

Audit Committee – 19th April 2007

Report of the Director of Finance

Risk Management Strategy - 2007/2008

Purpose of the Report

1. This report advises of key developments in the Council's Risk Management programme in the last 12 months and sets out the Council's Risk Management Strategy for the period February 2007 to March 2008.

Background

2. The Risk Management Strategy continues to reflect best practice **as well as the aiming for standards required in the Audit Commission's Use of Resources (U.o.R.)** Assessment, in particular Key Line of Enquiry (K.L.O.E) 4.1 *The Council manages its significant business risks*. Whilst the latest assessment (2006) has been scored 3 (out of a possible 4), this particular area was assessed as 2, therefore, it requires some key areas to be addressed in order to move forward. In particular:
 - a. To improve Risk Management within Partnership working
 - b. Ensuring members are actively involved with the Council's Risk Management Agenda.
3. Work to address these issues has already commenced. Namely,
 - a. Two dedicated training days in the summer were attended by AD's and principal officers involved with partnership working. To follow this work, the Risk Manager is working with the Council's key partnerships and with the relevant staff in the Chief Executive's Directorate to ensure a Risk Management framework is fully embedded throughout the Council's operations. Further work includes enhancements of the Partnership Evaluation Tool (P.E.T.) and re-launching of the document '*A guide for working in Partnership*'.

- b. During 2006 members involvement in risk management has been increased. Senior staff from the Audit Commission facilitated a Risk Management Seminar with your Committee and Cabinet Members in April, the outcomes of which were reported to this Committee on the 29th June 2006.

Also, Risk Management briefing sessions are now offered within the Members Training Portfolio and training was undertaken by four members in October with the Risk Manager. Training of this nature will continue to be accommodated upon request.

4. As part of ensuring that Risk Management and sound systems of internal control are in place throughout the Council, the Risk Manager and Acting Head of Internal Audit Services have developed a simple 10 point risk management assurance protocol to which all Directorates must subscribe. This protocol has been approved by the Corporate Risk Champions Group and will now form part of the revised Risk Management Strategy. (See Appendix 2 to the strategy)
5. The Corporate Risk Champions Group consists of representatives from all Directorates and has continued to meet on a regular basis throughout the year.
6. The appended Risk Management Strategy (see Appendix 1) reflects fundamental risk management principles, the aforementioned key issues, and considers the contemporary environment.

Finance

7. There are no immediate financial implications arising from this report.

Law

8. There are no direct legal implications arising from this report.

Equality Impact

9. There are no direct equal opportunities implications arising from this report with regard to:-
 - The effect of the decision on children and young people
 - Consultation with children and young people; and
 - The involvement of children and young people in developing the proposals.

Recommendation

10. It is recommended that:-

- The Strategy for the period February 2007 to March 2008 and associated Risk Management Assurance Protocol be adopted.



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Director of Finance

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List of Background Papers

Appendix 1 – Risk Management Strategy

Appendix 2 – Assurance Protocol

Corporate Risk Management Strategy

February 2007 to March 2008

Key Principles

Risk management in Dudley M.B.C. will continue to follow recognised risk management principles, they are:

- Risk identification and analysis should be undertaken at the earliest opportunity in the business processes.
- Emphasis is placed upon assigning risk ownership and mitigating actions (controls)
- A central, corporate risk register should be used by all directorates for recording and updating risks.
- Risk controls/mitigating actions should be regularly reviewed and tested for efficacy.

Formal Risk Management Assurance Protocol

To ensure a consistent approach and practical application of the aforementioned principles, a Risk Assurance Protocol 10 step procedure, (see appendix) has been developed and endorsed by the corporate Risk Champions Group and should be adopted by all directorates. This formal protocol will also assist Audit Services with its work on systems of internal control (S.I.C)

Roles & Responsibilities

Members – Cabinet Member for Finance will continue to lead on risk management and should ensure that all members are sufficiently informed about risk management to undertake their role. It will also be necessary for members of Audit Committee and or Cabinet to examine key risk issues in relation to the Council Plan on an annual basis. A seminar or special meeting will be organised by the Risk Manager and Assistant Director of Finance to assist this process. Awareness sessions conducted by the Risk Manager are publicised in the Members Training Brochure and will be undertaken upon request.

On an ongoing basis Members should look to the “background” section of standard reports to look for risk information.

- **Corporate Board** – Should, not less than annually, identify material strategic risk issues, detrimental or positive, directly impacting upon the Council Plan and play an active role in ensuring these risks are monitored. This should be accommodated during a dedicated session as part of Corporate Board agenda. Risks and control measures will be recorded in the Corporate Risk Register
- **Directors & Principal Officers** – should ensure that risk management within their directorate is carried out in accordance with the Corporate Risk Management Strategy. It is also a formal requirement of the standard “corporate report format” to include risk information either detrimental or positive in the “background” section of the report. This aspect of reporting is deemed of particularly importance in

relation to; strategic and financial planning, policy making and review and performance management.

- **Risk Champions** – Should attend quarterly meetings feeding in from and to their respective directorates the business of the group and risk issues from their respective directorates.
- **All staff** – Should remain cognizant of risks within the immediate working and operational environments, reporting risks and assisting with control measures.

Dissemination of Risk Management Information & Procedures

The Risk Manager, located within the Finance Directorate will work with the Assistant Director of Finance and Head of Audit Services to progress sound risk management practice. The Risk Manager will organise and chair the Risk Champions Group (RCG). The Risk Management & Insurance Section will maintain the corporate risk register, ensuring requisite access and reporting facilities are made available.

The database will remain electronic and the Risk Manager and Head of Audit Services will investigate and advise on the most appropriate hard and software for maintaining the risk register. Any recommendations for amendments/improvements to the corporate risk register will be taken to the Risk Champions Group.

Risk Champions – Terms of Reference

Risk Champions are responsible for embedding best risk management within their respective directorates. The group will meet quarterly and every directorate will provide a representative. The group's key terms of reference are:

- Ensure the 10 point Risk Management Assurance Process is undertaken
- Significant risk issues are brought to the attention of the group and to ensure any such issues are being properly addressed
- Provide a focus point through which risk issues can flow.
- Ensure consistency in the methodology used to manages risks and controls

Common Risks

Some risks are generic and will be common to all directorates albeit to lesser or greater extent. Many of these risks occur in the areas of:

- Human Resources
- Finance, Information and Communications Technology
- Health & Safety

Policies and procedures to provide guidance and to assist with control and mitigation of these risks are widely available and are regularly updated. Many of these policies, procedures, guides and tools are available on the intranet or by consulting the appropriate specialist Directorate.

These documents represent very important tools in the minimising and controlling of risk. Directors must therefore ensure that they consult, spread awareness and make suitable arrangements to ensure they are utilised within their respective directorates. Reference to common risks is available on the corporate risk register but Directors must accept ownership of common risks within their respective directorates.

Risk Management Match Funding

Application of sound risk management assists with the protection of Council's assets. In this regard and as an integral part of this ongoing strategy, dedicated Risk Management Funding for Specialist Projects continues to be made available. Funding for the financial year 2007/2008 will be £195k and is available on a match funding basis to all directorates including schools.

More often suitable projects will be of capital nature e.g. improved fencing, fire protection systems and intruder alarms, however support for specialist training or equipment will also be considered. Formal applications can be made via the Risk Management & Insurance Section. A copy of the formal criteria and application form is appended (appendix 2)

Immediate/contemporary issues

Much of the aforementioned part of the strategy represents recognised good practise and should continued to be operated throughout all directorates. In addition to these fundamental principles, this strategy will set out the most important areas of work for the forthcoming 12 months.

The steer for this will be taken from Key Lines of Enquiry (K.L.O.E.) for *Use of Resources Assessment*. Those areas deemed the most important for the current strategy period are:

- **Partnership Working** - Directors must consider risks in relation to partnership working and principles stated in this strategy should be adopted. In order to tailor these principles to specifically address partnership working, the Risk Manager is working with Chief Executive's Directorate and with the Partnership Working & Consultation Group (P.W.C.G.). This group has already discerned the Council's most significant partnerships, developed the Partnership Evaluation Tool (P.E.T.) and "*A guide for working in partnership*". The Risk Manager and Head of Audit Services will be working with Audit Commission to establish its definitive advice in this. Further information regarding this will be disseminated via the Risk Champions Group in its first meeting of 2007.
- **Performance Management** – Risks having the potential or likely to materially affect the achievement of Councils objectives must continue to be evaluated and reported upon. Existing tiers of management and formal adoption of the Risk Assurance Protocol should equip directors to discern key risks.

Key risks in relation to the Council Plan 2006/09 should be identified by members and by Corporate Board at least annually. The Risk Manager and Assistant Director of Finance will organise this process and the Risk Manager will ensure that the Corporate Risk Register accurately reflects this.

The Quarterly Corporate Performance Report will continue to provide the main mechanism for risk reporting. The Risk Management Section will circulate details of high net risks and those identified by Corporate Board. Directors via their respective Risk Champions will be asked to validate risks and controls and confirm to the Risk Management Section that these are the risks that they wish to be reported upon in the Quarterly Corporate Performance Report.

Review Period

All directorates should review their overall risk management procedures throughout the strategy period. However formal review of this strategy will commence in December 2007 and returned to this Committee and Risk Champions Group in February 2008.

Performance/Risk Management Assurance Protocol

Review criteria		Y	N	Comments / Guidance
1	Have any objectives for your Directorate changed, e.g. new services or projects? If so, have new risks been identified along with corresponding mitigating actions?			
2	Have risks been clearly identified and adequately described?			Risks not implications
3	Are the risk owners still valid?			Is this person still the most appropriate risk owner?
4	Are the risks still valid?			If the risk relates to a project, has this now progressed or been completed?
5	Are review dates still valid?			Is the next review date reasonable?
6	Is the assessment of the gross risk, i.e. likelihood / impact of risks occurring still valid?			Has this increased / decreased / remained the same?
7	Is the assessment of each mitigating action in reducing the likelihood of the risk and the impact, should it occur, still relevant?			Has this been correctly interpreted? E.g. the likelihood of major building damage is minimal but the impact, should it occur, would be major
8	Are mitigating actions still operating as intended?			Need to ensure that controls are operating to reduce risk
9	Are you happy with the NET STATUS of each risk?			Does this ring true or should it be up/down graded?
10	Director to sign off to confirm that the above is correct	Signed:		Date:

Guidance Notes:

- a) With a sound performance and risk management strategy in place, including designated responsibilities for monitoring and reporting, Directors will be able to certify that risks and mitigating actions have been reviewed and are operating satisfactorily.
- b) Your assurance as to whether mitigating actions (i.e. controls) will come from existing management arrangements and also any internal/external reports.
- c) The Assurance Protocol will need to be completed by each Directorate quarterly, with the relevant Director liaising with the Risk Champion to determine the arrangements in place to ensure compliance.