INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

West Dunbartonshire Council

Interim management report – organisation wide controls
Audit: Year ended 31 March 2010

12 August 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

This interim management report is presented under the terms of our appointment by Audit Scotland.

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of West Dunbartonshire Council and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

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Executive summary

Areas of audit emphasis – update

The Council has taken action during 2009-10 to address the low level of uncommitted reserves which existed in the audited financial statements for 2008-09. It has reviewed its earmarked balances to ensure that these remain appropriate and in line with intended spending plans. It has also reviewed the prudential reserves limit to ensure that this remains appropriate to protect the Council from unexpected fluctuations in income and expenditure.

Corporate governance – organisation wide controls

A sound system of internal control is an essential part of robust corporate governance arrangements. Our work has included assessment of financial management, including budget monitoring, as well as risk management and scrutiny arrangements.

We have identified some areas where, although unlikely to result in significant risks to the achievement of organisational aims and objectives or the financial outturn reported in the financial statements, enhanced controls would strengthen the overall control, risk management and scrutiny framework. These areas include:

- reviewing policies and operating procedures;
- clear and consistent process for making phasing adjustments for budgetary control reporting;
- a review of the audit and performance review committee against the CIPFA guidance for local authority audit committees, which will include consideration of the role, skills and training for lay members, as well as ensuring regular meetings of the committee take place in accordance with schedule; and
- enhancement of the corporate risk management strategy and processes to ensure that risk management becomes embedded across the organisation, using the recently commissioned external consultant review as a basis for improvement.

Introduction

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. The *Code* specifies a number of objectives for our audit.

A key element of robust corporate governance arrangements is a sound system of internal control. Over the period of our appointment as the external auditors of West Dunbartonshire Council we review not only those systems of internal control that may be considered to be material in relation to the opinion on the accounts, but also those which require to be considered as part of the wider dimension of public sector audit.

Our approach to the audit is based on understanding and assessing West Dunbartonshire Council's structures and processes for decision-making, accountability, control and behaviours and what risks can affect the accounts. We then consider the audit procedures to address any identified weaknesses and identified risks. We assess areas with the greatest risk for misstatement and the effectiveness of internal controls at mitigating those risks.

Our audit is carried out in accordance with our responsibilities embodied in Audit Scotland's *Code of Audit Practice* ("the *Code*") and through the application of International Standards on Auditing (UK and Ireland).

Our recent audit fieldwork and this report meets the following objective under the *Code* applicable to 2009-10:

- review and report on (as required by relevant legislation, the *Code* and any guidance issued by Audit Scotland):
  - the Council's corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct; prevention and detection of corruption; and its financial position;
  - the Council's arrangements to achieve Best Value; and
  - other aspects of the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

In line with our audit plan overview, prepared for the audit and performance review committee on 10 February 2010 and considered by the committee on 7 April 2010, we have completed the 'understanding' and 'evaluating' phases of our audit. We will use the information obtained and the results of our testing to tailor our planned approach to our audit of your accounts during July, August and September 2010.

The purpose of this report is to report our findings as they relate to:

- developing our approach to key risk areas identified during our planning and understanding phases; and
- review of organisational-wide controls, including internal audit arrangements, arrangements to manage receipt and response to legislation and other circulars.

Audit phases

We undertake our work on your financial statements work in four key stages. We note our progress against these stages reported to you in our audit plan overview.

1 Planning

- Perform risk assessment procedures and identify risks
- Determine audit strategy
- Determine planned audit approach

2 Control Evaluation

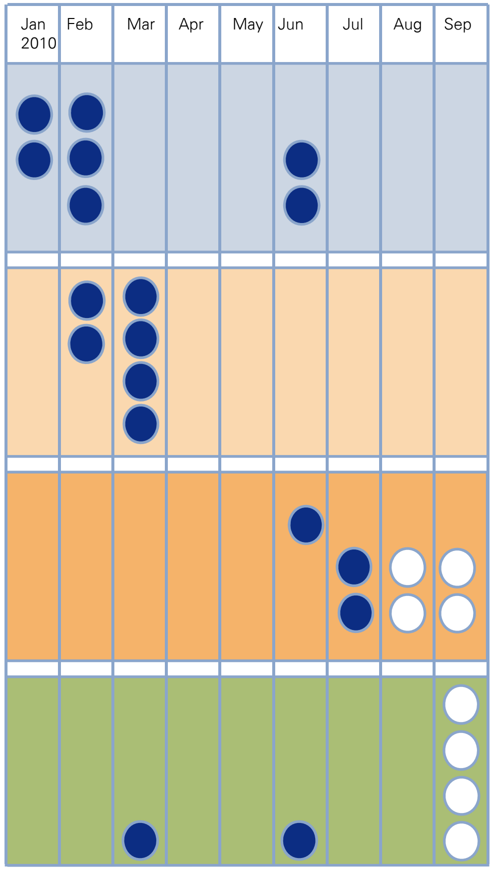
- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of significant misstatement

3 Substantive procedures

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

4 Finalisation

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit and risk management sub-committee reporting



Key

complete

to be completed

Areas of audit emphasis - update

During the planning process we identify key risks for specific consideration during the audit.

Our planning process has identified the following specific areas of audit emphasis. As our risk assessments are ongoing throughout the audit, this list is not exhaustive. We will feedback to you in our reports our findings in respect of all key areas of audit emphasis we identify, below we consider our findings to date.

Risk area	KPMG observations
Financial position	During the early part of the financial year management reported increasing overspends in its education, social work and housing environment and economic development (HEED) directorates. By period five of the financial year management were reporting a cumulative overspend of £0.6 million against budget for its directorate services, offset by a £0.2 million underspend on contingency funds and loan charges. Management subsequently imposed a spending and recruitment freeze to control expenditure and ensure that the Council did not generate a deficit for the year. In October 2009, £1 million of saving were applied across all departments budgets and allocated against a contingency fund within the Council's overall budget. A further £0.5 million of savings was also allocated to the contingency fund from a debt rescheduling exercise which occurred early in the year. As a result of these measures the Council's financial position has improved during the latter half of the financial year. The unaudited financial statements reported a surplus outturn against budget for the year of £1.4 million. Following the recommendation in our annual audit report on the 2008-09 financial statements audit, management have undertaken a review of the prudential reserves balance required to be held by the Council to meet unexpected fluctuations in income and expenditure. As part of this review, management have also reviewed the earmarked balances held at 31 March 2009. Following this review, the corporate and efficient governance committee approved a change in the methodology for calculating its target level of free reserves, to exclude expenditure on requisitions from the calculation of the prudential limit. It was agreed that the target level of 2% of expenditure, now net of requisitions would be the revised target. This is equivalent to £4.1 million based on the 2010-11 budget. The Council also agreed to release £1.5 million of earmarked reserves related to single status costs as these balances were considered to no longer be required to settle the Council's single status obligations. The uncommitted general reserves balance within the unaudited financial statements for 2009-10 has therefore increased to £3.4 million , which represents 83% of the Council's revised prudential target . Consent to borrow for equal pay The Council was granted consent by the Scottish Government to borrow for equal pay to a maximum of £4.413 million, with a maximum repayment period of 10 years. This reflects the impact which settlement of equal pay has had on the Council's reserves. Council approved a report in April 2010 to access this consent and undertaken borrowing where this provides the flexibility to the Council to restructure and make short term investment which will lead to long term efficiency.
	It is estimated that the annual repayment cost of the borrowing will be £0.550 million, which would need to be met by the general fund through the efficiency savings achieved.

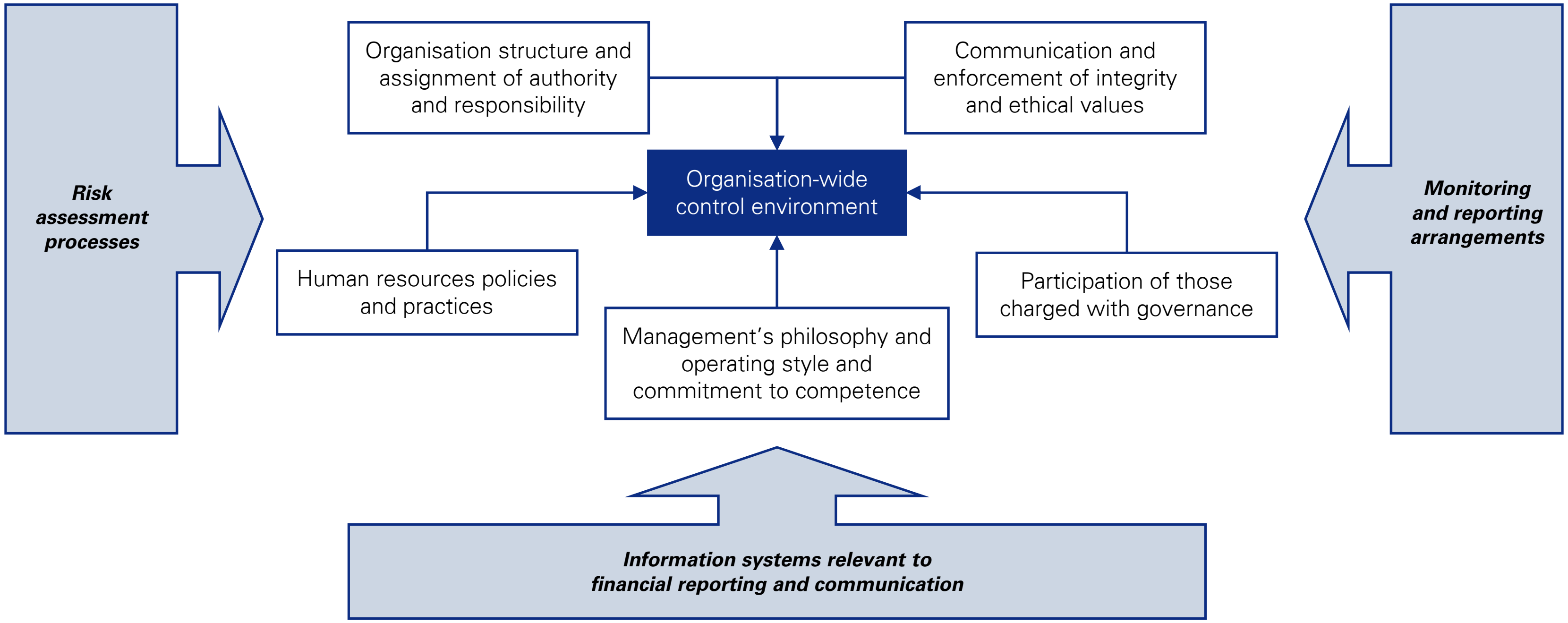
Areas of audit emphasis - update (continued)

Risk area	KPMG observations
Treasury management	The Council had short term borrowings of £25 million which matured on 20 January 2010. This amount has been replaced with a further short term loan. An updated treasury management strategy in line with the revised CIPFA "*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*" for 2010-11 to 2011-12 has been approved by Council in March 2010. Prudential indicators The prudential indicators for 2010-11 included the significant adjustment to the Council's underlying capital financing requirement as a result of the schools PPP coming onto the balance sheet under the revised 2009 Statement of Recommended Practice for local authority accounting. The revised 2009-10 indicator increased by £99.4 million. There is a prudential requirement that the Council's total debt (net of investments) does not exceed, except in the short term, the capital financing requirement in the preceding year, plus the estimates of any additional capital financing requirement in the current and next two years. This restriction is put in place to ensure that the borrowing is not taken for revenue purposes, but allows early borrowing for identified capital requirements where borrowing rates may be beneficial to the Council. In considering this requirement, the Council has correctly increased its net debt by the increase in the capital financing requirement brought about by the PPP schools. Treasury management strategy The Council adopted the treasury management policy statement along with four new treasury management clauses as part of the Council's financial regulations. This included the nomination of the audit and performance review committee as the appropriate committee to ensure effective scrutiny of the treasury management strategy and policies. In recognition of the increased requirement for member consideration of treasury management under the Local Government Investments (Scotland) Regulations 2010, the need for additional training and briefing of members in this area has been identified.
Application of International Financial Reporting Standards as interpreted by the IFRS-based Code of Practice on Local Authority Accounting	The Council will prepare its financial statements for the year ending 31 March 2011, in accordance with the IFRS-based Code of Practice on Local Authority Accounting. This will necessitate development of revised accounting policies and significant changes in the presentation of the financial statements. Management has already progressed to a restatement of its transitional IFRS balance sheet as at 1 April 2009. Further work will be undertaken to commence the restatement of the 2009-10 financial statements under the IFRS-based Code of Practice, once the UK GAAP statements have been completed.

Organisation wide controls

Organisation wide controls often have a pervasive impact on control activities, and therefore on our assessment of the risk of significant misstatement.

Entity level, or organisation wide, controls often have a pervasive impact on control activities over classes of transactions, account balances derived from management estimates, other account balances and disclosures and therefore on our assessment of the risk of significant misstatement. Audit procedures performed to gain an understanding about the design and implementation of relevant controls include inquiring of senior personnel, observing the application of specific controls and inspecting documents and reports.



Our work has included assessment of budget setting and reporting arrangements, financial management, risk management, communication strategies, committee structures, and arrangements for prevention and detection of fraud and irregularity.

Work on organisation-wide controls has included the review of relevant policies and procedures and consideration of the adequacy and appropriateness of the content. In addition, we reviewed evidence of processes such as risk monitoring and financial reporting, to confirm these are operating as intended. Our assessment of the Council's policies indicates that many policies are several years old. We recommend that management should review these policies including the code of conduct for employees and the whistle-blowing policy. We also note that the Council does not have standard operating procedures for all processes, while in some areas procedures have not been updated for several years.

Recommendation one

Organisation wide controls (continued)

Internal audit

Our audit planning process identified the specific areas where we planned to rely on the work of internal audit to minimise duplication of effort. We have continued our liaison with internal audit and updated our understanding of their approach. Our consideration and assessment of the internal audit function confirmed that the internal audit function is technically competent, takes due professional care and provides an objective service.

We have reviewed the following reports and concluded that we will place specific reliance on the following financial controls audits:

- accountancy systems; and
- cash and bank.

We have noted that the review of procurement and capital contracts are not yet complete. We will update our of review of internal audit's work, in respect of these reviews, during our financial statements audit. Internal audit have reported completion of 98% of their planned systems work for the year. Other aspects of the planned work was impacted by a loss of 277 days due to staff turnover, which resulted in the contracting out of one main review. The resignation of the computer auditor means that in future years, the Council will seek to have specific computer audits performed on an outsource basis.

We have concluded that we are able to continue to place formal reliance upon the findings of internal audit.

National Fraud Initiative ("NFI")

The Council continues to take part in the 2008-09 NFI exercise, in line with all other local authorities in Scotland, as well as health boards and other public sector organisations. Payroll and housing and council tax benefit information remains the main dataset for local authorities. Creditors' payment history and standing data were also added to the 2008-09 exercise as a 'risk-based' dataset, and the Council elected to take part in council tax to electoral register matching data.

We previously recommended that the Council take a more strategic approach to the NFI from that followed in the 2006-07 exercise. We note that the Council has reported progress of its activities on the 2008-09 exercise to the audit and performance review committee, to ensure member oversight of the work undertaken.

We submitted a questionnaire on the Council's processes and performance to Audit Scotland in February 2010. This was used in the preparation in May 2010 of Audit Scotland's national report on the 2008-09 NFI in Scotland. The Council should assess the overall results of this exercise and lessons learned from the process for the next NFI exercise.

The Council has satisfactory arrangements in place for participation in the NFI exercise and should consider its process for the next exercise.

Organisation wide controls (continued)

Budget setting and monitoring

When the final budget is set ,every budget line within a cost centre is phased over the year in the ledger to show the anticipated pattern of spending over the year. This ensures that monthly budget monitoring is meaningful and recognises genuine instances where budgets are over or under-spent rather than simply due to the timing of expenditure.

Our review of the budget monitoring process identified that all directorates make adjustments to the phasing of budgets throughout the year when preparing budgetary control reports which are presented to committees and Council. While some directorates demonstrated best practice by clearly showing all adjustments made to the original phasing of budgets and the reasons for these adjustments, this process is not universally used by all directorates. There is therefore a risk that adjustments could be made to the phasing of budgets which would not present a true reflection of a directorate's financial position.

We recommend that there is a clear and consistent process for making phasing adjustments for budgetary control reporting which show the amounts being adjusted and the reasons for each adjustment. We also recommend that in-year adjustments made are used to inform future years' phasing of budgets if these provide an increased accuracy of the allocations of budgets across the year.

Recommendation two

The Council included significant savings in its budget for 2010-11 including £1.6 million of savings from restructuring of various departments. Given the tight financial climate and the importance of achieving these savings there is a risk if these savings are not rigorously monitored and are not realised. Management have instigated a process of formal monitoring of savings and efficiencies to the strategic finance working group, providing progress towards achieving the targeted efficiency. It is noted that at this time , some of the efficiency lines still remain to be fully allocated as the specific means of achievement of the targeted savings remain to be agreed. It remains important that management is able to report back to members formally at the end of the year on the success in delivering the efficiencies identified.

Budgetary control within educational services

Budgetary control issues arising within educational services were identified by management and reported to Council in January 2010. A follow-up report to the audit and performance review committee in April 2010 outlined the reasons behind the issues, and the steps that had been taken by management to mitigate the impact of the anticipated overspend against budget. A number of financial checks have been implemented to ensure that the budget remains in line in future years.

Audit and performance review committee

The standing orders of the Council outline the responsibility of the audit and performance and review committee. The committee is charged with responsibility for:

- monitoring, and making recommendations on the development of, the Best Value and Continuous Improvement activity of the Council;
- monitoring, and making recommendations on, the performance management planning activity of the Council;
- monitoring, and making recommendations on the development of audit, risk management and performance review activity of the Council; and
- scrutinising the monitoring and review activity of the thematic and regulatory committees.

Organisation wide controls (continued)

Audit and performance review committee (continued)

Elected members therefore have a key role in performance management and scrutiny arrangements relating to both financial and non-financial information. Therefore, they should have the necessary skills to understand and evaluate information reported to the audit and performance review committees, as well as thematic committees. The Council volunteered to participate in the political skills framework, a pilot scheme completed by the improvement service, which requires members to complete a self evaluation of their performance and 360° feedback is given from officers of the Council. 50% of elected members volunteered to take part in the pilot and findings are being used to identify potential development areas; in turn this will increase their ability to perform a scrutiny role. It has been noted in the past that there has been difficulty in arranging elected member training and time to ensure they are kept up to date with local authority 'hot topics'. To address this issue, the Council are introducing 'business days' which will be fixed days in members calendars. The Council will coordinate all training to fall on one of these six days through out the year.

The audit and performance review committee has four lay members who represent the wider community. Attendance by lay members during 2009-10 has been poor with the highest attendance at 75%, whilst one member has not attended any meetings of the committee in year. Lay members were introduced to the committee to increase the level of independent scrutiny of the Council's financial and non-financial performance. Their lack of attendance, and therefore limited input, during committee meetings reduces the effectiveness of this aspect of the committee. We also note that lay members have not received any training, since their appointment in 2008, to ensure that they have the necessary skills to carry out their role.

It is recommended that a review of the role, composition, skills and training of lay members of the audit and performance review committee is undertaken to ensure that, as a body, they provide the additional scrutiny intended through their introduction.

Recommendation three

During 2010, two of the three scheduled meetings of the audit and performance review committee have had to be declared inquorate on the day of the meeting. The committee standing orders require five elected members to be present in order for the meeting to reach quorum. This was to ensure that should any votes be required at the committee, elected members would be in the majority of the lay members. On both of these occasions, five elected members did not attend, even although there was only one lay member of the committee present.

Given the importance of regular meetings of the committee, it is recommended that the standing orders for quorum attendance are reviewed to ensure that these continue to be appropriate to the requirements of the committee. It is also recommended that consideration is made to ensuring that attendance at the meeting is confirmed, except in exceptional circumstances, in advance so that the meetings can proceed as scheduled.

Recommendation four

CIPFA in Scotland has produced guidance for local authorities in Scotland *Audit Committee Principles in Local Authorities in Scotland.* This includes an Audit Committee Principles matrix which highlights the principles relevant to Audit Committees in Scotland. To demonstrate good practice in governance, it is recommended that the Council uses the Audit Committee Principles matrix to undertake an effectiveness review of the audit and performance review committee. This will help to ensure that the audit and performance review committee is well placed to properly scrutinise reports presented to it, especially as the challenges facing local authorities increase.

Recommendation five

Organisation wide controls (continued)

Corporate risk management

Risk management is key to the Council identifying and managing its weaknesses and achieving strategic goals. The Council recently underwent an internal audit review, conducted by external consultants, on the risk management arrangements at the Council. This review identified that there are a number of good processes in place across the Council for risk management, however a risk management culture is not embedded in the Council. The report identifies a number of actions to be undertaken by the Council, categorising these into broadly three types:

- those for the attention of members, and the audit and performance review committee;
- actions for the involvement of the corporate management team; and
- aspects to be addressed by the risk management officer.

Key to embedding a successful risk management arrangement is to ensure that there are sufficient arrangements in place to appropriate review and consider the risks facing the organisation at a strategic, corporate, departmental and operational level. The risk management strategy was reviewed and updated in August 2009.

The audit and performance review committee has responsibility for monitoring risk management, including review of the strategy and the corporate strategic risk register. Through review of audit and performance committee minutes and attendance at meetings, we note that during 2009-10 the committee has not received any update of the risk register or approved amendments to the risk management strategy. Both of these documents have been reported to the corporate management team which gives some assurance that risks are monitored and controlled. However, elected members should regularly receive and review the strategy risk register to ensure that all decisions made by the Council are fully informed.

Recommendation six

The Council has in place a corporate plan which is supported by departmental and operational plans and each plan includes a summary of the key risks facing the Council, department and service operation respectively. Consideration of risk in every level of planning in the organisation ensures that risk is considered. However, we note that risks included in plans are not always reflective of those held in the risk registers. These risks recorded within the risk register should be reflective of those identified in plans to ensure that actions taken are appropriate to match performance.

Recommendation seven

Where risks are identified, the following structure provides a basis for effective risk management across the Council:

- all risks should have one of four actions under the ‘four T’s theory,’ whereby actions are Treated, Transferred, Tolerated or Terminated;
- all risks should be scored based on likelihood and impact;
- all financial risks must be quantified where possible to ensure adequate scrutiny is given to key risks;
- each risk should have an assigned risk owner responsible for implementing mitigation actions and updating the register.

Recommendation eight

Appendix one – action plan

Priority rating for recommendations		
Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weakness may therefore give rise to loss or error.	**Grade two** (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	**Grade three** (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the controls to meet their objectives in any significant way. These are less significant observations than grades one and two, but we still consider they merit attention.

No.	Issue and recommendation	Management response	Officer and due date
1	**Policies and procedures** Our assessment of the Council's policies indicates that many policies are several years old. We recommend that management should review these policies including the code of conduct for employees and the whistle-blowing policy. We also note that the Council does not have standard operating procedures for all processes, while some areas procedures have not been updated for several years. As the majority of the Council's departments will be subject to a redesign in the coming year, we recommend that they take this opportunity to establish or review the operating procedures for all departments. *(Grade three)*	Council regularly reviews its policies and has recently developed various new policies to deal with current issues. A programme of review will be developed and tabled at a future CMT. Also there has been significant process review and as structural changes are embedded – processes will change. A template for standard operating procedures will also be developed and agreed at CMT.	Head of Performance, Risk and Audit Phase 1 – 31 March 2011 Thereafter to be reviewed
2	**Financial Reporting** Our review of the budget monitoring process recognised that all directorates make adjustments to the phasing of budgets throughout the year. While some directorates demonstrated best practice by clearly showing all adjustments made to the original phasing of budgets and the reasons for these adjustments, this process is not universally used by all directorates. There is a risk that adjustments could be made to the phasing of budgets which would not present a true reflection of the departments financial position. We recommend that there is a clear and consistent process for making phasing adjustments for budgetary control reporting which show the amounts being adjusted and the reasons for each adjustment. We also recommend that in-year adjustments made are used to inform future years' phasing of budgets if these provide an increased accuracy of the allocations of budgets across the year. (*Grade two)*	The budget process will be developed during the process of centralisation of finance staff & procedures will be put in place to ensure a consistent approach is adopted for adjustments to phasings. In year adjustments are currently used to inform the phasings table each year, with new phasing options being made available to departments where appropriate. Departments review the budget phasing options prior to the start of the financial year to ensure the most appropriate phasing table is used.	Manager of Accounting 31 March 2011

Appendix one – action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
3	**Audit and performance review committee** The audit and performance review committee has four lay members who represent the wider community. Attendance by lay members during 2009-10 has been poor with the highest attendance at 75%, whilst one member has not attended any meetings of the committee in year. Lay members were introduced to the committee to increase the level of independent scrutiny of the Council's financial and non-financial performance. Their lack of attendance, and therefore limited input, during committee meetings reduces the effectiveness of this aspect of the committee. We also note that lay members have not received any training, since their appointment in 2008, to ensure that they have the necessary skills to carry out their role. It is recommended that a review of the role, composition, skills and training of lay members of the audit and performance review committee is undertaken to ensure that, as a body, they provide the additional scrutiny intended through their introduction. (*Grade two)*	A review based on the CIPFA Audit Committee principles in Local Authorities in Scotland will be undertaken which covers recommendations 3, 4 & 5 of this report.	Head of Audit, Performance and Strategic Planning 31 March 2011
4	**Audit and performance review committee** During 2010, two of the three scheduled meetings of the audit and performance review committee have had to be declared inquorate on the day of the meeting. The committee standing orders require five elected members to be present in order for the meeting to reach quorum. This was to ensure that should any votes be required at the committee, elected members would be in the majority of the lay members. On both of these occasions, five elected members did not attend, even although there was only one lay member of the committee present. Given the importance of regular meetings of the committee, it is recommended that the standing orders for quorum attendance are reviewed to ensure that these continue to be appropriate to the requirements of the committee. It is also recommended that consideration is made to ensuring that attendance at the meeting is confirmed, except in exceptional circumstances, in advance so that the meetings can proceed as scheduled. *(Grade two)*	As response to recommendation 3.	

Appendix one – action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
5	**Audit and performance review committee** CIPFA in Scotland has produced guidance for local authorities in Scotland *Audit Committee Principles in Local Authorities in Scotland.* This includes an Audit Committee Principles matrix which highlights the principles relevant to Audit Committees in Scotland. To demonstrate good practice in governance, it is recommended that the Council uses the Audit Committee Principles matrix to undertake an effectiveness review of the audit and risk sub-committee. This will help to ensure that the audit and risk sub-committee is well placed to properly scrutinise reports presented to it, especially as the challenges facing local authorities increase. *(Grade two)*	As response to recommendation 3.	
6	**Corporate risk management** The audit and performance review committee has responsibility for monitoring risk management, including review of the strategy and the corporate strategic risk register. Through review of audit an performance committee minutes and attendance at meetings, we note that during 2009-10 the committee has not received any update of the risk register or approved amendments to the risk management strategy. Both of these documents have been reported to the corporate management team which gives some assurance that risks are monitored and controlled. However, elected members should regularly receive and review the strategy risk register to ensure that all decisions made by the Council are fully informed. *(Grade two)*	The performance Management Framework sets out the timetable for reporting Risk Management matters to elected members. This will be fully implemented in future.	Manager of Risk & Performance 31 December 2010
7	**Risk management** The Council has in place a corporate plan which is supported by departmental and operational plans and each plan includes a summary of the key risks facing the Council, department and service operation respectively. Consideration of risk in every level of planning in the organisation ensures that risk is considered. However, we note that risks included in plans are not always reflective of those held in the risk registers. These risks recorded within the risk register should be reflective of those identified in plans to ensure that actions taken are appropriate to match performance. *(Grade two)*	A review of risk registers will be undertaken as part of the Council's response to the recent audit report.	Manager of Risk & Performance 31 March 2011

Appendix one – action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
8	**Risk management** Where risks are identified, the following structure provides a basis for effective risk management across the Council: • all risks should have one of four actions under the 'four T's theory,' whereby actions are Treated, Transferred, Tolerated or Terminated; • all risks should be scored based on likelihood and impact; • all financial risks must be quantified where possible to ensure adequate scrutiny is given to key risks; • each risk should have an assigned risk owner responsible for implementing mitigation actions and updating the register. *(Grade two)*	These issues will be considered as part of the implementation of recommendations made in the recent audit report.	Manager of Risk & Performance 31 March 2011