Dudley Metropolitan Borough Council

Agenda Item No. 7

Audit Committee - 2nd February 2006

Report of the Director of Finance

Risk Management Strategy for the 2006/2007 Financial Year

Purpose of the Report

1. This report sets out the Council's Risk Management Strategy for the period February 2006 to January 2007.

Background

2. The Council has been developing the use of risk management during the last few years and the initial strategy dealt with how a formal risk management process would be introduced into the Council's management procedures.

3. Significant progress has been made against the initial strategy and it is considered desirable to redefine the strategy to take account of the current position and the future areas for development of the risk management process.

4. Because this area of management changes quickly and the Comprehensive Performance Assessment criteria requires an annual review of the strategy the draft strategy included in Appendix 1 to this report is for one year. It is intended that the strategy will be reviewed early in 2007 and a report brought before this committee at a similar time next year.

Finance

5. There are no direct financial implications of this report.

Law

6. The Accounts and Audit Regulations 2003 require the Council to have a sound system of internal control which includes arrangements for the management of risk.

Equality Impact

7. This report does not raise any equalities issues.

Recommendation

8. The Risk Management Strategy for the period February 2006 to January 2007, included as Appendix 1 to this report, is approved.

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DIRECTOR OF FINANCE

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Appendix 1

CORPORATE RISK MANAGEMENT STRATEGY
February 2006 to January 2007

KEY PRINCIPLES

Risk Management in Dudley MBC will continue to follow recognised risk management principles. The principles are:

- Risk identification and analysis should be undertaken at the earliest opportunity in the business processes;
- Emphasis in placed upon assigning risk ownership and mitigating actions (controls);
- All identified risks will be recorded in the central risk register, which will be maintained by directorates and reviewed and moderated where appropriate;
- Assurance of the efficacy of identified mitigating actions(controls) is evidenced.

In addition to these fundamental principles, the strategy will be reviewed annually to ensure that it remains fit for purpose.

RESPONSIBILITIES

The Cabinet Member for Finance and the Director of Finance will continue to lead on risk management, bringing issues of risk management policy to the attention of Corporate Board. However all staff have a responsibility to bring to the attention of their line managers, any concerns they have about risks in their work processes or environment.

DISSEMINATION OF RISK MANAGEMENT

The Risk Manager, located within the Finance Directorate will work with the Assistant Director of Finance and Head of Audit Services to progress risk management. The Risk Manager will organise and chair the Risk Champions Group (RCG). The Risk Manager will also act as the custodian of the corporate risk register that will continue to be held on the database system called Magique. Its functionality and reporting systems will be reviewed and managed by the Risk Manager, in conjunction with the Head of Audit Services. Amendments to the format and content of the data held in the register, and the reports available from the register, will be made when necessary to ensure the register remains fit for purpose.

Every Directorate will identify a Risk Champion who should be a senior officer. This Risk Champion will be the Directorates representative on the Risk Champions' Group (RCG) and will be responsible for encouraging good risk management practice within their Directorate. The RCG will meet quarterly and its key terms of reference are:

- To ensure that risk management processes are represented in business planning;
- To provide a focus point through which Risk Management issues can flow;
- Ensure that directorate risk registers are maintained, reviewed and remain focused upon meaningful risks;
- To ensure that significant risks are identified and considered for inclusion in annual Statement of Internal Control.

ROLE OF DIRECTORATE MANAGEMENT TEAMS (DMT'S)

Directorate Management Teams (DMTs) must be instrumental in ensuring the risk register accurately reflects serious or key risks affecting their operations and that this strategy is implemented. DMTs shall apply the following principles to their operation of the corporate risk register.

- Emerging risks are entered and evaluated;
- Risks are reviewed appropriately but at least annually in all cases;
- A risk review date is entered onto the risk database;
- Links to Council plans and key indicators are shown where appropriate.

Strategic risks will be marked for attention of Corporate Board, Cabinet or Directorate Management Teams as appropriate. Priority for this strategy period should centre on consolidating our position on the CPA *Use of Resources (Key Line of Enquiry 4.1 & 4.2)*. Improvements in this area will be dependent upon embedding risk management in the following:

- Strategic planning
- Financial planning
- Policy making and review
- Project Management
- Performance management

MEMBER INVOLVEMENT

Members' involvement and endorsement is important. This will be achieved by continuing to train relevant members in the risk management process and refining a relevant and useful framework and timetable for reporting to members.

ROLE OF INTERNAL AUDIT

Risk Management and Internal Audit are inextricably linked. The Head of Audit Services will continue to have input into risk management processes and Internal Audit will review the Council's risk management procedures in accordance with recommended practices on the frequency set out in the Strategic Audit Plan.