

Risk Management: Update on ORG0043 and Internal Audit Partial Recommendations report

Lead Officer: Sheila Collins, Director of Finance

Author: Pam Pursley, Corporate Risk Manager, Insurance Service, Finance

Contact Details: 01823 359062, ppursley@somerset.gov.uk

Cabinet Member: Cllr Mandy Chilcott

Division and Local Member: All

1. Summary / link to the County Plan

- 1.1.** The management of risk has a direct link to the Council's Business Plan, the Medium Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management is an essential component of good corporate governance.
- 1.2.** This report contains the latest information, obtained from our risk management system JCAD, for the Strategic risk ORG0043 and current information relating to the progress of the SWAP partial audit recommendations.
- 1.3.** Audit Committee members need to be assured that the management actions (those work tasks required to mitigate the risk to an acceptable level) and compliance with the review process, are sufficient.

2. Items for consideration

- 2.1.** As a minimum, all strategic risks should be reviewed on an annual basis to confirm the risk, as described, is still current. Following such a review by Sheila Collins, of the strategic risk "maintain a sustainable budget" (ORG0043) the description and mitigation has been updated.
- 2.2.** The updated risk report for strategic risk **ORG0043 - Maintaining a balanced budget for 2019/20** is attached as **Appendix A**.
- 2.3.** The Internal Audit Partial Recommendations report is attached as **Appendix B**. Further details of the current position concerning these audits can be found at Point 3.6 below.

3. Background

- 3.1.** Strategic risk management is the process of identifying, quantifying, and mitigating any risk that affects or is inherent in an organization's business strategy, strategic objectives, and strategy execution.

The benefits of strategic risk management are

1. greater likelihood of achieving strategic objectives;

2. more systematic decision-making leading to better quality decisions;
3. improved allocation of resources.

- 3.2. The annual review of strategic risk ORG0043, – Sustainable Budget; “Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2018/19. That we don't set a balanced budget for 2019/20. Risk that we don't have a short and medium term financial plan for SCC”, has taken place. The existing mitigating actions are all now complete.
- 3.3. The uncertainty over the future of Local Government Funding (Fairer Funding Review (FFR), Business Rate Retention (BRR), Spending Review) makes future funding planning less certain than for the last four years.
- 3.4. The review looked at the focus of this risk for 2019/20 acknowledging that improvement has been made, resulting in identification of the new updated risk description below;

Description: “Maintaining a balanced budget for 2019/20 and ensuring a sustainable MTFP”. There is a risk to the council’s long term sustainability if there are significant in-year service overspends, and or if the council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted.

Cause: Because reserves remain at low levels and the Council has a statutory duty to deliver services where demographic pressures remain high and volatile, and because significant savings remain to be delivered the Council:

- 1) is dependent on the Government clarifying the future of Local Government funding to enable effective longer-term planning, and;
- 2) must have a robust MTFP (2020-23) process that engages stakeholders.

Consequence: A balanced budget has been set for 2019/20 and the level of reserves improved during 2018/19. However, there remains a risk of service overspends due to demographic pressures and / or the non-delivery of savings in 2019/20.

On-going Local Government funding uncertainty means the Council can only develop its MTFP (2020-23) on sensible assumptions, rather than known funding allocations.

- 3.5. Alongside review of the risk description, likelihood and impact of this risk has also been re-evaluated, and the risk score remains at the current level of “very high” (4x4(16)).
- 3.6. There has been a strategic risk (ORG0043) concerning the financial situation of the Council since 2015 which, has regularly been reported to Audit Committee

and remains a focus for assurance on management actions.

- 3.7.** Appendix B is the Internal Audits partial recommendations report. This report highlights the progress of individual partial audits through to completion.
- 3.8.** There are a number of partial audits that remain open after several years. Audit Committee may wish to request, from the list below, the relevant manager attend a future Committee to provide assurance that progress is being made that will enable the audit to be finalised.

Ref	Title	First Year of Issue
SWAP0001	Adults – Direct Payments	issued 2015/16
SWAP0009	SCC Children’s Independent Placement Financial Controls 16 – 17	issued 2016/17
SWAP0014	Software Asset Management	2014/15
SWAP0015	Hardware Asset Management	2015
SWAP0020	Structural Failure of School Buildings	2015
SWAP0023	Passenger Transport	2015
SWAP0026	Education of Children Looked After	2017
SWAP0032	SCC Corporate Debt Management	2017 & 2018
SWAP0046	payment Card Industry Data Security Standard Compliance	2017

4. Consultations undertaken

- 4.1.** Each Strategic Risk is owned by the relevant SLT Director, who are responsible for the reviewing their risks, in many cases in conjunction with the Risk Manager, and assuring themselves that the actions for mitigation are appropriate and delivering the expected outcome.

5. Implications

- 5.1.** How successful the council is in dealing with the risks it faces may have a major impact on the achievement of the council’s business outcomes and the delivery of services.

6. Background papers

- 6.1.** Report of the Leader and Cabinet, paper C - 20 February 2019
Cabinet report on the Business Plan 2019/20.

Note For sight of individual background papers please contact the report author