



Education Labour
Relations Council

Risk Monitoring for Second Quarter 2016-17
01 July – 30 September

Internal Audit Report

1. Executive Summary

- 1.1. The role of internal audit is to provide objective assurance on the effectiveness of risk management, that is, major business risks are being managed appropriately and that risk management is operating effectively.
- 1.2. The purpose of this report is to summarise the work of the risk management team during second quarter and highlight its activities to promote the effectiveness of the process deployed to identify, assess, prioritise and mitigate the key risks which could affect the overall achievement of Council objectives.
- 1.3. The scope included:
 - Reviewing the quarterly management of key risks,
 - Evaluating the reporting of key risks,
 - Evaluating risk management process, and
 - Giving assurance that risks are correctly evaluated.
- 1.4. The activity was limited to the review of the second quarter risk register and it was conducted in the form of a brainstorming session whereby participants, as business process owners, provided their inputs and additional information that was finally used to develop risk registers.
- 1.5. Risk management process
A risk to the ELRC is any event or action that could have a negative impact on the Council. This includes events that could lead to:
 - Death or injury.
 - Financial loss to the Council.
 - Damage to the Council's reputation or adverse media coverage.
 - Damage to the physical environment, including land, water or air quality.
 - Failure to meet regulatory or legislative requirements.

In addition the failure to identify and capitalise on opportunities is also considered a risk.

It is essential that the ELRC is aware of what risks it faces, and takes adequate precaution to avoid significant damage as a result of those risks.

- 1.6. The following programmes participated in the risk register review session that took place in the last week of September 2016:
 - Corporate Services,
 - Dispute Management Services,
 - Finance and Supply Chain Management Services
 - Collective Bargaining Services, and
 - Executive Services.
- 1.7. Since reporting in July 2016, the Strategic Risk Register has been reviewed and updated and has identified that there has been some positive movement in the status of the Risk Register.
- 1.8. The updated Register is attached at **Appendix A**.

2. Movements in the Strategic Risk Register

- 2.1. A process followed by management to identify efficient and effective ways to mitigate against the risk, occurred by either:
- Removing the risk
 - Reducing the likelihood of the risk impacting on the Council
 - Reducing the consequences if the risk were to occur, or
 - A combination of these approaches.

- 2.2. A number of further control actions have now been progressed or completed and the key movements are outlined as follows:

- **Risk 01) Failure to adequately execute the ELRC strategy due to non-commitment by parties**

The existing risk controls are still in place and working effectively, hence reducing the likelihood of the risk impacting on the Council. To further strengthen these controls, an audit of the effectiveness of EXCO oversight role and responsibility is scheduled for the fourth quarter

- **Risk 02) Financial health of ELRC. For example, failure to secure a levy increase,** Based on the concluded collective agreement on levy increase which will come into effect on the 1st April 2017, this risk is no longer relevant therefore has been removed on the risk register.

In the meantime, the implemented cost containment measures are closely monitored to ensure a continued healthy financial for the remainder of the year.

- **Risk No: 03) Failure to speedily and efficiently finalise dispute resolution cases** With the number of strong controls in place and stringent monitoring, the risk score has decreased but remained within the medium threshold.

- **Risk No: 04) Inability to protect the rights of children**

The risk score has decreased but remained within the medium threshold. This is due to the Council having secured venues with the assistance of the following entities: Teddy Bear Clinic, Department of Social Development and Magistrate Courts. With an increased in the number of venues of special disputes there is improvement on turn-around times for resolving children's disputes.

The process of appointment of interpreters and intermediaries in all arbitration cases involving children is an additional management action plan.

- **Risk No: 09) Employees not acting in the best interest of the Council**

The risk has been removed from the risk register because of the enforcement of a positive culture regarding compliance with HR policies, there is a strong set tone at the top.

- **Risk No: 10) Losing key talent to the competition**

There is no key talent lost in the reporting quarter. HR is currently creating system that encourages talent to develop right skills through the skills development programmes in place. The effectiveness of the controls has decreased the risk.

As an additional measure, HR is considering to implement skills transfer in the department where possible and practical.

- **Risk No: 11) Non-compliance with statutory duties, laws and business policies**
The level of non-compliance with business policies and standard operating procedure guidelines, slow implementation of audit recommendations and management action plans, non-adherence to time frames has increased the likelihood of the risk impacting on the Council.

Work is currently underway to implement a non-compliance issues log whereby management will report such issues on a monthly basis and corrective action plan. On the other hand, consequential management is being strengthened, internal audit will make a follow-up on the effectiveness of such action plans in the subsequent month on reporting. This control will ensure that issues of non-compliance are timely tackled and dealt with to avoid recurrence.

- **Risk No: 14) Bad publicity or negative relationships with employees, customers, parties, counterparties and regulators**
The monthly service rating reports indicate a good rating from stakeholders, although there are areas of dissatisfaction, but the overall rating is positive. Internally, disciplinary actions for contravening laws governing the ELRC are enforced, hence a positive movement in the risk rating.
- **Risk No: 15) Inadequacy or failure of execution of HR standards, policies and practices**
No longer relevant, therefore removed from the register.

2.3. The remaining seven (7) strategic risks have remained static in this quarter. However, existing risk controls are still in place and working effectively, actions continue to be implemented and the risks managed accordingly.

The current assessed levels of likelihood and impact of the risks which have remained static are as follows:

<u>Risk No.</u>	<u>Risk Rating</u>	<u>Likelihood</u>	<u>Impact</u>
5 & 6	Amber/Medium	Medium	Critical
7	Red/High	High	Critical
12	Green/Low	Low	Major
13 & 16	Amber/Medium	Low	Critical
17	Red/High	Medium	Catastrophic

3. Changes to the Risk Register

3.1. Seven (7) new risks were identified and added to the Risk Register are:

- 3.1.1. Loss of payroll information (Finance and HR)
- 3.1.2. Employee master file and changes without proper authorisation (Finance and HR)
- 3.1.3. Non-compliance with the Income tax regulation which may result in the ELRC being a non-exempt institution (Finance and Executive)
- 3.1.4. Data loss due data migration from Pastel partner to Evolution and VIP People (ICT)
- 3.1.5. Virus Attack (ICT)
- 3.1.6. Occupation Certificate not received from contractor (SHE)
- 3.1.7. Contact details in case of emergency not communicated to staff (SHE)

3.2. Four (4) risks were removed from the Risk Register because they are no longer perceived as risks due to them being superseded:

- 3.2.1. Low server capacity in ICT infrastructure (*ICT*)
- 3.2.2. Financial health of ELRC. For example, failure to secure a levy increase (*Executive*)

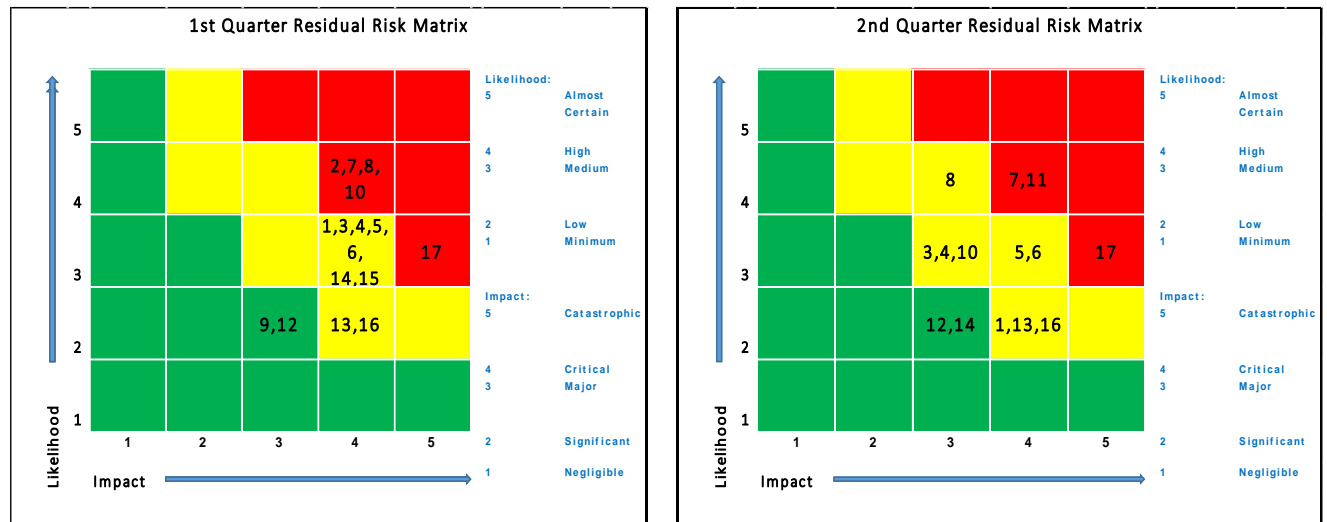
3.2.3. Inadequacy or failure of execution of HR standards, policies and practices (*HR*)

3.2.4. Employees not act in the best interest of the Council (*All Programmes*)

4. Heat Map

4.1. Figure 1 depicts the strategic risk matrix – changes in the residual risk levels (after controls) for respectively, identified through our risk register review process:

Figure1



Risk Rating

THRESHOLD (AVERAGE RESULTS)	THRESHOLD INTERPRETATION	SUGGESTED MANAGEMENT ACTION
Score 13 – 25	HIGH Unacceptable	Take immediate action to reduce risk exposure to an acceptable level
Score 8 – 12	MEDIUM Cautionary	Constantly monitor the risk exposure and related control adequacies
Score 1 – 7	LOW Acceptable	Duly consider reducing the cost of the control

5. Organisational Impacts

5.1. Finance - There are no direct financial implications arising as a result of this report. The cost containment measures are properly monitored to ensure Financial Sustainability towards programmes until the implementation of the levy increase collective agreement.

5.2. Legal implications including Procurement rules - The Council is required to have a sound system of Internal Controls which facilitates the effective exercise of the Council's functions. The maintenance of a Strategic Risk Register and the control actions which the Council undertakes are part of the way in which the Council fulfils this duty.

6. Risk Implications

6.1. The Strategic Risk Register contains the key strategic risks to the delivery of the Council's medium and long term priorities. A failure to monitor the action that is being taken to manage these risks would undermine the Council's governance arrangements.

7. Conclusion

7.1. Risks has been identified and assessed, action plans have been developed to further mitigate risks, the real risk management is to implement these action plans and embed management of risks into day-to-day activities of the Council.

Appendix A – 2nd Quarter Strategic Risk Register

No.	Risk Name	Risk Description	Risk Owner	Residual Risk Score			Further Mitigating Plan	Trend
				Low	Medium	High		
SR01	Strategy execution risk	Failure to adequately execute the ELRC strategy due to non-commitment by parties	<i>Executive</i>	Medium (8)			The effectiveness of EXCO oversight role and responsibility - audit scheduled for the fourth quarter	↓
SR02	Financial risk	Financial health of ELRC. For example, failure to secure a levy increase	<i>Executive</i>					
SR03	Dispute resolution risk	Failure to speedily and efficiently finalise dispute resolution cases	<i>Dispute Management Services</i>	Medium (9)			Consistent appointment of commissioners who dealt with the matters at first arbitration.	↓
SR04	Risk of protecting the rights of children	Inability to protect the rights of children. For example failure to make provision for intermediaries and interpreters for arbitration proceedings	<i>Dispute Management Services</i>	Medium (9)			Appointment of interpreters and intermediaries in all arbitration cases involving children	↓
SR05	Technology risk	ELRC technology strategy will fail. For example, that your technology KPI will fall behind the competition	<i>Information and Communication Technology</i>	Medium (12)			Implement and follow documented procedures so that infrastructure systems, including network devices and software, are acquired based on needs analysis and requirements intended to support, taking into consideration and the financial applications	↔
SR06	Security risk	Information security incident	<i>Information and Communication Technology</i>	Medium (12)			IT management to continue enforcing compliance with its policies, procedures, overall IT systems and processes	↔
SR07	Organisation performance risk	Tension between Parties	<i>Collective Bargaining Services</i>	High (16)			Provide a platform to encourage a sound relationship amongst parties	↔

No.	Risk Name	Risk Description	Risk Owner	Residual Risk Score			Further Mitigating Plan	Trend
				Low	Medium	High		
SR08	Collective bargaining risk	Dead-locks in collective bargaining processes	<i>Collective Bargaining Services</i>	Medium (12)			Continue to provide a platform for parties to deliberate on bargaining issues	↓
SR09	Corporate governance risk	Employees won't act in the best interest of the Council.	ALL					
SR10	Talent management	Losing key talent to the competition	<i>Human Resources</i>	Medium (12)				↓
SR11	Compliance risk	Non-compliance with regulations and law.	ALL	High (16)			<ul style="list-style-type: none"> •Improve on turnaround times for the implementation of audit recommendations, action plans, deadlines •Maintaining a compliance issues log and monthly checking and updating of the log 	↑
SR12	Marketing risk	Marketing of ELRC will fall short of expectations	<i>Research & Media</i>	Low (6)			<ul style="list-style-type: none"> •Plans to produce a corporate video to promote the ELRC at events, especially exhibitions are underway. •A link will also be created on our emails as well as our website. We will also send it out on WhatsApp to educators and the general public to market the Council. 	↔
SR13	Liability risk	ELRC services or corporate execution leads to legal liability issues.	<i>Executive</i>	Medium (8)			<ul style="list-style-type: none"> •Discussion and reprimand of commissioners to submit records. •Strict adherence to the fees policy. •Monitoring performance targets as set in the APP. 	↔
SR14	Reputational risk	Bad publicity or negative relationships with employees, customers, parties, counterparties and regulators.	<i>Executive</i>	Low (6)			Consider conducting a periodic assessment of the "tone in the middle" and "tone at the bottom".	↓

No.	Risk Name	Risk Description	Risk Owner	Residual Risk Score			Further Mitigating Plan	Trend
				Low	Medium	High		
SR15	Human resources risk	Inadequacy or failure of execution of HR standards, policies and practices	Human Resources					
SR16	Finance risk	Incomplete / inaccurate information within the financial statements	Finance		Medium (8)		<ul style="list-style-type: none"> •Implementation of Internal and external audit recommendations •Records management processes •Development of standard operating procedures for key components 	↔
SR17	Health and safety risk	Health and safety in the workplace. For example, unsafe environment, workplace stress, potential for injury	Health, Safety and Environment Committee		High (15)		<ul style="list-style-type: none"> •Obtaining of Occupational Certificate •Building maintenance • Conduct regular SHE awareness programmes to staff 	↔

Trend Legends:

↔ Risk score remain the same as the previous quarter

↑ Risk score has increased

↓ Risk score has reduced