

AUDIT COMMITTEE

24 MARCH 2009

REVIEW OF RISK MANAGEMENT

Report from: Robin Cooper, Director of Regeneration, Community & Culture and Chair of Strategic Risk Management Group

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Summary

This report updates to Committee on the progress of the Council's risk management activities.

1. Budget and Policy Framework

- 1.1 Good corporate governance requires that local authorities identify all their significant strategic and operational risks, and put effective risk management and internal control systems in place. All local authorities are now obliged to publish an annual statement on their systems of governance, which include risk management and internal control.

2. Background

- 2.1 In February 2006, the Council recognised that the existing risk strategy and risk management would not meet the criteria for the CPA assessments. Key issues were:
- Lack of strategic risk progress, the Strategic Risk Management Group having ceased to meet following a reorganisation.
 - Existing strategy, prepared in 2005 needed to be updated
 - Information on risks was disjointed and had been approached in different ways; it was not easy to identify the most significant risks.
 - A corporate risk register should have been created, linking risks to Performance Plan objectives and assigned specific ownership for the management of each risk.
 - The quality of monitoring was variable.
 - Need to reinforce message that risk management forms an integral part of the performance management regime.
 - Need to engage Members.

- 2.2 The Council agreed that we needed to change the way we think about risk and that would require a culture change. A number of measures were agreed that would ensure that risk management process was robust and embedded into the organisation:
- Establish a Strategic Risk Management Group
 - Champions to promote risk management across the organisation
 - Develop a risk management strategy
 - Training for Members and officers
 - Develop risk registers to capture corporate and operational risks
 - Strengthened our project and performance management to better embed risk management
 - Ensure reports to support strategic policy decisions and initiation documents for all major projects include a risk assessment
 - Recognise that partnerships are key to the Council's strategic thinking and ensure that the risk management process takes this into account.
- 2.3 The process is continually being refined and Appendix A details progress on these measures. The latest Audit Commission Audit and Inspection Letter stated that our approach to risk was improving and appropriate steps are being taken to improve consistency of risk management.
- 2.4 It is proposed that the Council's new performance management system, Covalent, will be used to help manage the risks and their action plans. Trials are currently taking place and, if successful, managers will begin to record their risks in the system in April 2009. Monitoring and reviewing of risks will be by system generated reminders and reports.

3. Advice and analysis

- 3.1 Work to embed risk management continues. Risk Management training has been incorporated in both Member and Officer induction. Additional training for both officers and Members was carried out in February 2009 and systems are in place to identify further training needs via the Council's performance management systems.
- 3.2 The Strategic Risk Management Group is reviewing arrangements for reporting risks to Members to ensure that key strategic risks that could impact on achieving the Council's corporate objectives contain more detailed action plans to mitigate the risks.
- 3.3 Future work will be shaped by the Use of Resources 2008/9 KLOE for risk management, which focuses on the organisation having:
- effective risk management which covers partnership working;
 - a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption;
 - a sound system of internal control including internal audit.

4. Financial and legal implications

- 4.1 There are no direct financial or legal implications arising from this report although clearly the inability to control or mitigate risks could have a financial or legal impact.

5. Recommendation

- 5.1 Members are asked to note progress the progress of the Council's risk management activities.

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Appendices: Appendix A – Progress on risk management

Background papers

Internal Audit's management action plans from the risk management audits
2006/2007 & 2007/2008

Audit Commissions Key lines of enquiry for use of resources 2008
assessments

Progress on Risk Management

1. Revived the Strategic Risk Management Group. Chaired by a director with representatives from each directorate, the group's remit develop risk management processes and procedures that would enable risks to be identified and ensure appropriate mechanisms exist for dealing with these risks. The group meets quarterly and reports to Corporate Management Team.
2. Nominated Champions – Finance Portfolio Holder is Member 'champion' and members of the Strategic Risk Management Group (chaired by Director of Regeneration, Community & Culture) have been designated to promote and embed risk management in the organisation and champion the risk management agenda.
3. A risk management strategy was agreed by Council in April 2006 and is reviewed annually. Last reviewed in September 2008.
4. Action centred workshops for Managers took place in August 2007 for Corporate Management Team, February 2008 and February 2009 for service managers. Training is on going for new staff.
5. Specific responsibility for corporate risk management identified in the Terms of Reference for the relevant committees.
6. Member training to ensure Members are engaged in the process took place in February 2008 and February 2009 and is incorporated in Member induction. Over 46 Members have now received training.
7. Introduced a new single report template that incorporates a section on risk and sustainability impact for Corporate Management Team, Cabinet and Overview and Scrutiny Committees. Thereby ensuring that reports to support Strategic policy decisions and initiation documents for all major projects include a risk assessment.
8. The Council's Corporate Business Risk Register was developed in August 2007 and is reviewed every six months (last reviewed March 2009). It links risks to council objectives and individual portfolio holders. Relevant Director/Assistant Directors are named, lead on, and are responsible for mitigating actions.
9. Developed directorate risk registers to capture new and emerging risks as well as those in service plans.
10. Introduced a monitoring and escalation procedure to alert management if impact or likelihood of the risk increases.

11. Strengthened our project and performance management processes to better embed risk management:
 - **performance management** - new structure has put emphasis on performance management with a tier beneath the Assistant Director Communications, Partnerships and Performance.
 - **strategic planning** - the service planning framework supporting construction of the Council's business plan requires the identification of risk and this is reinforced by the quarterly review of activity in the Assistant Director reports to Portfolio Holder and Overview and Scrutiny chairmen and spokespersons. Training sessions have supported the identification.
 - **financial planning** - a comprehensive financial risk analysis is reported to members as part of the first monitoring cycle. This follows on from the higher level strategic financial risk assessment as part of the corporate risk analysis. Key Business Risks and management action plans (Corporate Management Team August 2007, reviewed 19 March 2008, and Overview and Scrutiny 12 May 2008)
 - **project management** - Risk management is fully integrated into project management – e.g. the “Risk and Management log” for the Gun Wharf project.
12. Strategy, Guidance and information on risk management on the 'Manager's Toolkit' site on Connections.
13. The Council's procurement process is a risk based gateway process. In essence progression from one stage of the process to the next is based upon an understanding of risk and therefore decisions are made to a large extent upon risk.
14. The Council now proactively considers the opportunity side of risk management in the successful delivery of major innovative and challenging projects. The following is an example of where this has happened:
 - For Gun Wharf the project risk management associated with the furniture removals and office moves revealed the potential for savings from re-cycling furniture to end moves as against new purchase and the transfer of equipment review yielded saving from the use of multi-functional devices.
15. Recognised that partnerships are key to the Council's strategic thinking and have ensured that the risk management process takes this into account. The most significant in Medway is the regeneration partnership. Key examples include the Rochester Riverside partnership with SEEDA that is guided by the collaboration agreement and Temple Waterfront involving private sector landlords.

16. Work on Rochester Riverside is being overseen by an officers' working group and cross party Members Board. Risks are identified and mitigation options discussed at both officer and Member Boards. Work on developments cannot go ahead until the development partnership agreements are signed.