

AUDIT COMMITTEE

26 SEPTEMBER 2012

REVIEW OF RISK MANAGEMENT

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

Author: Joy Kirby, Quality Assurance and Client Manager

Summary

This report updates the Audit 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 then CPA assessments. A number of measures were agreed that would affect a culture change and ensure that risk management processes were robust and embedded into the organisation. These have been incorporated into the action plan within the Risk Management Strategy.
- 2.2 The Council uses a risk management methodology and model that was developed by an external consultant. Each year Internal Audit carries out an annual review of the Council's progress in adopting and embedding this method for the identification, evaluation and recording of risk.
- 2.3 The Council's risk management activities continue to be co-ordinated by the Strategic Risk Management Group (SRMG), which is chaired by the Director of Regeneration, Community and Culture and includes the Chief Finance Officer and representatives from the service directorates and various support functions.

3. Advice and analysis

- 3.1 Whilst the Risk Management Audit 2011/2012 confirmed that current risk management arrangements are satisfactory, it identified a number of medium priority recommendations. These are detailed in the Appendix A, the Agreed Management Action Plan.
- 3.2 Further work has been undertaken since the Audit was carried out this includes:
- a) risk management information is now available on the intranet;
 - b) three training sessions for officers have been arranged for 17 October 2012, 6 December 2012 and 11 February 2013;
 - c) the report writing guidance has been amended to include risk ratings which will help Members determine the potential impact and likelihood of the risks occurring.
 - d) service risks have been uploaded in the Covalent and reports are being developed to produce directorate risk registers which will be circulated to Directorate Management Team (DMT) during October.
- 3.3 One of the recommendations relates to concerns that our risk management arrangements do not comply with current best practice in as much as significant inherent risks and the controls managing them are not recorded in the risk register and, as such, the organisation will not know what its exposure will be if controls should fail.
- 3.4 The Strategic Risk Management Group are meeting on 9 October 2012 to consider the impact on current arrangements and the resources required to implement new processes and procedures. This information will be reported to a future meeting of Corporate Management Team (CMT).

4. Financial, legal and risk implications

- 4.1 There are no direct financial, legal or risk implications arising from this report although clearly the inability to control or mitigate risks could have a financial or legal impact. Risk rating for this report is E3 (Likelihood: very low, Impact: Marginal).

5. Recommendation

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

Lead officer contact:

Joy Kirby: Quality Assurance & Client Manager Ext 1422 /email joy.kirby@medway.gov.uk

Appendices: Appendix A - Management Action Plan 2011/12

Background papers: Risk Management Audit 2011/12 Available from lead officer contact.

PROPOSED MANAGEMENT ACTION PLAN

| Rec no | Finding | Risk | Priority | Recommendation | Management action & responsible officer | Target date |
|--------|--|--|----------|--|---|--------------------------------------|
| 1. | It is unclear whether all managers and other stakeholders understand the limitations of the Council's risk management arrangements, in that significant inherent risks, and the existing controls being relied upon to manage them, are not recorded. | Controls relied upon to manage significant risks may be removed or diluted, particularly as a result of restructuring. | Medium | The limitations of the Council's risk management arrangements, in that significant inherent risks and the controls managing them are not recorded in the risk register, should be clarified in the risk management strategy and in future training provided to managers and Members. | The Strategic Risk Management Group are meeting on 9 October 2012 to consider the impact on current arrangements and the resources required to implement new processes and procedures. This information will be reported to a future meeting of Corporate Management Team (CMT) | 9 Oct 2012 |
| 2. | Medway's service planning procedures state that risks should be identified and evaluated, but no officer training has been provided during the year and the Member training provided in August was poorly attended. In addition, the Risk Management Strategy is not easily found on the <i>Just4You</i> intranet site, and there is no link to it from the managers' toolkit. | Members, directors, assistant directors and service managers may not have a consistent understanding of the Council's approach to managing risk. | Medium | Appropriate measures should be taken to maximise understanding of the Council's approach to managing risk. This might include publication of the risk management strategy on the <i>Just4You</i> intranet site and providing training to Members and relevant officers. | Risk Management web pages that include the strategy will be created in the Managers Toolkit on 'Just4you' and available week commencing 25 June 12. Three training sessions for officers have been arranged. Member Training will take place at induction. | 17 Oct 12, 6 Dec 12, 11 Feb 13 |

| Rec no | Finding | Risk | Priority | Recommendation | Management action & responsible officer | Target date |
|--------|--|--|----------|---|---|-------------|
| 3. | <p>Reports to Corporate Management Team, Cabinet, Council and committees include a dedicated section for risk management, and report writing guidance is available. The risks identified on 13 of the sample of 20 Cabinet reports selected appeared to be reasonable and comprehensive, but the remainder included only 'do not deliver', 'insufficient funding', 'overspend on budget' or 'insufficient resources'. 13 of the reports did not indicate potential impact and likelihood of the risks occurring.</p> | <p>Projects or initiatives fail to achieve desired/ predicted outcomes as potential risks may not be identified fully.</p> <p>Insufficient or excessive mitigating actions may be taken as no assessment of potential impact and likelihood.</p> | Medium | <p>a) Training on risk identification and management should be provided to managers who have not previously received it, to improve the comprehensiveness and relevance of potential risks reported to Cabinet.</p> <p>b) The report writing guidance should be updated to include risk ratings in the examples shown in paragraph 6.1.</p> | <p>See reference to training at 2 above</p> <p>The report writing guidance has been amended to include risk ratings which will help Members determine the potential impact and likelihood of the risks occurring.</p> | |

| Rec no | Finding | Risk | Priority | Recommendation | Management action & responsible officer | Target date |
|--------|--|---|----------|--|---|------------------|
| 4. | We understand that the Covalent system should be used as the corporate repository for divisional business plans, but only eight plans for 2011/12 were uploaded. | Potential disruption to service delivery, as a significant proportion of the Council's ADs may not have identified risks for the services for which they are responsible. | Medium | Assistant Directors should be reminded of the need to upload their divisional business plans to the Covalent system. | <p>Eight out of 11 plans were uploaded in 2011/12 which is 73% of the total. This was the first year in which ADs were asked to develop divisional plans; previously planning was undertaken at a service level.</p> <p>In terms of planning arrangements now, AD divisional plans give a strategic overview and are uploaded into Covalent as word documents. Actions from service plans are uploaded into Covalent and monitored by Service Managers. In terms of monitoring, the ADQ reporting process features a section on risk where ADs provide updates on risk management issues.</p> <p>The 2012/13 business planning process is drawing to a close and as part of this ADs and Service Managers are asked to provide risks.</p> | End of July 2012 |

| Rec no | Finding | Risk | Priority | Recommendation | Management action & responsible officer | Target date |
|--------|---|---|----------|--|--|-------------|
| 5. | The Risk Management Strategy states that only risks falling above the tolerance line (CII – significant and critical) need to be monitored, and that service managers are responsible for proposing actions to mitigate risks identified and allocating responsibility for mitigating controls. | <p>Risks considered to have an impact of 'marginal' or lower and a likelihood of 'low' or lower may not be recorded.</p> <p>Managers may fail to obtain assurance that existing controls are operating effectively.</p> <p>Additional mitigation actions required may not be taken.</p> | Medium | <p>The template for service and divisional plans should be amended, if practical, to:</p> <ul style="list-style-type: none"> • enable differentiation between existing controls already in place and future actions required; • show who is responsible for maintenance of each existing control. • indicate a target date for actions required and who is responsible for taking it. | The Strategic Risk Management Group are meeting on 9 October 2012 to consider the impact on current arrangements and the resources required to implement new processes and procedures. This information will be reported to a future meeting of Corporate Management Team. | 9 Oct 2012 |

| Rec no | Finding | Risk | Priority | Recommendation | Management action & responsible officer | Target date |
|--------|---|---|----------|---|---|---------------|
| 6. | Corporate Management Team review strategic risks every six months, but it is not possible to confirm that all service/divisional risks exceeding the tolerance level are being monitored as part of the AD quarterly reporting process. | <p>Significant risks may not be identified and/or reported to Corporate Management Team for inclusion in the corporate risk register.</p> <p>Potential disruption to service delivery, as ADs may not be monitoring the risks identified to providing the services within their responsibility.</p> | Medium | <p>a) On completion of the restructuring arising from the Better for Less programme, directorate risk registers should be devised to provide assurance that all risks exceeding the tolerance level are being monitored as part of the AD quarterly reporting process.</p> <p>b) Once produced, directorate risk registers should be reviewed formally by Directorate Management Teams on a periodic basis.</p> | Service risks have been uploaded in the Covalent and reports are being developed to produce directorate risk registers which will be circulated to Directorate Management Team during October | Oct 12 |
| 7. | There has been no representative from Children & Adults Directorate on the Strategic Risk Management Group for a considerable period of time. | Overall effectiveness of the risk management process could be compromised as the directorate delivers a substantial proportion of the Council's services. | Medium | An appropriate representative from Children & Adults Directorate should be nominated to join the Strategic Risk Management Group. | Discussion will be held with the new Director of Children and Adults Services. | Sept/Oct 2012 |