

## **Risk Management**

### **To update Cabinet on recent developments in the Council's approach to Risk Management.**

#### **1. Financial Appraisal**

1.1 There are no direct financial implications resulting from this report but, of course, effective risk management is vital to the Authority's financial management and managing its exposure to financial and other risks.

#### **2. Introduction**

2.1 I last reported to Cabinet about risk management in April 2004 when the Revised Risk Management Strategy was approved. This report provides an update on improvements over the last 12 months together with an overview of further developments underway and planned for 2005/06.

#### **3. Review of 2004/05**

3.1 Whilst the Council's approach to risk management was awarded a score of 4 (maximum) under the CPA in 2004 further improvements have been introduced including:-

- An initiative to bring even greater integration of risk management with all of the Council's planning processes. This includes addressing the highest level risks through Reconciling Policy and Resources (at the strategic planning level) as well as individual teams undertaking risk assessments and including any resulting actions in their own business plan (i.e. at operational level).
- A rolling monthly identification and review of short term risk events which is undertaken by the Chief Officer Management Team – this has been very useful in ensuring a shared understanding of short term issues.
- A Risk Management Seminar for Members held in January 2005.
- The introduction of a web enabled version of the risk register database.
- A survey of lead risk management co-ordinators in each department to test the consistency of approach.

3.2 In addition, a review of the implementation of new risk management procedures and the approach being adopted in relation to strategic and operational risk management was undertaken by the Audit & Performance Division of CRD. This showed that all the key elements were in place but further clarification of the linkages between them was needed together with a wider understanding of the overall process in context.

#### **4. Current Position**

4.1 A number of enhancements have recently been agreed and these are currently being introduced, as set out below.

4.2 The overall process and the linkages between the 'top down' (strategic) and 'bottom up' (operational) risk assessment, management and review processes has been agreed. This is as set out in Annex A.

4.3 The individual items contained in the strategic risk assessment for the year will be entered onto the risk register database (this is the responsibility of each identified officer). This will ensure that the database contains complete coverage of all risks identified and the related management actions. These risks are set out in Annex B and will be reviewed quarterly by the Chief Officer

Management Team alongside any Key Performance Risks arising during the year. Portfolio holders will also want to ensure these risks are being properly managed.

4.4 For the last 2 years, the 'risk of not achieving objectives' has been part of the service plan proformas as part of the Reconciling Policy and Resources process. This has worked well and will be retained but it remains an ongoing challenge to ensure risk management is embedded, routinely, in service planning throughout the Council. Currently operational risk assessments should be entered on the risk management database and any significant actions to manage or mitigate the risk should be included in service plans. To assist this process further DMT's will review, (at least quarterly), service plans, and will assess the risk of not delivering objectives.

4.5 The roles of those with oversight and responsibilities for risk management activities in departments have been reviewed. Each department now has a nominated officer, at senior level, with responsibility for this aspect. Generally this is the same officer who has oversight of the departmental service planning and so the key linkages between risk management and service planning can be ensured. Further training will be given to ensure that responsibilities and tasks are understood and consistently carried out.

4.6 Given that the final risk ranking is, to some extent, determined by the adequacy and quality of the controls, internal audit will continue to audit such controls as part of the audit plan. In addition, a further specific review of risk management is planned during 2005/06, focusing on assessing the extent to which risk management has been effectively embedded within the County Council.

4.7 I am also investigating what benchmark exists in order to assess risk management performance relative to other Local Authorities.

4.8 As well as these changes it is, of course, vital that all Members have an understanding of risk management and its value. Cabinet are actively involved in managing both the strategic risks, through Reconciling Policy and Resources and through specific reports on activities or issues. Indeed, managing risk is a key element of Cabinet's work and is undertaken in a proactive way.

## **5. Conclusion**

5.1 Risk Management is a process of continual improvement and Cabinet will note that the actions set out in paragraph 4 are building on a sound foundation of good practice.

5.2 The CPA 2005 assessment for the Use of Resources block contains a Key Line of Enquiry (KLOE) based on the question "how well does the Council's internal control environment enable it to manage its' significant business risks?". The criteria across the whole Use of Resources block is much more demanding than previously, even for Level 3, nevertheless the Council's approach meets the key criteria.

5.3 The external audit fieldwork to support the eventual CPA assessment will be carried out in August and September with the actual assessment results being announced in December.