

**Meeting of:** AUDIT COMMITTEE

**Date:** 27 JULY 2005

**Report of:** HEAD OF FINANCIAL SERVICES

**Reference:** LA

**Title:** RISK MANAGEMENT PROGRESS AND PROPOSED WORK PLAN

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To inform Audit Committee of the progress made to date with the risk management programme and to seek endorsement to proceed with the proposed work plan for the current year.

Also, to provide Audit Committee with the revised risk management policy and strategy in order that it can be formally approved.

## **RECOMMENDATIONS**

- 1 That the progress made to date with the risk management programme be noted.**
- 2 That the revised risk management policy and strategy (appendices A and B) be approved, and the supporting work plan for 2005/06 be endorsed.**
- 3 That the Chair of the Audit Committee and the Corporate Director (Central Services) be designated Risk Management Champions for the Authority, as set out in the proposed Strategy.**

## **REPORT**

### **1 INTRODUCTION**

- 1.1 Through the adoption of a Code of Corporate Governance, the Council has committed to ensuring that risk management plays an integral part in the sound governance of the Council.
- 1.2 The intention of a risk management policy is to promote the achievement of the Council's aims through the implementation of its risk management strategy. Audit Committee approved the existing risk management policy and strategy on 16 December 2003.
- 1.3 This report informs the Committee of the progress made to date with implementation of the existing strategy and outlines a proposed work plan for rolling out the risk management programme over the next 12 months.
- 1.4 In addition, the existing policy and strategy have been updated as part of an annual review and also to reflect the fact that, from June 2005, the Audit

Commission is changing the way it reviews the performance of Councils' financial management arrangements. The key changes are a strong focus on value for money, along with more stringent tests of other areas of financial management. This new approach will apply to all single tier, county and district councils in England and is designed to help Councils respond to the increased importance placed on making the best use of public money.

- 1.5 The Audit Commission's assessment of the financial management arrangements will be based on an annual Key Lines Of Enquiry (KLOE) review of the 'Use of Resources', with particular emphasis being placed on risk management within the line of enquiry relating to Internal Control. This review will identify high performance and areas for improvement aimed at helping Councils to develop ways of making better use of available resources to improve service delivery.
- 1.6 Under the Account & Audit Regulations 2003, the Council is required to produce and publish an annual statement (signed by the leading Member and most senior officer) regarding the effectiveness of its system of Internal Control. The Audit Committee has a specific duty to receive and review this statement and a report on its production in respect of the 2004/05 financial year will be presented to the Audit Committee's next meeting on 19 October 2005. Sound risk management arrangements are fundamental to the production of a compliant statement, and it is fair to say at this point that the review has highlighted the need for continued focus on strengthening risk management practices within the Council.
- 1.7 The updated risk management policy and strategy (Appendices A and B) should ensure that the Council continues to deliver best value and maintains its high standards of governance.

## **2** **PROGRESS AND CURRENT POSITION**

- 2.1 At its meeting on the 14 May 2003, the Risk Management Steering Group appointed Business Risk Management Ltd to facilitate risk management workshops on behalf of the Council.
- 2.2 This approach to identifying, scoring and managing corporate risk received the support of Corporate Directors and was ultimately combined with the need to prioritise the Council's objectives for the 2004/05 Corporate Plan. Two workshops, attended by Management Team, Service Heads and the majority of Council Members, took place in early September 2003, with the prioritised objectives and associated risks being presented to Cabinet Members on 16 September 2003.
- 2.3 In October 2003 the Internal Audit Manager began to develop an in-house risk register database. Plans have been made to implement a risk management module within the performance management system currently being developed in association with the Council's consultants Escendency. At the moment, however, priority needs to be given to developing the performance management element of the system and plans for the risk management module are presently on hold.
- 2.4 Since October 2003, the in-house risk register database has been further enhanced to provide individual computerised risk registers covering:
  - o **Strategic risks** relating to Corporate Plan objectives and priorities

- **Operational risks** – a database for every Service designed to be populated with Service specific business risks and relevant ‘cross-cutting’ risks
- **Corporate risks** – covering corporate risk areas e.g. Fraud and Corruption
- **Project risks** – risks specifically associated with Council projects.

Work has commenced to populate the risk registers with previously identified risks and it is intended for these to be reviewed during planned meetings in the near future with each Head of Service.

- 2.5 In December 2003, Audit Committee formally approved the Council’s risk management policy and strategy providing a corporate framework for embedding risk management and since then the Risk & Insurance Manager has provided detailed guidance, support and advice on all aspects of risk management and business continuity throughout the Council.

### 3 **WORK PLAN 2005-06**

- 3.1 Having taken into account the progress made to date with the risk management programme, and having also considered the Key Lines of Enquiry set out by the Audit Commission for the Use of Resources, the following work plan has been devised:-

<b>TASK</b>	<b>TARGET DATE</b>
Produce quarterly reports to Audit Committee.	From 26 July 05
Review and update risk management policy and strategy.	26 July 05
Produce strategic risk register linked to 2005/2006 Corporate Plan (to feed into 2006/07 budget & planning).	1 November 05
Improve risk considerations on Committee reports. (In conjunction with Administration Service’s report writing training)	1 November 05
Ensure that project initiation documents include an adequate risk assessment.	1 November 05
Ensure that partnership risks are specifically identified and that assurances are obtained regarding the management of those risks.	1 November 05
Develop a robust assessment of the Council’s risk management processes in support of the annual Statement of Internal Control and Corporate Governance as required by the Account and Audit Regulations 2003	31 March 06
Complete operational risk registers for each service.	31 March 06
Risk awareness training for all Service Heads and managers.	31 March 06
Further risk awareness training for Members (to be undertaken as part of the 2006/07 budget & planning process.)	31 March 06

- 3.2 Clearly there will be increased officer time required to roll out the programme over the next nine months. However, the Risk and Insurance Manager’s post

was developed specifically to deliver this programme and the Internal Audit Manager has included time within the annual audit plan to provide support.

- 3.3 Should the recommendations be approved and the work plan be delivered, the Council will make significant headway with its risk management arrangements and good progress in terms of its internal control environment. This should help demonstrate their effectiveness in future years' Statements on Internal Control.
- 3.4 Finally, the recommended Strategy incorporates some clarification to the Terms of Reference to the Audit Committee, and this will be fed into the next update of the Constitution.

### **FINANCIAL IMPLICATIONS**

There will be no financial implications other than officer time and potential use of the existing earmarked reserve.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments to add.

### **DEPUTY MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and has no comments to add.

### **DEPUTY SECTION 151 OFFICER'S COMMENTS**

The Deputy Section 151 Officer has been consulted and has no further comments to add.

### **BACKGROUND PAPERS**

Risk Management Policy and Strategy

Audit Committee Terms of Reference (The Constitution)