediate term a review of procedures will be carried out, improvements will be made regarding spreadsheet protection and reconciliation processes.	▶	30-Sep-2023	30-Sep-2023	**Head of Finance, Planning and Resources, HSCP**
Management have agreed that a review will be undertaken of the overall management of the corporate appointee process with a view to streamlining and modernising the functions.	▶	30-Apr-2024	30-Apr-2024	**Head of Finance, Planning and Resources, HSCP**

Action Status			
🔴	No response received	⚠️	Missed original due date
▶	In Progress	✅	Completed

Report	Action	Original Date	Revised Date	Management Comments
Homelessness (August 2021)	**Adequacy of policies and procedures (Amber)** Management will: • Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; • review the arrangements for implementation and reporting of the Rent Management Policy; • set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and • ensure that version control is consistently and fully applied to all Homelessness policies and procedures.	**31.03.22** **30.11.22** **31.03.23** **31.07.23**	**31.10.23**	As the team has worked through the Change Programme the rent charges and rent management policy have been delayed. This is to ensure there is agreement with Finance and Revenues and Benefits to confirm that we are able to charge an enhanced HB rate more aligned to the service provision. This will be reported to the next meeting of the Integration Joint Board in November. Review of procedures is now complete. Scheduled reports from SWIFT and regular caseload reviews ensures governance in place for monitoring. In relation to version control this is now complete. All standard operating procedures are recorded on central log. The team is currently in the process of updating and developing a number of standard operating procedures. Care governance meeting overseen by Head of Service will ratify the procedures.
Employee Expenses (August 2022)	**High Mileage Claims (Amber)** The service will carry out a refreshed value for money study that takes into account the current situation and will make recommendations accordingly.	**31.03.23** **31.08.23**	**30.11.23**	A number of high mileage users are now using fleet resources to address reductions in mileage claims. A further report will be presented to CMT in November with options for consideration.

Report	Action	Original Date	Revised Date	Management Comments
Cyber Security (January 2023)	**Staff Training in Relation to Cyber Security (Amber)** Management will ensure that an exercise is completed to ensure that all existing employees on the Council ICT network have completed the relevant mandatory training courses by 30 June 2023 and staff who have not completed the relevant courses will have their network access suspended. Progress on this exercise will be overseen by the Information Governance Steering Group.	**30.06.23** **30.09.23**	**31.10.23**	A high number of staff have now completed this module by the revised completion date of 30 September. Completion has been pushed through corporate wide communications, Directors/Heads of Service and the Information Governance Steering Group. The CMT reviewed the list of staff who it appeared had not completed the training by the revised completion date of 30th September. CMT agreed that a final short extension be given until 19 October to enable those staff, who have not already completed the module, to do so. Any staff who have not completed the module by that date will have their network access removed, pending their completion of the training. An update on progress will be given at the Committee meeting.
Climate Change – Utilities Management (February 2023)	**Collation and reporting of emissions results (Amber)** Management will ensure that: • written procedural documentation is developed for the monitoring, collation and reporting of emissions data; • a copy of the procedural documentation is retained and made available for all new members of staff.	**31.05.23**	**31.10.23**	The Team Leader is now in post and is reviewing the historical calculations. The next submission date is due in November 2023 and procedures will be developed and documented as part of this exercise.

Report	Action	Original Date	Revised Date	Management Comments
Climate Change – Utilities Management (February 2023)	**Collation and reporting of emissions results (Amber)** Management will ensure that an independent check is completed for all emissions calculations. Evidence of the independent check should be retained.	30.06.23	31.10.23	The Team Leader is now in post and is reviewing the historical calculations. The next submission date is due in November 2023 and an independent check will be completed as part of this exercise.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status at 31 August 2023.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2017/2018	53	50	0	0	3
2018/2019	45	44	0	0	1
2019/2020	43	43	0	0	0
2020/2021	36	34	0	1	1
2021/2022	24	20	0	1	3
2022/2023	49	35	0	5	7
2023/2024	7	0	0	4	3
Total	**257**	**228**	**0**	**11**	**18**

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.

Inverclyde council

Report To:	**Audit Committee**	**Date:**	**24 October 2023**
Report By:	**Head of Legal, Democratic, Digital and Customer Services**	**Report No:**	**AC/22/23/IS/APr**
Contact Officer:	**Andi Priestman**	**Contact No:**	**01475 712251**
Subject:	**EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS**		

1.0 PURPOSE AND SUMMARY

1.1 ☐For Decision   ☒For Information/Noting

1.2 The purpose of this report is to advise Members of the status of current actions from External Audit Action Plans at 31 August 2023.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the progress to date in relation to the implementation of external audit actions.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.

3.2 A follow up process is in place to allow follow up of current external audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

3.3 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.

3.4 There were no actions due for completion by 31 August 2023.

3.5 There is one current external audit action being progressed by officers. This is set out in the status report at Appendix 1.

4.0 PROPOSALS

4.1 The Audit Committee is asked to note the progress to date in relation to the implementation of external audit actions.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 **Finance**

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

There is a risk that failure to implement agreed audit actions in a timely manner could result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance.

5.4 **Human Resources**

There are no human resources implications arising directly from this report.

5.5 **Strategic**

This report relates to strong corporate governance.

6.0 CONSULTATIONS

6.1 Relevant Officers were asked to provide updates to the report as appropriate.

7.0 BACKGROUND PAPERS

7.1 External Audit reports.

INVERCLYDE COUNCIL INTERNAL AUDIT

**REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 AUGUST 2023**

Summary: **Section 1**   **Summary of Management Actions due for completion by 31/08/2023**

There were no actions due for completion by 31 August 2023.

Section 2   **Summary of Current Management Actions Plans at 31/08/2023**

At 31 August 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3   **Current Management Actions at 31/08/2023**

At 31 August 2023 there was one current audit action point.

Section 4   **Analysis of Missed Deadlines**

At 31 August 2023 there were no audit action points where the agreed deadline has been missed.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.08.2023

SECTION 1

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
Chief Executive	0				
Environment and Regeneration	0				
Health and Social Care Partnership (HSCP)	0				
Education and Communities	0				
Total	**0**				

* These actions are included in the Analysis of Missed Deadlines – Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023

<div align="right">

SECTION 2

</div>

CURRENT ACTIONS BY DIRECTORATE

Environment and Regeneration	
Due for completion April 2026	1
Total Actions	**1**
Total current actions:	**1**

CURRENT MANAGEMENT ACTIONS AS AT 31.08.2023

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Annual Report to Members on the 2021/22 Audit (November 2022)				
Local Development Plan (B/f) The preparation of the LDP will commence in February 2023 and be complete in April 2026.	▶	30-Apr-2026	30-Apr-2026	Director, Environment & Regeneration

Action Status			
🔴	No response received	⚠️	Missed original due date
▶	In Progress	✅	Completed

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
There are no current actions where the original action date has been missed.				

Report To:	Audit Committee	Date:	24 October 2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/23/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	National Fraud Initiative Exercise 2022-23 - Update		

1.0 PURPOSE AND SUMMARY

1.1 ☐For Decision ☒For Information/Noting

1.2 The purpose of this report is to update Members on the current position with regard to the National Fraud Initiative in Scotland 2022/2023 Exercise.

RECOMMENDATIONS

2.1 It is recommended that Members note the contents of this report and that a further report will be presented to the February 2024 Audit Committee on the 2022-23 Exercise.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 The NFI in Scotland is now well established with this being the 9th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:

- acts as a deterrent to potential fraudsters.
- identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
- can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
- operates across boundaries between public bodies in different sectors and countries.
- represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.

3.2 The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

3.3 Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

3.4 Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.

3.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4.0 PROPOSALS

4.1 For 2022/23, a number of data matches were released during January and February 2023. These are set out at Appendix 1 together with an update on the progress of investigations at 29 September. Further data matches are expected to be released later in 2023.

4.2 The 2022/23 NFI exercise continues to be monitored by Internal Audit as part of the 2023/24 Annual Audit Plan. Training and support is provided to Services responsible for investigating the matches and an update on progress will continue to be provided on a regular basis to Audit Committee.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 **Finance**

There are no direct financial implications arising from this report, however the initiatives described in this report are intended to detect fraud and error which can cause financial loss to the Council.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

5.4 **Human Resources**

There are no direct human resources implications arising from this report.

5.5 **Strategic**

This report relates to strong corporate governance.

6.0 CONSULTATION

6.1 Relevant Officers were asked to provide updates to the report as appropriate.

7.0 BACKGROUND PAPERS

7.1 Report no: AC/14/23/IS/APr - National Fraud Initiative Exercise – Update Report April 2023

Area	Number of Matches Received	Number of Matches Processed	Outcome			Value of fraud or error
			No issue	Fraud	Error	
Housing Benefit to Housing Benefit	1	1	1	0	0	
Housing Benefit to Housing Tenants	3	3	3	0	0	
Housing Benefit to Taxi Drivers	6	6	6	0	0	
Housing Benefit to DWP Deceased	14	14	14	0	0	
Payroll to Payroll	73	0	0	0	0	
Payroll to Pensions	2	0	0	0	0	
Payroll to Creditors	18	0	0	0	0	
Housing Benefit to Waiting List	4	4	4	0	0	
Blue Badge	327	28	28	0	0	
Council Tax Reduction Scheme to Payroll	102	97	96	0	1	£1,693.06
Council Tax Reduction Scheme to Pensions	46	35	32	0	3	£3,111.87
Council Tax Reduction Scheme to Council Tax Reduction Scheme	1	1	0	0	1	£1,400.94
Council Tax Reduction Scheme to Housing Tenants	1	1	1	0	0	
Council Tax Reduction Scheme to Taxi Drivers	64	7	7	0	0	
Council Tax Reduction Scheme to Housing Benefit Claimants	1	1		0	0	
Council Tax Reduction Scheme to DWP Deceased	24	24	24	0	0	
Duplicate Creditors	797	38	1	0	0	
VAT Overpaid	60	60	60	0	0	
Procurement - Payroll to Companies House	41	0	0	0	0	
Total	**1586**	**320**	**315**	**0**	**5**	**£6,205.87**

Report To:	Audit Committee	Date:	24 October 2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/24/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	CIPFA AUDIT COMMITTEE GUIDANCE 2022 – UPDATE ON IMPLEMENTATION OF IMPROVEMENT ACTIONS		

1.0 PURPOSE AND SUMMARY

1.1 ☐For Decision   ☒For Information/Noting

1.2 The purpose of this report is to update Members on the status of improvement actions identified in relation to the self-evaluation exercise completed by Committee in relation to the updated CIPFA guidance on Audit Committees within Local Authorities.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the implementation status of improvement actions identified in relation to the updated guidance for Audit Committees.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 CIPFA guidance for Audit Committees was updated in October 2022 in the publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2022 Edition"). This publication represents CIPFA's view of best practice for audit committees in local authorities throughout the United Kingdom.

3.2 The CIPFA publication also included a 2022 Position Statement on audit committees in local authorities which sets out roles and responsibilities and good practice principles for audit committees. In particular, CIPFA is clear that audit committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Position Statement also sets out the core functions of an audit committee being as follows:

- Maintenance of governance, risk and control arrangements;
- Financial and governance reporting; and
- Establishing appropriate and effective arrangements for audit and assurance.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements.

3.3 It is important that the Council's Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees in order to ensure that it can evidence its effectiveness as a scrutiny body and as a foundation for strong corporate governance.

3.4 A self-assessment exercise was undertaken by Audit Committee members in March 2023 and an action plan was developed and approved for areas of improvement identified.

4.0 PROPOSALS

4.1 It is recommended that members note the implementation status of improvement actions identified in relation to the updated guidance for Audit Committees set out at Appendix 1.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 **Finance**

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

The self-assessment exercise against the updated guidance will ensure that the Audit Committee maximises the opportunity for effective scrutiny and fulfils its governance role.

5.4 **Human Resources**

There are no human resources implications arising from this report.

5.5 **Strategic**

This report relates to strong corporate governance.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on this report.

7.0 BACKGROUND PAPERS

7.1 CIPFA Guidance for Audit Committees 2022. Copies previously circulated to Audit Committee members.

Improvement Area	Improvement Action	Responsibility/Date	Status at 29 September 2023
Audit Committee Purpose and Governance Effectiveness of the Committee	Develop an annual report from the Audit Committee to the Council which sets out compliance with the CIPFA Position Statement 2022; results of the annual evaluation; development work undertaken and planned improvements; and how the Audit Committee has fulfilled its terms of reference and the key issues escalated in the year.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023	Complete Annual report from Audit Committee was presented to Council on 28 September.
	Develop a stand-alone report on the Council's wider governance and assurance arrangements as part of the annual review of the Annual Governance Statement for Audit Committee consideration each year.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023	Complete Report on the 2022-23 Annual Governance Statement was presented to Audit Committee on 29 June.
	Review the Terms of Reference for the Audit Committee.	Head of Legal, Democratic, Digital and Customer Services 31 October 2023	In progress Will be picked up as part of review of Standing Orders and Scheme of Administration which will go to December 2023 Council meeting.
Functions of the Audit Committee	Review overall Committee timetable to facilitate a private meeting of the Audit Committee with internal and external audit during 2023/24 and beyond.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023	Complete Now incorporated within 2023-24 timetable onwards.
Membership and Support	A regular evaluation of knowledge, skills and training needs of the Chair and committee members will be undertaken and a programme of training put in place taking account of areas identified within the 2022 guidance.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023	Complete Training needs analysis has been undertaken and a programme of training has been agreed.
Membership and Support	Once the programme of training for audit committee members has been completed, an exercise to consider the addition of lay/co-opted members to the audit committee members will be undertaken.	Head of Legal, Democratic, Digital and Customer Services 30 June 2024	Programme of training has been agreed and sessions will be timetabled for completion by 30 June 2024.

Report To:	Audit Committee	Date:	24 October 2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/20/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	ANNUAL REPORT ON RISK MANAGEMENT ACTIVITY 2022-23		

1.0 PURPOSE AND SUMMARY

1.1 ☐For Decision ☒For Information/Noting

1.2 The purpose of this report is to present to Committee progress made in 2022/2023 in developing and monitoring a strategic approach to managing risks faced by the Council.

2.0 RECOMMENDATIONS

2.1 The Committee is asked to note the progress made in 2022/2023 to maintain a coherent corporate approach to managing risks faced by the Council.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 The role of Internal Audit in Risk Management is defined as contributing to the management of risk by evaluating and providing assurance on risk management processes. The assurance extends principally to two main areas, firstly that major business risks are being managed and secondly that the Risk Management and Internal Control Framework is operating effectively.

3.2 The responsibility for managing risk lies not with Internal Audit but with service management, with corporate consistency being supported through the Corporate Management Team.

4.0 PROPOSALS

4.1 During 2022/2023 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:

- Ongoing review and update of strategic and operational risk registers by Services.
- Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework.
- Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
- Promoting the e-learning module on Risk Management for employees as part of the corporate e-learning training platform.
- Incorporating risk registers within the 2023/2026 Committee Delivery and Improvement Plans.
- Implementing Cyber Security e-learning training to raise awareness of cyber security risks for new and existing employees.
- Implementing relevant fraud risk reviews as part of the 2022/2023 Internal Audit Plan and progress has been reported on a regular basis to Audit Committee.
- Recognising as part of the ongoing review of the Council's Local Code of Governance the need to review the Council's overall arrangements for risk management. This review is complete and a revised Risk Management Strategy will be presented to the Audit Committee as a separate item on the agenda for this meeting.

4.2 Members are asked to note the continued progress in maintaining the momentum on risk management.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 **Finance**

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

Effective risk management is an essential element of good management and a sound system of internal control and is a key contributor to good governance and the Annual Governance Statement.

5.4 **Human Resources**

There are no human resources implications arising directly from this report.

5.5 **Strategic**

The risk management framework enables the Council to effectively manage strategic decision-making, service planning and delivery to safeguard the wellbeing of its stakeholders. The likelihood of achieving outcomes is also increased.

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on the report.

7.0 BACKGROUND PAPERS

7.1 Risk Management Strategy.

Inverclyde council

Report To:	**Audit Committee**	**Date:**	**24 October 2023**
Report By:	**Head of Legal, Democratic, Digital and Customer Services**	**Report No:**	**LS/103/23**
Contact Officer:	**Iain Strachan**	**Contact No**:	**01475 712210**
Subject:	**Revised Risk Management Strategy**		

1.0   PURPOSE

1.1   ☒For Decision   ☐For Information/Noting

1.2   The purpose of this report is to present an updated Risk Management Strategy to the Committee, for its consideration. Following the Committee's review of the Strategy it would go to the Policy & Resources Committee for approval.

2.0   RECOMMENDATIONS

2.1   It is recommended that the Audit Committee consider and provide feedback on the proposed revised Risk Management Strategy at Appendix 1.

2.2   It is recommended that the Audit Committee approve the Risk Management Strategy for onward submission to the Policy & Resources Committee.

2.3   It is recommended that the Audit Committee notes that the Corporate Risk Register will be reported to the Audit Committee in January 2024, followed by Policy & Resources Committee in February 2024.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 There have been increasing pressures for public sector bodies to adopt formalised approaches to risk management.

3.2 In its Code of Practice, Audit Scotland makes it clear that the audited bodies are responsible for developing systems of internal control, including risk management, and for conducting annual reviews of the effectiveness of the system of internal control.

3.3 The Council developed a Risk Management Strategy in 2007 which provided a sound basis for risk management.

3.4 In 2010, the Corporate Risk Management Group, subsequently disbanded, reviewed the Risk Management Strategy and developed a Risk Assessment and Prioritisation Matrix to ensure consistency of practice and provide a useful tool to management in the achievement of goals and objectives.

3.5 The 2004 Best Value guidance was refreshed in 2020 and is structured around seven themes which include risk management as an integral part in demonstrating best value.

3.6 In January 2022 the Audit Committee approved a refreshed approach to risk management reporting arrangements which has provided an opportunity to review and update the risk management strategy. In addition, in June 2022 it was reported to the Committee that the Corporate Risk Register would be updated by July 2022. However, work capacity pressures have meant this work has not yet been completed.

3.7 Elsewhere on this agenda, the Audit Committee is considering the annual update on risk management activity for 2022/23.

4.0 PROPOSALS

4.1 The Risk Management Strategy has now been reviewed and an updated revised version is attached at Appendix 1 for the Committee's consideration. Subject to the views of the Committee the Risk Management Strategy would then be submitted to the Policy & Resources Committee for approval.

4.2 Whilst there are no substantive changes to the Risk Management Strategy and operational procedures, there are some key aspects of the Strategy where revisals have been made which are worth highlighting to the Committee, these are:

- The exclusion of Inverclyde Health and Social Care Partnership (IHSCP) from the Council's overall risk management monitoring and reporting arrangements, given the Inverclyde Integration Joint Board has its own strategic approach to risk management, and the operational activity flows from that.
- A Corporate Risk Management Group has been established, chaired by the Chief Executive, the aim of this group being to steer the direction of the Council's overall approach to risk management and provide a clear mechanism for ongoing monitoring and review. The members of the Group will act as conduits between the CMT and Directorate/Service risk management operations. The senior officer nominated to chair the Corporate Risk Management Group.
- A new Corporate Risk Adviser post has been created, agreed to by the CMT. This post will be jointly funded by the Council and the IHSCP, to provide the operational advice and support that is required to further embed risk management into operational activity and enable service areas to fulfil their risk management duties under the Risk Management Strategy, including in their use of Pentana for risk register recording. Given the joint funding, this post will also provide that operational support to IHSCP.

4.3   The Corporate Risk Register is in the course of being reviewed, and it is intended that it will be reported to the Audit Committee in January 2024, followed by Policy & Resources Committee in February 2024.   Going forward, the Corporate Risk Register will be reported 6 monthly to CMT and annually to the Audit Committee and the Policy & Resources Committee.

4.4   It has been recognised by the CMT that work is needed, across all Council service areas, to ensure the Council's approach to risk management is suitably robust and embedded in operational activity. It is envisaged that the revisions to the Strategy, coupled with the operational changes summarised above, will provide that additional focus. This will, however, be monitored by CMT, and through the Corporate Risk Management Group.

5.0   **IMPLICATIONS**

5.1   The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial	X	
Legal/Risk	X	
Human Resources	X	
Strategic (LOIP/Corporate Plan)	X	
Equalities, Fairer Scotland Duty and Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2   **Finance**

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Legal Services	Employee Costs	1.1.24	£60k		£30k funded from Insurance Charges and £30k from IHSCP

Legal/Risk

5.3

Having an up-to-date risk management strategy demonstrates that the Council is taking ownership of risk management so that effective measures are put in place for managing risk. The current approach to risk management allows the Council to demonstrate a clear understanding of the risk profile of the organisation, but work is required across all service areas to ensure this approach is embedded and being actioned, with suitable internal reporting.

5.4 **Human Resources**

The human resources implications are set out in this report.

Strategic

5.5 This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATIONS

6.1 Relevant officers have been consulted in the review and update of the risk management strategy, including the Corporate Management Team.

7.0 LIST OF BACKGROUND PAPERS

7.1 None

Inverclyde council

Risk Management Strategy

24 October 2023
V4.3

CONTENTS

<u>Section</u>

1. INTRODUCTION AND PURPOSE

1.1 Risk management is defined in the Institute of Risk Management Risk Management Standard as follows:-

"Risk Management is a key part of an organisation's strategic management. It is the process whereby organisations methodically address the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities."

1.2 Due to the recognised importance of managing risks as stated above, there is an expectation for public sector organisations to have adopted formalised approaches to risk management. These expectations emanate from, among other things, the Combined Code and the CIPFA/Solace publication on corporate governance best practice entitled "Delivering Good Governance in Local Government".

1.3 In addition, Audit Scotland in its Code of Audit Practice makes it clear that the audited bodies are responsible for developing and implementing systems of internal control, or internal financial control, including risk management, and for conducting annual reviews of the effectiveness of the system of internal control.

1.4 Furthermore, the 2004 Best Value guidance was refreshed in 2020 and is structured around seven themes which include Risk Management as an integral part of demonstrating Best Value.

1.5 The purpose of this Strategy is to clearly define Inverclyde Council's approach to Risk Management and support officers and Members in managing risks and opportunities effectively, putting them in a stronger position to deliver the corporate objectives.

1.6 The Risk Management Strategy will therefore be an essential element of the strategic planning processes and will be focused around corporate and Committee objectives. The Strategy will focus on detailing the processes for identifying, assessing, evaluating and managing the risks that face the organisation and how these will assist in the delivery of the corporate goals.

2. RISK MANAGEMENT POLICY STATEMENT

2.1 **Policy statement**

Inverclyde Council is dedicated to the management of risks within its control to enhance the Corporate Governance process, and in doing so aims to:-

- Identify, assess and manage risks;
- Safeguard the Council's assets; and
- Enhance the delivery of its services to the Community.

2.2 **Aim**

The aim of this Strategy is to deliver a consistent, effective framework and approach for managing risks across the organisation at all levels. This will aid the achievement of Inverclyde Council's corporate goals.

The approach is to use best practice tools and techniques to manage the risks that the Council faces, with the aim of reducing the level of risk in the organisation to a tolerable level.

The Strategy aims to focus on the organisation's processes, and looks to raise the awareness of risk and its importance throughout the organisation, enabling front line staff, managers and directors to identify and manage risk in a controlled environment. It is also intended to make risk management an integral part of the strategic planning process through the Committee Delivery Plans.

2.3 **Objectives**

To facilitate the effective delivery of the Risk Management Strategy, the following objectives have been identified:-

- to deliver more effective financial and resource management, and maintain effective stewardship of public funds;
- to meet statutory responsibilities;
- to minimise the Council's exposure to risk and potential loss;
- to promote and support health and safety, welfare issues and appropriate people management both internally and externally;
- to promote a more risk aware culture for employees and Elected Members;
- to improve and enhance service delivery;
- to achieve better forward planning through identifying and prioritising risks;
- to protect and promote a favourable corporate image; and
- to embed robust systems for identifying and evaluating significant risks.

2.4 **Outputs**

The Council aims to demonstrate the achievement of these objectives by:-

- Including Risk Management as an integral part of its management processes and day-to-day operations through corporate, committee and service delivery plans;
- Ensuring sound systems of internal control;
- Incorporating Risk Management into major service reviews including Best Value and project management;
- Preparing contingency plans in areas where there is a potential for serious adverse effects on service continuity;
- Regular monitoring and review of arrangements; and
- Ensuring that legislative responsibilities in relation to the management of risk are responded to and met.

2.5 **Scope**

The Risk Management Strategy is directly applicable to the Council's Directorates and Services as follows:-

Directorate	Services
Chief Executive	Finance Services; Legal, Democratic, Digital and Customer Services
Education, Communities and Organisational Development	Education; Culture, Communities and Education Resources; OD, Policy and Corporate Communications
Environment and Regeneration	Physical Assets; Regeneration, Planning and Public Protection

Where appropriate, strategic partnerships and specific projects will also be covered by the strategy, following due engagement with partners to develop and deliver the risk management requirements in these areas. As noted below, the Inverclyde Health & Social Care Partnership has its own risk management arrangements.

3. **INTERFACES**

3.1 Risk Management is part of the overall Corporate Governance framework for the Council. While the responsibility for risk management policy development and co-ordination lies in Legal, Democratic, Digital and Customer Services and is co-ordinated by the Head of Legal Democratic, Digital and Customer Services, there are a number of key interfaces that must be managed to support the effective transition of risk management across the Council.

3.2 **Internal Audit**

The Internal Audit service provides an independent and objective assurance and advisory service to management and the Audit Committee. The assurance role of Internal Audit is to provide an opinion the adequacy and effectiveness of the processes by which risks are identified, prioritised, managed, controlled, mitigated and reported.

3.3 **Insurance**

While the overall Risk Management Strategy is not insurance driven, insurance is one form of response the Council adopts to manage risk. By implementing effective risk management, Inverclyde Council should be better placed in the insurance market to achieve cost effective premiums. Therefore, close liaison will be required with the insurance team in Finance to review the number and types of claims, and trends as risk management becomes embedded.

3.4   **Health & Safety**

Inverclyde Council has made a significant investment in terms of having qualified staff with a Corporate Health and Safety team.

The Health & Safety function sits within the OD, Policy and Communications service but there is clearly a need for Health & Safety and risk management to interface. While specific Health & Safety risk assessments must continue to be conducted, major risks should be included in the service risk registers. Therefore, the Corporate Risk Adviser and the Health and Safety team leader will meet regularly to review common areas of risk to support the achievement of best practice, and escalate any identified areas of concern to the Head of Legal Democratic, Digital and Customer Services and the Head of OD, Policy & Communications.

3.5   **Civil Contingencies**

The Civil Contingencies Act 2004 came into effect in Scotland in various stages between 2004 and 2006. The specific Regulations made under the Act are the Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005, which came into effect in November 2005. This legislation requires local authorities to have business continuity strategies and plans in place and tested. Risk management ties in with business continuity management in the low probability, high impact risks which, if they occur, could constitute an emergency situation for the Council, potentially resulting in key services or systems failing. The Council operates a shared civil contingencies planning arrangement with Renfrewshire, East Renfrewshire and West Dunbartonshire Councils.

3.6   **Physical Assets**

The Assets Team, within Physical Assets, is responsible for the operational management and control of the Council's property portfolio and requires to demonstrate compliance with various regulatory requirements encompassing, for example, electrical installation, PAT testing, asbestos management, Disability Discrimination Act compliance, gas installations and fire assessments. Due of the inherent risks in these operations, and the need for appropriate and consistent corporate responses it is important that the Assets Team engage in the Council's risk management process through participation in the Corporate Risk Management Group. This will allow structured discussion on property issues in the context of risk management as a whole.

3.7   **Inverclyde Integration Joint Board**

Whilst the Council and the Inverclyde Health & Social Care Partnership share a corporate risk adviser post, the Inverclyde Integration Joint Board's Integration Scheme sets out its own responsibilities for risk management, and it is this to which services within the Inverclyde Health & Social Care Partnership will have reference to, and not this Risk Management Strategy.

RISK CONTEXT

4.1   The Risk Management Strategy is objective driven, and the risk registers will clearly link to the corporate, committee and service objectives and plans.

The complete integration of risk management into the culture of the organisation can only be achieved through the full commitment and understanding of all stakeholders, including:-

- ◆   Elected Members;
- ◆   Corporate Management Team;
- ◆   Senior Managers; and
- ◆   All Council Officers.

All of these stakeholders have a role to play in the control environment within which the Council operates, whether in connection with policy setting and decision making, the accountability challenge process, the implementation of Council objectives, setting of internal controls or the provision of a safe working environment.

Ultimate responsibility for the delivery of Council objectives lies with the Council, Chief Executive and the Council's Corporate Management Team (CMT).

To take the agenda forward, the Chief Executive has lead responsibility for Corporate Risk Management.

Operationally, a Corporate Risk Management Group (CRMG) will be established to steer the development of the overall approach and to provide a mechanism for ongoing monitoring and review. CRMG members are required to be of appropriate seniority and experience, and are identified and nominated by Directors to represent the interests of the Directorate or of specific Services within each directorate.

The Chief Executive, or an alternative senior officer responsible to the Chief Executive, chairs the quarterly meetings of the CRMG.

The role of the CRMG members has been defined as being to act as representatives of their directorates and provide a conduit between the Corporate Management Team and directorate/service risk management operations.

The terms of reference for this group are as follows:-

- To develop and embed risk management as part of the culture of the Council.
- To monitor the risk profile of the organisation against the Council's desired risk appetite.
- To monitor the effectiveness and output of the risk management process.
- To assess the overall population of risk within the Committee Delivery & Improvement Plan and service risk registers, including any changes during the period.
- To consider and challenge risk prioritisation as provided by the risk owners, including discussion of any perceived discrepancies.
- To prioritise and accelerate those risk management strategies that are critical to the achievement of corporate objectives.
- To ensure that risk management is appropriately embedded within line management and that this process is monitored.
- To reach agreement on the significant matters arising in the period that should be brought to the attention of the CMT and Audit Committee.
- To monitor the effectiveness of Council wide policies and to feed into strategy development and review.
- To review the results of internal audit reviews and reviews by external bodies.

- To provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Council, with a view to sharing good practice.

Reports from the CRMG are submitted to the Corporate Management Team on at least an annual basis.

Regular risk management updates are provided to the Audit Committee, with a Risk Management Annual Report being presented to Members after the end of each financial year.

5. RISK IDENTIFICATION

This stage can be separated into two distinct phases:

Initial risk identification – for Directorates or services that have not previously identified risk in a structured way.

Continuous risk identification – to identify new risks that did not previously arise, changes to existing risks and risks which have ceased to be relevant.

In either case, risks should be related to the Council's corporate objectives and be considered at both a strategic and operational level. Strategic risks focus on identifying the key barriers to successful achievement of the Council's objectives. Operational risks are more likely to focus on continuity of business services.

Common Areas of Risk are:

Strategic	Doing the wrong things as an organisation. Missing opportunities.
Financial	Losing resources or incurring liabilities.
Reputational	The Council's image. Loss of public confidence.
Political	Political embarrassment. Not delivering on local or national policies.
Partnerships	Specific risks to the Council as a result of being in a partnership.
Legal/Regulatory	Claims against the Council. Non-compliance.
Operational	Service delivery failure, targets missed.
Information	Loss of, or inaccurate data, systems or reported information.
Customer/citizens	Understanding their needs, delivery of services.
Environmental	Things outside of our control. Environmental impact of the Council.
People	Employees, management, Members, Chief Officers.

Not all services of the Council will have risks under all these categories.

6. ASSESSMENT, PRIORITISATION AND MANAGEMENT OF RISK

The Council has adopted a clear structured process for risk assessment for which both impact and likelihood are considered.

Some types of risks allow objective analysis eg financial risks whereas others may be more subjective eg risk to reputation. This assessment matrix allows for assessing all types of risk and considers the perspectives of the whole range of stakeholders likely to be affected.

The assessment is carried out by evaluating the impact if the risk is realised and the likelihood of the risk being realised.

A framework document which outlines the Council's approach is attached at Appendix 3.

7. ASSIGNING OWNERSHIP

Once the risks have been assessed and the most appropriate treatment strategy chosen, an individual risk owner needs to be nominated.

Risk ownership is fundamental to the risk process as it identifies the person best placed to manage and influence the risk.

The owner will be accountable for either managing out the risk or reducing it to an acceptable level. Risk ownership needs to be assigned to individuals. Where the risk impacts across different areas, ownership will still be assigned individually, with nominated individuals assisting in the management of the risk.

Risk owners may delegate some actions to reduce or contain the risk, but they are still ultimately accountable to ensure the risk is controlled.

8. RISK REVIEW

8.1 Risk has to be reviewed and reported on for the following important reasons:

- To monitor whether or not the risk profile is changing;
- To gain assurance that risk management is effective; and
- To identify to both the Council and Corporate Management Team where and when further action is required.

With this in mind a risk reporting framework has been developed.

8.2 **Risk Registers**

Risk registers have been developed at corporate, committee, directorate, service and (where appropriate) project level. The risk registers, as a minimum, will contain:-

- A list of risks including their associated factors and consequences;
- The assessment of the likelihood and impact of the risks;
- The agreed strategy for treating the risk and the actions and control measures to be adopted;
- The acceptable level of risk after the controls have been implemented; and
- Details of the nominated risk owner.

The use of formal risk registers and risk progress reports will provide an effective basis for risk reporting and will provide a compliant audit trail.

8.3 **Corporate Risk Reporting**

To enable a complete assessment of the overall risks across the Council the reporting process is as follows:

A three staged process for the reporting of risk.

1. Following the completion of the risk management process in the service area the appropriate Head of Service and Director will sign off completed risk registers, as a true and accurate reflection of the risk exposure within the service area.

2. The registers will be presented at CRMG to establish if the associated level of risk is acceptable for the service. If the tolerance level of the risk is deemed to be too high, the CRMG will advise what tolerance level should be adopted and what appropriate action is to be taken by the service to reach the required level.

3. Each Committee register will also be presented to the Corporate Management Team and appropriate service committee for discussion and comment as part of the CDIP reporting process.

The Head of Legal Democratic, Digital and Customer Services will be responsible for compiling a Corporate Risk Register for the Council as a whole, taking the risk registers signed off by Heads of Service and Directors. This corporate risk register will be reported to the CMT on a 6 monthly basis, and following a full review reported to the Audit Committee and Policy & Resources Committee on an annual basis at the start of each calendar year.

The reporting process will allow the Council to determine both the individual and corporate risk tolerance levels across the organisation, meet corporate governance requirements and demonstrate to the Council the service areas of greatest risk exposure.

9. GENERAL

9.1 As risk management is being rolled out and embedded throughout the Council, it is imperative that staff, managers, heads of service, directors and Elected Members understand its principles and how these are adopted in practice.

9.2 **Raising risk awareness**

It is intended to provide risk management training as part of the corporate induction process for employees. Risk Management training is provided to Members on a regular basis as part of ongoing CPD requirements.

9.3 **Tailored/Specific Training**

If a service identifies there are specific training requirements, a tailored training package will be designed and delivered to meet the required needs.

10. COMMUNICATIONS

So that the corporate Risk Management Strategy is communicated to as wide an audience as possible, a communications process has been developed. Once approved, a copy of the Strategy will be made available on the intranet and cascaded to service areas.

A series of briefings will also be undertaken to communicate the Strategy through the Service Management Teams.

Risk Management Cycle

Establish the context

↓

Identify risks

↓

Analyse risks

↓

Evaluate risks

↓

Treat risks

↓

Agree ownership

Communication & Consult

Monitor & Review
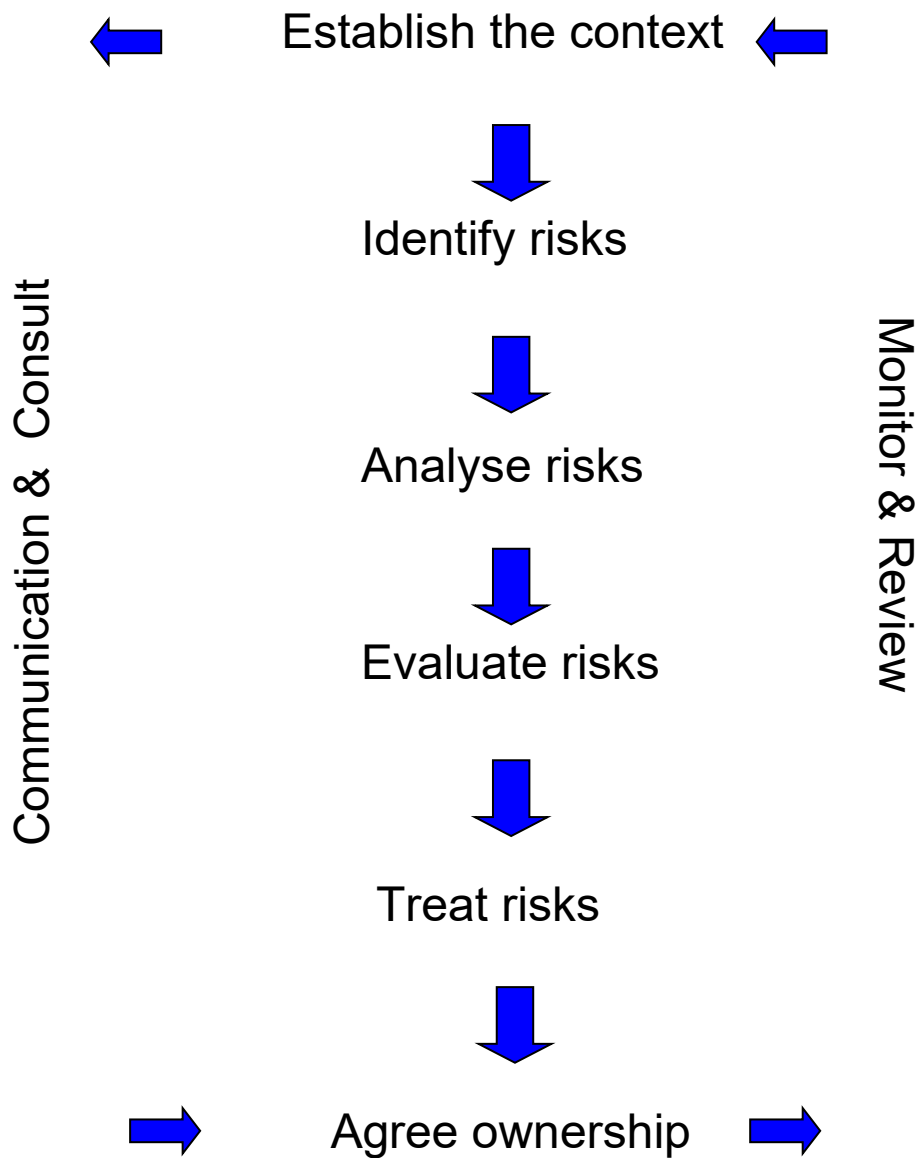
Roles & Responsibilities

The Council (through the Audit Committee and the Policy & Resources Committee)

- The role of the Council is to approve or ratify the Risk Management Strategy which will reflect the Council's risk appetite.
- The Council has responsibility to scrutinise policy effectiveness and review performance.

Chief Executive

- Provide strategic leadership that endorses the Council's Risk Management Strategy and plan, driving forward the identification and review of top risks.
- Responsibility for sign off and agreement of the Corporate Risk Register.

Directors

- Each director is responsible for ensuring that risks have been properly identified and assessed across all their work areas, particularly cross cutting risks.
- Responsible for agreeing risk register returns for their directorates, ensuring that Heads of Service actively address risks in their command and escalate risk upwards as appropriate.
- Personal ownership of relevant Corporate risks and effectively address and report on their progress.

Corporate Management Team

- Determine and ratify risk policy and strategy.
- Set strategic direction.
- Define risk appetite.
- Ensure arrangements are in place to maintain a sound system of internal control.
- Consider the effectiveness of the system of internal control.
- Corporate responsibility for ownership of Risk Management Strategy and implementing the approach to managing risk and strategically reviewing the Council's key risks.
- Key risks to be agreed, owned and addressed by CMT.

CRMG

- Implementing policies on risk management and internal control;

- Identifying and evaluating the significant risks faced by the Council for consideration by the Audit Committee of the Council;

- Monitoring the management of significant risks to ensure these are appropriately mitigated;

- Satisfying itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;

- Providing adequate information in a timely manner to the Chief Executive and appropriate Committee on the status of risks and controls;

- Undertaking an annual review of effectiveness of the system of internal control and reporting on this to the Chief Internal Auditor, as part of their annual assurance review that is reported to the Council through the Audit Committee;

- setting policy and strategy for risk management;

- primary champion of risk management at strategic and operational level;

- building a risk aware culture within the organisation, including appropriate education;

- establishing internal risk policy and structures for directorates and services;

- designing and reviewing processes for risk management;

- co-coordinating the various functional activities which advise on risk management issues within the organisation;

- developing risk response processes, including contingency and business continuity programmes; and

- preparing reports on risk for the Audit Committee and the stakeholders.

Directorate Management Teams

- Nominating risk owners for the identified key risks.
- Regular review of risk profile and policy effectiveness.
- Accountable to the Chief Executive for monitoring the system of internal control and providing assurance to the Chief Executive/CMT that it has done so.
- Assessment of the effectiveness of the management of individual risks through quarterly monitoring of the directorate risk register.

Heads of Service

- Responsible for the review of key service risks.
- Responsible for embedding risk management across their services and identifying the priority risks in their command and particularly cross-cutting risks.

Head of Legal Democratic, Digital and Customer Services (Risk Management Responsibilities)

- Provide advice and guidance on risk management for both Officers and Elected Members of the Council in meeting their risk management responsibilities.
- Develop and co-ordinate the delivery of this Risk Management Strategy and annual plan across the Council and review its effectiveness.

Line Managers

- General responsibilities to ensure staff are familiar with the latest risk management policy, strategy and guidance.
- Ensure that where staff have risk management responsibilities, this is reflected in their work objectives.
- Responsibility to act upon risks identified by staff which cannot be managed at employee level.

Audit Committee

- Responsible for reviewing and agreeing the processes for managing risk in the Council.
- Allocating risk as an agenda item as often as required and no less than twice a year at committee and receiving feedback from the Head of Legal Democratic, Digital and Customer Services on implementation and performance of the risk process.
- Responsible for advising the Council on the performance of the processes and how effectively risk management is being embedded across the organisation.

Chief Internal Auditor (Audit Responsibilities)

- Responsible for auditing the risk management process across the organisation and assessing the effectiveness of its application.
- Identifying through the audit process areas of strength, weakness and non-compliance, advising on improvement areas.

Heads of Service (Risk Co-ordinator responsibilities)

- Co-ordinate with services and- Head of Legal Democratic, Digital and Customer Services over the details within risk registers.
- Update Pentana on significant changes to risk description, score, additional mitigations and new risks identified.
- Provide general feedback to CMT and Head of Legal Democratic, Digital and Customer Services on the implementation of the Risk Management Strategy and the various risk processes at local level.
- Focal point for cascading revisions to the central guidance of useful risk related information.

All Staff

- All staff are responsible for maintaining an awareness of risks inherent in their jobs and reporting to their line manager any risks that they are unable to manage.

Risk Owners

- Risk owners are accountable for managing the risks assigned to them in the risk register. While risk owners may delegate responsibility to others for action to control the risk, they are ultimately responsible for the risk.

Inverclyde
council

RISK ASSESSMENT AND PRIORITISATION FRAMEWORK

OCTOBER 2023

VERSION 1.0

Inverclyde council

Risk Assessment and Prioritisation Framework

1 **Introduction**

Risk management is an integral part of corporate governance and sound management. The effective identification, assessment and management of risk is key to helping organisations be successful in delivering their objectives whilst protecting the interests of their stakeholders.

Effective risk management will allow the Council to:

- Have increased confidence in achieving its desired outcomes.
- Contain threats to an acceptable level.
- Take informed decisions about exploiting opportunities.

This document describes the Framework within which risks will be assessed and monitored by Inverclyde Council and provides a step-by-step guide. It should be read in conjunction with the Council's Risk Management Strategy.

The Framework will allow Directorates and Services to:

- Undertake risk assessment properly and frequently as a natural way to communicate and plan for improvement.
- Better appreciate their role in managing the strategic and operational risks in their particular area of responsibility.
- Have a good understanding of their role in demonstrating risk is managed to acceptable levels.

There are four main stages to the risk assessment process:

- **Identification** – the means by which threats and opportunities are identified.

- **Assessment** – estimating the levels of impact and likelihood of the risks and opportunities and assessing which risks pose the greatest threat.

- **Management and Control** – developing and putting into place actions and control measures to manage the risk.

- **Review and reporting** – monitoring that the actions and control measures are appropriate, effective and still relevant, identifying changes in circumstances and environment and checking the effect on risk priorities, reporting on progress to the Council.

This document deals in turn with these four stages, describing processes, responsibilities and timescales.

2 Identification of Risk

This stage can be separated into two distinct phases:

Initial risk identification – for Directorates or services that have not previously identified risk in a structured way.

Continuous risk identification – to identify new risks that did not previously arise, changes to existing risks and risks which have ceased to be relevant.

In either case, risks should be related to the Council's corporate objectives and be considered at both a strategic and operational level. Strategic risks focus on identifying the key barriers to successful achievement of the Council's objectives. Operational risks are more likely to focus on continuity of business services.

Common Areas of Risk are:

Strategic	Doing the wrong things as an organisation. Missing opportunities.
Financial	Losing resources or incurring liabilities.
Reputational	The Council's image. Loss of public confidence.
Political	Political embarrassment. Not delivering on local or national policies.
Partnerships	Specific risks to the Council as a result of being in a partnership.
Legal/Regulatory	Claims against the Council. Non-compliance.
Operational	Service delivery failure, targets missed.
Information	Loss of, or inaccurate data, systems or reported information.
Customer/citizens	Understanding their needs, delivery of services.
Environmental	Things outside of our control. Environmental impact of the Council.
People	Employees, management, Members, Chief Officers.

Not all services of the Council will have risks under all these categories.

2   Identification of Risk (Continued)

When considering risk, typical phrasing could be:

Loss of …		
Failure of …	leads to …	resulting in …
Lack of …		
Partnership with …		
Development of …		

3   Assessment and Prioritisation of Risk

The Council has adopted a clear structured process for risk assessment for which both impact and likelihood are considered.

Some types of risks allow objective analysis eg financial risks whereas others may be more subjective eg risk to reputation. This assessment matrix allows for assessing all types of risk and considers the perspectives of the whole range of stakeholders likely to be affected.

The assessment is carried out by evaluating the impact if the risk is realised and the likelihood of the risk being realised.

For Inverclyde Council, we have adopted a 5 x 5 scale for impact and likelihood as follows:

3 Assessment and Prioritisation of Risk (Continued)

Risk Impact

	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Financial	<£100k	£100k-£250k	£250k-£500k	£500k-£1,000k	£1,000K>
Reputation	Individual negative perception	Local negative perception	Intra industry or regional negative perception	National negative perception	Sustained national negative perception
Legal and Regulatory	Minor regulatory or contractual breach resulting in no compensation or loss	Breach of legislation or code resulting in a compensation award	Regulatory censure or action, significant contractual breach	Breach of regulation or legislation with severe costs/fine	Public fines and censure, regulatory veto on projects/withdrawal of funding. Major adverse corporate litigation.
Operational/ Continuity	An individual service or process failure	Minor problems In specific areas of service delivery	Impact on specific customer group or process	Widespread problems In business operation	Major service or process failure impacting majority or major customer groups

Likelihood

	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Almost Certain
Definition	Not likely to happen in the next 3 years	Unlikely to happen in the next 3 years	Possible to occur in the next 3 years	Likely to occur in the next year	Very likely to occur in the next 6 months

3   **Assessment and Prioritisation of Risk (Continued)**

The first assessment of risk levels against these criteria should take no account of any measures or factors that may be in place to control the risk. This establishes the level of "inherent risk".
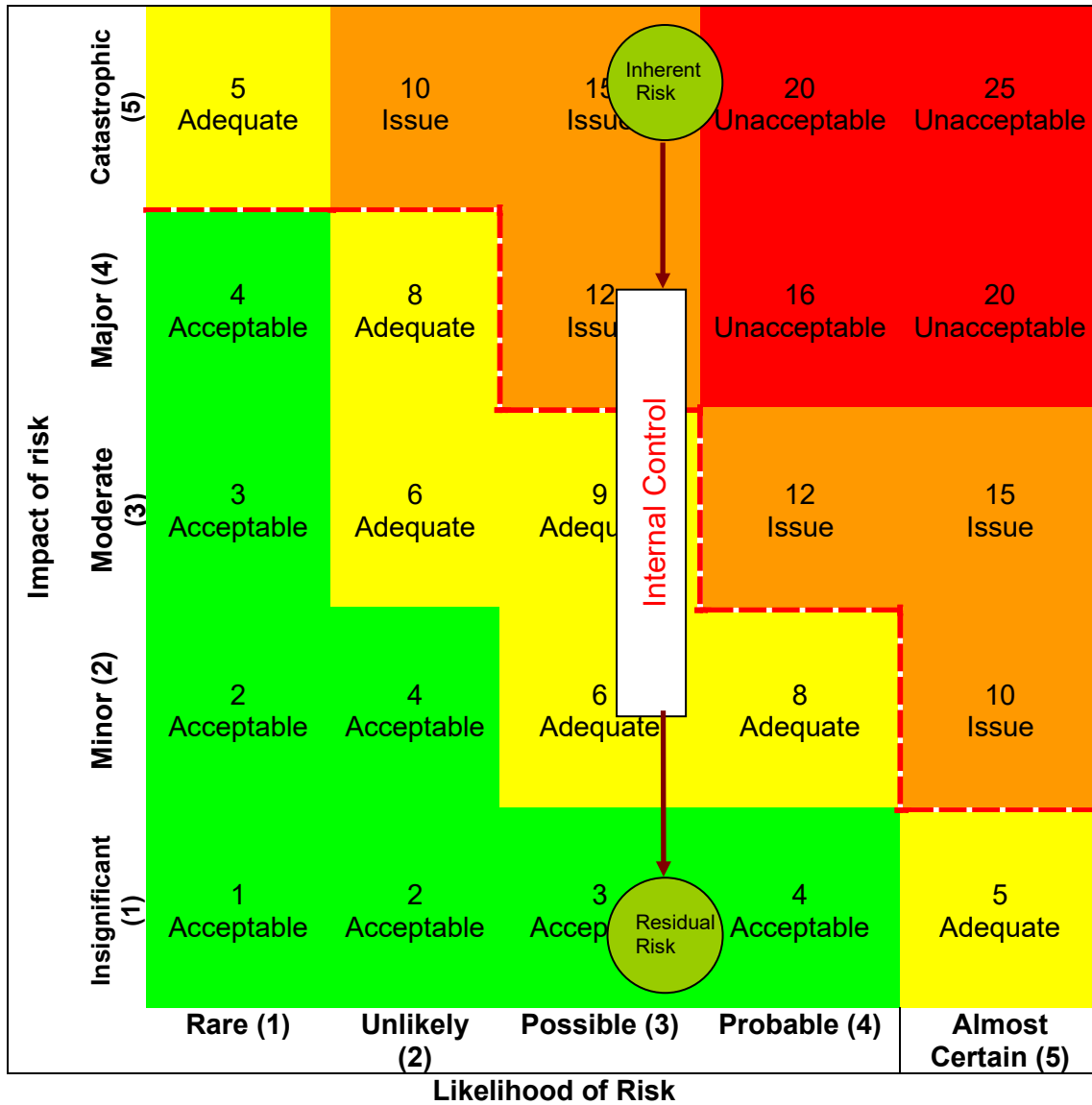
Having used the tables above to score the inherent risk (ie the risk before any corrective action is applied), the next step is to plot the inherent risks on the matrix as shown below.

		Rare (1)	Unlikely (2)	Possible (3)	Probable (4)	Almost Certain (5)
Impact of risk	**Catastrophic (5)**	5 Adequate	10 Issue	15 Issue	20 Unacceptable	25 Unacceptable
	Major (4)	4 Acceptable	8 Adequate	12 Issue	16 Unacceptable	20 Unacceptable
	Moderate (3)	3 Acceptable	6 Adequate	9 Adequate	12 Issue	15 Issue
	Minor (2)	2 Acceptable	4 Acceptable	6 Adequate	8 Adequate	10 Issue
	Insignificant (1)	1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Adequate

Likelihood of Risk

3 Assessment and Prioritisation of Risk (Continued)

Having carried out the inherent risk assessment, the next task is to establish what control procedures exist. These could include policies, protocols, regular meetings or any other activity that has the effect of controlling the identified risk. Once the control measures are identified and validated, a second risk assessment should be performed, again using the Likelihood and Impact criteria but this time taking account of the known control measures. The result of this second assessment is the "Residual Risk".

The table below shows the matrix discussed previously with colour coding to indicate levels of prioritisation.

Impact of risk		Rare (1)	Unlikely (2)	Possible (3)	Probable (4)	Almost Certain (5)
Catastrophic (5)		5 Adequate	10 Issue	15 Issue	20 Unacceptable	25 Unacceptable
Major (4)		4 Acceptable	8 Adequate	12 Issue	16 Unacceptable	20 Unacceptable
Moderate (3)		3 Acceptable	6 Adequate	9 Adequate	12 Issue	15 Issue
Minor (2)		2 Acceptable	4 Acceptable	6 Adequate	8 Adequate	10 Issue
Insignificant (1)		1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Adequate

Likelihood of Risk

Inherent Risk · Internal Control · Residual Risk

Risk Appetite - The boundary between the acceptable risks and those which require managing

3 Assessment and Prioritisation of Risk (Continued)

An explanation of the risk scores and how the risk should be managed is as follows:

Level of Risk (Inherent Risk Score)	Indicated by	How risk should be managed
Very High Risk (16-25)	**Red**	**Requires active management.** High impact/high likelihood: risk requires active management to manage down and maintain exposure at an acceptable level.
High Risk (10-15)	**Amber**	**Contingency plans.** A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from plan.
Medium Risk (5-9)	**Yellow**	**Good Housekeeping.** May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain the same.
Low Risk (1-4)	**Green**	**Review periodically.** Risks are unlikely to require mitigating actions but status should be reviewed frequently to ensure conditions have not changed.

4 Management and Control of Risk

We now need to consider what action is needed to manage the residual risks. The main options for addressing residual risk are set out in the following table:

| Tolerate	Is the exposure tolerable without any further action being taken? Even if it is not tolerable, the ability to do anything about the risk may be limited or the cost may not be proportionate to the potential benefit gained. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.
Treat	The greatest number of risks will be addressed in this way. While continuing the activity that gives rise to the risk, action is taken to limit the risk to an acceptable level. Where the decision is to treat the risk, mitigating actions need to be defined. It is important that any additional action is proportionate to the risk. Apart from the most extreme undesirable outcome, it is normally sufficient to design controls to give a reasonable assurance of confining any loss to a level that is acceptable to the Council. Each control action has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling.
Transfer	For some risks, the best response may be to transfer them. This might be done by insurance or by paying a third party to take the risk in another way. This may be considered appropriate as it reduces the risk to the organisation or because another organisation is more capable of managing the risk.
Terminate	Some risks will only be treatable to acceptable levels by terminating the activity. There may be limited opportunities for the Council as the activity is driven by legislative requirements.

5   Review and Reporting

It is important that the management of risk is reviewed and reported on a regular basis in order to monitor whether or not the risk profile is changing and to gain assurance that risk management is effective and to identify when further action is necessary.
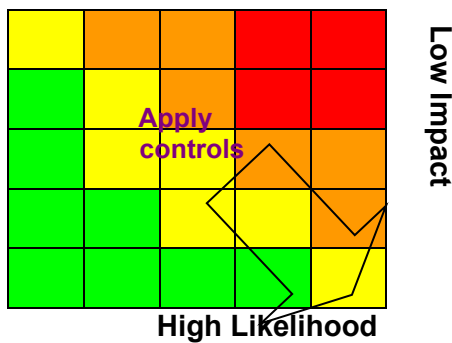
Risks should be monitored according to the following criteria:
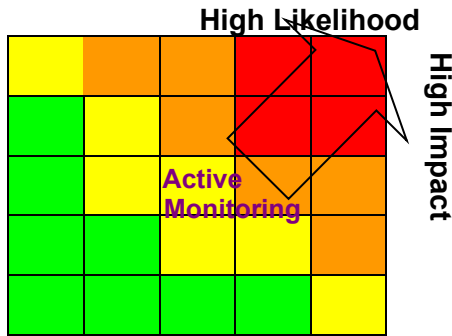

High impact and highly likely risks which must be managed effectively.
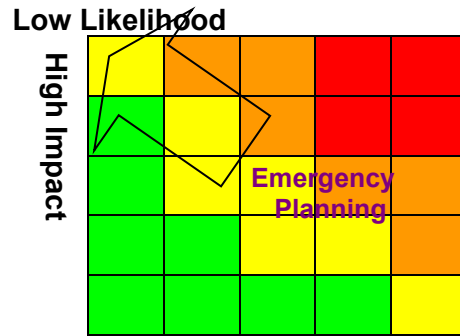
High Impact but not likely given either the controls in place or the nature of the risk. Management should periodically review controls and contingencies to deal with these risks.

Low impact and low likelihood risks which should be reassessed on an annual basis to ensure their impact and likelihood does not increase over time.
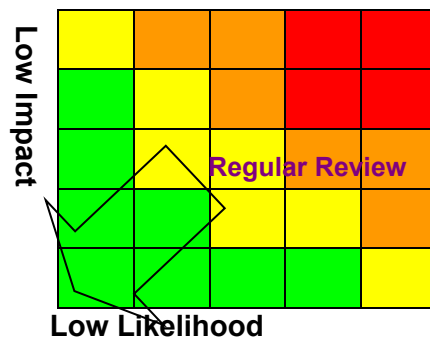
The Audit Committee is the responsible committee for ensuring that the Council's risk management arrangements are effective and operate as intended.

The Audit Committee will receive regular reports on risk management from the Head of Legal, Democratic, Digital & Customers Services.