

FINAL ACCOUNTS AND AUDIT COMMITTEE

26th September 2005

RISK MANAGEMENT STRATEGY UPDATE

Purpose of the Report

1. To inform the Final Accounts and Audit Committee of progress to date in implementing the County Council's Risk Management Strategy, and to present the Committee with a schedule of the current strategic risks facing the County Council.

Background

2. Risk management should be a core element of an organisation's system of internal control and corporate governance, and it is therefore important that the County Council has an effective risk management framework as a vital component in the delivery of its services and the achievement of its corporate objectives. A key starting point in the process is to set out a clear strategy for managing risk across the various services and activities.

Main Considerations

3. The County Council's Risk Management Strategy (attached at Appendix 1) was approved by Cabinet in 2003, and since that time work has progressed to put in place the elements of the Strategy and to make these function in practice. We are now in a position where we have achieved the following:
 - a Corporate Risk Management Group has been established, tasked with driving the risk management process. The CRMG now meets quarterly and provides an important link between departmental management teams and Chief Officers
 - The CRMG comprises departmental risk representatives ('risk champions'), who act as risk co-ordinators within their departments
 - A risk register has been established, detailing both corporate and operational risks. This has now been organised into departmental segments, and accessible across the County Council's IT network, to nominated people across each department. The register now earmarks ownership of risks, and actions being taken to manage them
 - Each service plan details risks specific to that particular service

- A number of half-day training workshops have been held for service managers, to raise awareness of risk in general, and to discuss risk identification, assessment, and evaluation
4. Each departmental risk representative is tasked with ensuring that their departmental segment of the risk register is up to date, and that it has been agreed by their departmental management team. The task of CRMG is then to review the up to date register and agree the top strategic risks which need to be referred to the Corporate Management Board (CMB). This referral of strategic risks to CMB has been in operation since July 2004, and is now established as a quarterly process. The latest schedule of strategic risks is attached at Appendix 2.
 5. The position reached so far represents steady progress in developing the County Council's risk management framework, and this has been recognised by the Audit Commission in their recent Interim Audit Report, issued in July 2005.

"The Council now has comprehensive arrangements in place to identify, collate and categorise business risks. More recently, these risks have been ranked and are now being reported to chief officers and members periodically. However, this process is evolving and it is too early to determine whether the Council has effective arrangements in place to ensure that such risks are used to inform decision-making and whether risks are actually being fully managed."
 6. Nevertheless, we need to make further progress if we are to improve the consistency of risk reporting and risk management activity at departmental level, and to demonstrate that risks are being fully managed in all cases.
 7. In order to help drive this forward and achieve further progress, Internal Audit will work with departmental risk representatives over the coming months to examine their detailed processes for identifying, evaluating and reporting upon risks, and for ensuring responsibilities are assigned and action taken where necessary. The aim will be to identify and recognise good practice and extend this as far as possible across all departments, to improve the consistency and quality of risk management overall.
 8. In addition, Members will be aware that the Final Accounts and Audit Committee now has within its terms of reference, a responsibility for ensuring a systematic appraisal of the County Council's internal control systems, including the management of risk. In order to help the Committee perform this role, it is proposed to organise for Members a half-day risk management workshop as soon as practicable, which would be similar in content to those already run successfully for managers across all departments.

Summary

9. The main consideration is to note that an overall framework for risk management is in place and working, and that this is now highlighting strategic risks for the attention of Corporate Management Board on a

quarterly basis. Nevertheless, further work is needed to improve and maintain the consistency of risk reporting and detailed risk management activity within departments, and this will be the focus of attention for the remainder of 2005-06.

Environmental Impact of the Proposal

10. No environmental impact arises from issues raised in this report.

Financial Implications

11. There are no additional costs arising from this proposal. Indirectly, however, the strengthening of the Council's governance arrangements will bring about improvements in internal financial control.

Reasons for the Proposal

12. To inform the Final Accounts and Audit Committee of progress to date in implementing the County Council's Risk Management Strategy, and to draw to the Committee's attention the schedule of strategic risks currently facing the County Council. Also, to highlight further action to be taken over the coming months to embed risk management into overall management arrangements, in order to strengthen further the County Council's corporate governance arrangements.

Proposal

13. The Final Accounts and Audit Committee is asked to:
- (i) Note the progress to date in implementing the Risk Management Strategy, and the schedule of current strategic risks
 - (ii) Endorse the further action to be taken in the next 6 months, as outlined in paragraphs 6 and 7, with the aim of fully embedding risk management practices into departmental management arrangements over the course of 2005-06.

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Unpublished documents relied upon in the preparation of this Report: None

25/2006/FA&AC/SM