

# Audit and Governance Committee Report



Report of Head of HR, IT & Customer Services

Report no. 123/09

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To: AUDIT & GOVERNANCE COMMITTEE

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## Risk management update

### Recommendations

That Audit and Governance Committee notes the contents of this report and comments on the management of our operational and strategic risks.

### Purpose of Report

1. The purpose of this report is to provide committee with an update on our arrangements and the opportunity to comment on the management of our operational and strategic risks.

### Relationship with corporate plan

2. Our risk management arrangements underpin all strategic objectives.

### Background

3. Following management team's decision to rationalise South and Vale's approach to risk management, we produced a joint risk management strategy and presented it to this committee and Executive for approval. The strategy requires us to present regular reports to this committee on how we are managing our strategic and operational risks.
4. We produced a reporting timetable and brought it to this committee in September. The reason for the timetable was that this committee is responsible for corporate risk management and we wanted to ensure that our reporting arrangements were adequate for you to monitor the effectiveness of our risk management approach.

## **Progress to date**

5. The joint corporate risk officer was recruited in December 2008 whose primary role was to implement the joint approach to risk management. The post was joint funded by both councils.
6. Since then we have made significant progress and have:
  - created a joint risk management strategy and gained approval of it from this committee and Executive
  - rationalised the approach to risk management between South and Vale
  - implemented the harmonised arrangements
  - appointed risk champions in each service area
  - created and developed operational risk registers for each service area
  - created and assisted in the completion of the strategic risk register
  - undertaken quarterly reviews of operational risk registers
  - presented the strategic risk register to this committee in September 2009
7. The risk management harmonisation process is now effectively complete.

## **Strategic risks**

8. At the September meeting of this committee, we provided you with the strategic risk register. Since then, management team have reviewed the register and as a result, no changes were made to the register during quarter three. Management team will review the strategic risk register at the end of March and have already suggested making some changes in light of the recent spell of bad weather.
9. In accordance with the risk management strategy, management team continues to review the strategic risk register quarterly.

## **Operational risks**

10. We created our operational risk registers in April and initially it involved service teams looking at the services that they deliver and then identifying any barriers which would stop them from doing so. The next stage was to analyse those risk in order to understand the consequences of them happening and what would trigger them to happen in the first place. The final task for service teams was to prioritise their risks according to the likelihood of the risk occurring and the impact if it did occur. This results in each risk receiving a score that we use to plot the risk onto a matrix and identify if we need to manage it any further.
11. Vale has eight operational risk registers and eight risk champions, one for each service. The risk champion is responsible for co-ordinating the quarterly update exercise within their service area and updating their risk register as required.
12. At the end of quarter 3 (December), we had 290 operational risks and the table below shows a breakdown of these risks for each service.

Service area	Number of operational risks	Number of operational risks above tolerance
Commercial services	20	3
Corporate strategy	42	3
Economy, leisure and property	29	0
Finance	18	12
Health and housing	28	10
HR, IT and customer services	76	4
Legal and Democratic	52	5
Planning	25	12
<b>TOTAL</b>	<b>290</b>	<b>49</b>

13. Of our 290 operational risks, we are managing 83 per cent with our existing procedures and processes. This shows that our risk management arrangements are effective.

## Risks requiring further management

14. We introduced a risk tolerance level as few organisations have sufficient capacity to manage every risk, and we need to be able to identify the most important risks to focus our resources on.
15. The remaining 17 per cent of operational risks that are above our tolerance require further management. We are already addressing these risks through our quarterly review process and have actions plans in place to ensure each mitigating action is implemented on time.
16. We have provided examples of risks from each service that are below and above the tolerance level at appendix 1.

## Next steps

17. The risk management process ensures that we review and update the operational and strategic risk registers every quarter. As part of the review, we look at our existing risks and make sure that both the risks and their ratings are still appropriate and that we have implemented any further actions required on time. The process also allows us to update the registers with new risks identified during the previous quarter.
18. The way we routinely manage risks above tolerance is through the annual service planning. Any risks requiring further action to reduce their likelihood or consequences are included as actions in the annual service planning.
19. The annual service planning process begins in March 2010 (deliberately begun after the appointment of shared service managers) and this will include as usual the process of identifying, analysing and rating risks, and identifying what actions are needed to address risks above tolerance. These actions will be included in 2010/11 service plans.

## Financial, legal and any other implications

20. There are no financial or legal implications arising from this report.

## **Conclusion**

21. Our risk management arrangements are embedded and we are managing our operational and strategic risks effectively. We are aware of those risks that need further management and we can keep track of the implementation of any additional action through our robust review process and service plans.

## **Recommendation**

22.. We invite Audit and Governance committee to note the contents of this report and comments on the management of our operational and strategic risks.

Accompanying papers: None

## APPENDIX 1

Owner of risk	Description / vulnerability	Trigger / cause	Consequence	Gross risk rating	Risk control measures / mitigation	Risk control measures in place – Yes or No	Net risk rating	Above tolerance – Yes or No	Further mitigating actions required	Proposed date of implementation of actions
Mike Mackay (Commercial services)	Failure to recruit and retain staff with appropriate skills	Staff turnover	Recruitment costs, service delivery and continuity, loss of business, customer criticism, complaints / claims	B2	Pay and grading, career matrix, succession planning, training plans. Professional indemnity insurance. Procedures to deliver services	Yes	C3	Yes	Benchmarking with family group. Recruitment and retention incentives	1 April 2010 Salary/conditions benchmarking already undertaken via Wiltshire Council. Results received 11 February 2010 and information to be reviewed and may form part of shared service job evaluation
Clare Kingston (Corporate strategy)	CAA – preparations for assessment – identify the best evidence to support our assessment	Unable to provide sufficient evidence to achieve a use of resources score of 3	Failure to achieve the desired score of 3	B3	Provide additional evidence requested by the Audit Commission promptly	Yes	D3	No	N/A	N/A
Chris Tyson (Economy, leisure and property)	Health and safety at art workshops	A health and safety incident occurring (inappropriate materials or unsuitable premises used)	Injury to participants, loss of council reputation, claims / complaints	C2	Risk assessment carried out, proper contracts with artists/providers. All third parties have CRB checks and public liability insurance	Yes	E2	No	N/A	N/A
William Jacobs (Finance)	Weakened management of internal audit – Audit manager on maternity	Insufficient management resources	Failure to complete the audit plan, quality standards not achieved,	C2	Interim management arrangements implemented and reported to Audit and Governance	Yes	D2	Yes	Continuous ongoing monitoring, regular one to ones	Ongoing

<b>Owner of risk</b>	<b>Description / vulnerability</b>	<b>Trigger / cause</b>	<b>Consequence</b>	<b>Gross risk rating</b>	<b>Risk control measures / mitigation</b>	<b>Risk control measures in place – Yes or No</b>	<b>Net risk rating</b>	<b>Above tolerance – Yes or No</b>	<b>Further mitigating actions required</b>	<b>Proposed date of implementation of actions</b>
	leave and position not backfilled		demoralisation of the team, service performance suffers		Committee					
Paul Staines (Health and housing)	Changes to legislation	Poor / incorrect decision	Legal challenge – cost and resource implications, adverse publicity. Negative effect for officers relationships, service provision, public confidence in the service, compensation	D3	Staff training on legislation changes and updates. Regular team meetings which cover policy and practice in place	Yes	E3	No	N/A	N/A
Andrew Down (ICT, HR and customer services)	Capacity – Workload planned in advance and team generally running at or near capacity	Unforeseen or unplanned projects, changes of organisational structure	Office moves, data changes, process changes, new development – all having a knock on effect on the remainder of work programme	B3	Service plan describes top priorities and allows some spare capacity. Ensure early involvement in plans. Account management process helps to keep an eye on activity elsewhere	Yes	C3	Yes	Constant monitoring or workload for the team	Ongoing
Margaret Reed (Legal and democratic services)	Failure to book venues – difficulty in obtaining venues for meetings and polling	Room unavailable, booking overlooked / forgotten	Meeting not able to proceed, polling station not able to open	D1	Use of temporary buildings for elections, use of alternative suitable venues in other areas, advanced notice	Yes	F1	No	N/A	N/A

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	stations				of availability. Meetings scheduled and pre-booked.					
Adrian Duffield (Planning)	Failure of project management / project delivery slippage	Loss of IT project management team	Unable to meet new projects, reduced customer service, reduction of effective performance	D2	Project monitoring, one to ones with project leaders. Clear project plans. Regular meetings with Portfolio holder. Training. Financial regulations and standing orders	Yes	D3	No	N/A	N/A