

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC/028/2011-12

Date of meeting: 5 April 2012

Portfolio: Finance and Economic Development

Subject: Effectiveness of the Arrangements for Risk Management

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That Members consider the effectiveness of the arrangements for Risk Management.**

Executive Summary:

The terms of reference for this committee include "To consider the effectiveness of the Council's Risk Management arrangements". This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required "To advise and make recommendations to the Cabinet on Risk Management and Insurance issues".

Internal Audit have completed, but not yet reported to this Committee, an audit covering Risk Management and Insurance where their conclusion was a score of "Substantial Assurance". However, Members should consider the evidence provided in this report and form their own view.

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council's arrangements for Risk Management, to comply with the terms of reference for this Committee.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. This is the fifth annual review of the effectiveness of the Council's arrangements for Risk Management. Last year the Committee resolved:

- (i) That the Council's arrangements for Risk management be considered effective.*
- (ii) That a detailed summary of the full audit report upon Risk Management and Insurance be included as part of the quarterly Internal Audit Monitoring report at the next scheduled meeting of the Committee.*

The full report was provided to the June 2011 meeting of the Committee and this year's report is covered elsewhere on the agenda.

- (iii) *That the possibility of conducting a staff survey to ascertain the importance of Risk management amongst operational staff be investigated; and*

A survey was conducted as part of this year's audit.

- (iv) *That further information be provided in future reports concerning the procedure employed to consider Risk Management issues by the Risk Management Group and Corporate Governance Group.*

The following report has been expanded to provide additional information.

Risk Management in Directorates

2. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

3. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. The RMG normally meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to the Corporate Governance Group. During 2011/12 it was necessary to cancel the meeting scheduled for September due to several members of the group not being available. It is intended to return to quarterly meetings in 2012/13. The Director of Finance and ICT, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.

6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans for risks that are scored above the tolerance line.

7. The annual updating and approval of the terms of reference for the RMG was considered by the Finance and Performance Management Cabinet Committee on 19 March 2012 and a report recommending their adoption will go to Cabinet on 23 April 2012. The meeting on 19 March also approved the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

8. As mentioned above, the RMG will consider updates to the Corporate Risk Register and make recommendations to the Corporate Governance Group (which consist of the Acting Chief Executive, the Monitoring Officer, the Deputy Monitoring Officer, the Director of Finance and ICT and the Chief Internal Auditor).

9. The Corporate Governance Group receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Corporate Governance Group is not aware of any other new risks for inclusion.

10. Recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee; the most recent updates are shown in the table below. For information only, the Corporate Risk Register is attached as Appendix 1.

<u>Date of Meeting</u>	<u>Updates Considered</u>
20 June 2011	Updated for Council Key Objectives 2011/12 and Medium Term Aims 2011 – 2015. An additional risk included on possible failure of the bund at North Weald Airfield and one risk's likelihood reduced.
21 November 2011	One risk deleted, one re-written and two risk scores changed, one for likelihood and one for impact. The wording for several risks was also updated to reflect changes in consequences and action plans.
19 March 2012	The risk on depot accommodation was split into two separate risks as the likelihood of the two vulnerabilities was felt to have diverged. The only other change was to the score for capital receipts being used up on non-revenue generating projects, which is less likely with the introduction of self-financing for the Housing Revenue Account.

Internal Audit Assessments

11. As stated above, Internal Audit have recently completed an audit of Risk Management and Insurance and concluded with a score of "substantial assurance".

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

No formal consultation has been undertaken but the views of Internal Audit are included in the report.

Background Papers:

None.

Impact Assessments:

Risk Management

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A