

## **AUDIT COMMITTEE – 17 NOVEMBER 2010**

### **RISK MANAGEMENT ANNUAL REPORT**

#### **Report by Head of Strategy**

#### **Introduction**

1. This Risk Management Annual Report summarises progress in this area since September 2009.

#### **Risk Management Key Actions October 2009 – September 2010**

2. The 2009 Risk Management Annual Report identified a number of key areas for improvement. These are summarised here under two general headings:
  - (1) Clarity, consistency and ease of use within the existing process.
  - (2) Improvements beyond the existing process.Sound progress has been made against both of these actions.

#### ***Clarity, consistency & ease of use in the existing corporate process***

The specific identified improvements under this heading were:

- To develop corporate risk reporting to ensure consistency of approach across directorates
- To refine the risk management process to ensure greater clarity between the reporting of 'issues' and 'risks'
- To review the effectiveness of the reporting of unacceptable levels of risk or mitigation to CCMT for action
- To review the risk management scoring and escalation process.

Work in these areas has progressed well. The following are some of the key actions taken:

- In consultation with directorate risk leads and advice from the Council's insurer, Zurich (provided at no extra cost), a new corporate risk register has been developed in order to provide a consistent approach across the Council, and also to both ensure clarity of what constitutes a risk and to introduce a more transparent risk escalation process
- The new risk register was piloted in some of our directorates in Quarter 1 (April – June 2010), and a corporate risk register was compiled, using the new template (including the new risk management scoring and escalation process). Given the current organisational pressures, the roll out of the new approach has now paused pending the outcomes of the Government's Spending Review, and the development of the

Council's Business Strategy. Regardless of which format is used, an acceptable minimum standard is being achieved across the whole Council.

- A 'Corporate Performance and Risk Management Report' for the 1<sup>st</sup> quarter of 2010/11, integrating measures for both performance and risk management, was considered by Cabinet on 15 September 2010. This was the first time these two business management processes were presented as one report. In co-operation with directorate risk and performance leads, work will continue to refine and enhance this new approach.
- Peer discussion between directorate risk managers has continued during the year, as have a series of intensive training days, jointly facilitated by the Policy Unit and by Zurich. These discussions include progress on the integration of risk and performance management.
- The Internal Control Checklists for March 2010 show risk management as effective in all directorates.

### ***Improvements beyond the existing process***

The specific identified improvements under this heading were:

- To evaluate the effectiveness of the new risk management peer review process and roll out as appropriate
- To extend the challenge of risk management by including regular scrutiny of risk in projects
- Upon review of the effectiveness of the new risk management peer review process with CYPF, to consider expanding to the other directorates.

Overall, considerable improvements have been made in the course of the year. In particular, the following activities have been undertaken (in line with the Risk Management Improvement Plan) to help embed good risk management practices:

- Presentation to the Audit Committee members on Risk Management and the integration of Risk with Performance (June 2010) ensuring our members are well informed
- Integration of Corporate Risk Management reporting with Corporate Performance Monitoring - leading to better overall decision making in terms of dealing with service improvements
- Risk workshop and training with key partnership members (March 2010) – this work will need further attention once future partnership arrangements are made clearer.

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- Maintenance of a Strategic Risk Register (updated in March and October 2010) – this allows the Council to keep track of issues that could impact on its overall ability to deliver services during specific pinch-points.
- A broad review and refresh of the Council's Risk Strategy (this work will continue in 10/11, and will be finalised in line with any changes to the Council's Corporate Governance Framework)
- Initial design and development of an E-Learning package (to be completed 10/11) – helping both Officers and Members to keep abreast of risk management practices
- A review of best practice risk management processes (Dec 2009 and Sept 2010) analysing how other councils are responding to Government changes (such as, for instance, the dissolution of Audit Commission) to ensure that we continue to pursue best practice.

### **The Year Ahead**

3. The key focus for the year ahead will be on completing and embedding the projects described above, and on maintaining the overall positive position that has been achieved – while the capacity to engage in further development will continue to be considered with reference to developments in the Council's Business Strategy (both in terms of savings and the culture change agenda). Processes will also continue to be challenged to ensure they are truly adding value to our performance (and the resulting service delivery), in the most efficient, and the least bureaucratic, manner.

### **Summary of progress**

4. Overall, improvement has been made in the management of risk.

Additionally, the Internal Control Checklists for March 2010 show risk management as effective in all directorates.

Officers continue to implement effective risk management work practices and work will continue to ensure best practise is reflected, going forward.

### **Conclusions**

5. Risk management has improved and advanced throughout the organisation in 2009/10, and the Council's risk function is performing well. In particular, significant advances have been made through the provision of training to directorate risk leads and the facilitation of a regular peer discussion group.

## **RECOMMENDATIONS**

5. **The Committee is RECOMMENDED to:**
  - (a) **note the progress to date; and**
  - (b) **provide any feedback on the report.**

TRACY LUCK  
Head of Strategy

Contact Officer: Alexandra Bailey, Corporate Performance & Review  
Manager Tel: (01865) 816384

## Risk Work Programme 2010-2011

### 1. LEADERSHIP: leadership and support for risk management

**Outcomes:** Risk Management is reinforced and sustained through the attitudes and behaviors of Directorates and Heads of Service. The culture of the Council is seen by managers as one that makes the most of risk opportunities, with a sound risk appetite supporting taking appropriate risk at all levels.

Actions to achieve outcome	Milestone/success criteria	Timeframe	Lead officer
Risk registers are actively used to manage risk in Directorates and risks facing the council as a whole.	Regular updates to senior management.	Quarterly	Des Fitzgerald
	Regular updates to AWG/Audit Committee	Quarterly	Des Fitzgerald
	Development of directorate work plans to address leadership and support.	March 2010	Directorate risk leads
	Regular briefings with the Risk Champions (Member and Officer)	At least quarterly	Belinda Dimmock-Smith

### 2. People: risk management skills

**Outcomes:** To further develop the organisational culture to one where:

- Risk management is accepted as an integral aspect of all managers' day jobs
- Risk and performance management are seen as complementary
- Risk documents are dynamic and routinely used to inform management decisions
- Risk drives the innovation needed to move beyond the achievement of incremental performance improvement
- Taking properly calculated risk is considered desirable

To improve the understanding and application of risk management by all members and managers who have risk management responsibilities

<b>Actions to achieve outcomes</b>	<b>Milestone/success criteria</b>	<b>Timeframe</b>	<b>Lead officer</b>
Review Intranet risk management guidance	Guidance reflects current best practise	Next refresh March 2011 (and then on a sixth months basis thereafter)	Belinda Dimmock-Smith
Include appropriate level of risk awareness in the induction for all new Members of the Audit Committee	Liaise with Audit Committee to assess the need for further training.	March 2011	Belinda Dimmock-Smith
Directorate Risk Management Leads receive annual update training on developments in risk.	Risk training course enables risk leads to effectively challenge directorates	July 2010 (held annually, or when needs arise)	Des Fitzgerald, Belinda Dimmock-Smith
Review and refresh electronically delivered development (E-learning) on risk management	E-learning package reflects current best practice and is ready for use.	March 2011	Belinda Dimmock-Smith

### **3. Processes: Risk Management is further integrated in all key business processes**

**Outcomes:** Improving risk management processes that are aligned with performance and are simple for all to use including partners

<b>Actions to achieve outcomes</b>	<b>Milestone/success criteria</b>	<b>Timeframe</b>	<b>Lead officer</b>
Risk is embedded in joint partnership risk registers	On hold until clear direction on partnerships established	To be determined	Claire Philips
Alignment of risk and performance management	Work with performance and risk leads to ensure risk and performance reporting is appropriately aligned.	Piloted through Quarters 1 and 2, 2010/11	Des Fitzgerald, Belinda Dimmock-Smith

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<p>Directorate leads challenge risk</p>	<p>Directorate leads are proactively challenging risk register entries following changes to process</p>	<p>Ongoing</p>	<p>Directorate leads</p>
<p>Regular review and challenge of risk documentation to focus the production of effective and timely risk mitigation plans</p>	<p>Quarterly review and challenge of service risks, bi-annually challenge of strategic risks</p>	<p>September 2010 (quarterly thereafter)</p>	<p>Belinda Dimmock-Smith</p>
<p>Develop Directorate Risk management Leads Working Group</p>	<p>Quarterly meetings</p>	<p>September 2010 (quarterly thereafter)</p>	<p>Directorate leads, Belinda Dimmock-Smith</p>
<p>Analysis of risk management in the region (update as a result of Government changes/Audit Commission)</p>	<p>Review of best practice risk management processes</p>	<p>September 2010 (complete)</p>	<p>Belinda Dimmock-Smith, Matthew O'Connor</p>