



AUDIT COMMITTEE

22 JULY 2004

AGENDA ITEM:

CORPORATE ARRANGEMENTS FOR RISK MANAGEMENT

Ward(s): ALL

Portfolio: Councillor J O'Hare – Deputy Leader and Resources & Performance Mgt

Service Area: Performance Management – Risk Management

Summary of report:

This report provides an overview of the audit committee's responsibilities in relation to risk management; an outline of work undertaken over the past 12 months and the key actions arising from the CPA report.

Background Papers:

None.

Recommendations

1. To note the contents of the report.
2. Formally acknowledge the audit committee's responsibility to ensure risk is identified and managed effectively; to ensure that risk management activity takes place both strategically and operationally in all directorates, and to ensure that risk is embedded throughout the organisation in mainstream activity.

Signed:

Executive Director: Carole Evans

Date: 12.07.04

Resource and Legal Considerations

Effective risk management can reduce insurance costs and mitigate legal claims against the council. When risk management is made an integral part of service and corporate planning, it enables resources to be targeted appropriately, projects to be managed effectively and the council's exposure to risk minimised.

<p>Citizen Impact</p> <p>The way in which the council approaches risk management will impact directly upon its service delivery to all who use council services.</p>
<p>Environment Impact</p> <p>None relating directly to this report.</p>
<p>Performance Management and Risk Management Issues</p> <p>The risk management strategy which, when fully implemented, will have a direct impact on the council's performance in delivering its services. The effective management of risk at strategic and operational levels is essential for sound and modern corporate governance.</p>
<p>Equality Implications</p> <p>None arising directly from this report.</p>
<p>Consultation</p> <p>Senior managers across the council are involved in the preparation and monitoring of risk registers and the effective management of identified risks.</p>
<p>Vision 2008</p> <p>The council is aware that organisations that manage risk most effectively are those where senior managers are actively involved in and take responsibility for the identification and management of risks. Risk management is identified as key to sound governance and to the council's vision of becoming an excellent authority by 2008.</p>
<p>Contact Officer:</p> <p>Ann Johnson, Corporate Risk Manager – 01922 652912 johnsona@walsall.gov.uk John Outhwaite – Head of Corporate Performance Management – 01922 653524 outhwaitej@walsall.gov.uk</p>

1. RISK MANAGEMENT

1.1 The council has adopted a policy to identify, analyse and manage the risks associated with its activities, so that it can provide objective information to decision makers, reduce risks to health, safety and the environment as far as reasonably practical, minimise financial losses and damage to reputation, maximise opportunities and identify cost effective remedies. The council will regularly take action to prevent or reduce the impact of events which otherwise could affect the delivery of its services and pledges to the people of Walsall.

1.2 The last 12 months have seen significant steps taken to strengthen the council's approach to risk management, and many sound processes and activities are in place. Risk management is now at the heart of key processes such as service planning, best value, scrutiny and comprehensive performance assessments. Examples include:

- Use of risk assessments for each post in the organisation.
- Risk reviews in services throughout the council over several years.
- The risk assessment of budgets as they are set and financial information as it is reported.
- The risk assessment approach is used within projects.
- Risk management plans in each service plan.
- Inclusion of an assessment of risk management activities as an integral part of internal audit scrutiny.
- Corporate risk register, an ICT solution has been sought to facilitate this.
- EMT have approved the corporate risk management policy and participated in corporate risk identification exercise.
- Risk awareness sessions for staff have been undertaken (approx 200 to date).
- Risk management policy is sent to new employees with their contract.
- Awareness sessions for members have been undertaken.
- Inclusion of risk management issues in all committee reports.
- Monitoring and reporting mechanisms have been established.
- All directorates/service areas to carry out risk assessments regularly – recording findings and taking appropriate actions.
- Service plans must include a risk assessment and risk register.
- Each directorate has a directorate risk register in place which will be reviewed quarterly.

1.3 The adoption of the above initiatives has enabled the council to identify and manage the barriers to achieving its objectives, the benefits of which have manifested themselves in the following ways:

- Risk management now has a place on the corporate agenda.
- The former audit committee formally acknowledged its responsibility to ensure that risk is identified and managed effectively.
- Cabinet has formally acknowledged its collective and individual responsibility for actively considering risk management issues in the decision making process and have agreed member reporting arrangements.
- Strategic risks are prioritised and actions agreed.
- Risk management is becoming an integral part of the performance management framework.

- Risk management provides focus on doing what needs to be done to make a difference.
- The council is less risk averse because it understands its risks and therefore has become more innovative.

2. THE ROLE OF AUDIT COMMITTEE

- 2.1 Organisations that manage risk most effectively are those where the most senior managers are actively involved in and take responsibility for the identification and management of risks. Such responsibility needs to be overtly acknowledged and seen to be actively discharged.
- 2.2 In considering this report, audit committee are asked to both acknowledge their responsibility in principle for ensuring risk management actively takes place within the organisation and that risks are managed as they emerge. The audit committee also has a responsibility to ensure that risk management activity takes place both strategically and operationally in all directorates and that risk is embedded throughout the organisation in mainstream activity.
- 2.3 Councillors have a very active role to play in effective RM, and regular reports will be brought to audit committee. In addition, executive directors will brief individual portfolio holders on emerging risks as an integral part of council business throughout the year.
- 2.4 Ultimately the responsibility for risk management rests with cabinet, the chief executive and members in general. It is therefore the responsibility of all elected members to ensure that risk awareness and management are part of the culture of the authority in order to ensure that the council's pledges and vision are achieved.

3. COMPREHENSIVE PERFORMANCE ASSESSMENT

- 3.1 The council continues to implement the recommendations outlined in the previous corporate governance inspections. The inclusion of risk management within all cabinet reports, service plans, budget activities, the involvement of members in the process, and the formal overt monitoring and management of risk will undoubtedly continue to strengthen the council's position.
- 3.2 The council was highly praised by the Audit Commission in its CGI report published in August 2003 where risk management was highlighted as one of the areas in which 'dramatic' progress had been made. It has also been recognised that a robust risk management framework has been established and is being used systematically and a comprehensive understanding/awareness of risk management is developing at councillor and officer level.
- 3.3 The recent CPA inspection remained positive about the way in which risk management is being embedded within the organisation. It states that "a robust risk management framework has been established and is being used systematically and a comprehensive understanding of risk management is developing." Whilst the report makes no specific recommendation regarding the management of risk it highlights that the council recognises that a comprehensive understanding of risk management remains under developed.

3.4 The corporate assessment CPA improvement plan sets out to address this issue by implementing the following actions:

- Continue to implement risk management strategy.
- Ensure all new managers are trained in risk management and continue to implement risk training strategy.
- Ensure all directorates review risk registers quarterly.

4. SUMMARY

4.1 Effective risk management is an enabler of a healthy entrepreneurial culture within the organisation and a key contributor to improved performance. It is now widely accepted that good risk management is not just a compliance issue: it is vital in sustaining and maximising the chances of success. No organisation operates in a risk free environment and risk management does not provide such an environment. Instead risk management enables management to operate more effectively in environments filled with risks and provides them with an enhanced capability to:

- Enhance risk response decisions.
- Minimise operational surprises and losses.
- Identify and manage cross organisational risks.
- Provide integrated response to multiple risks.

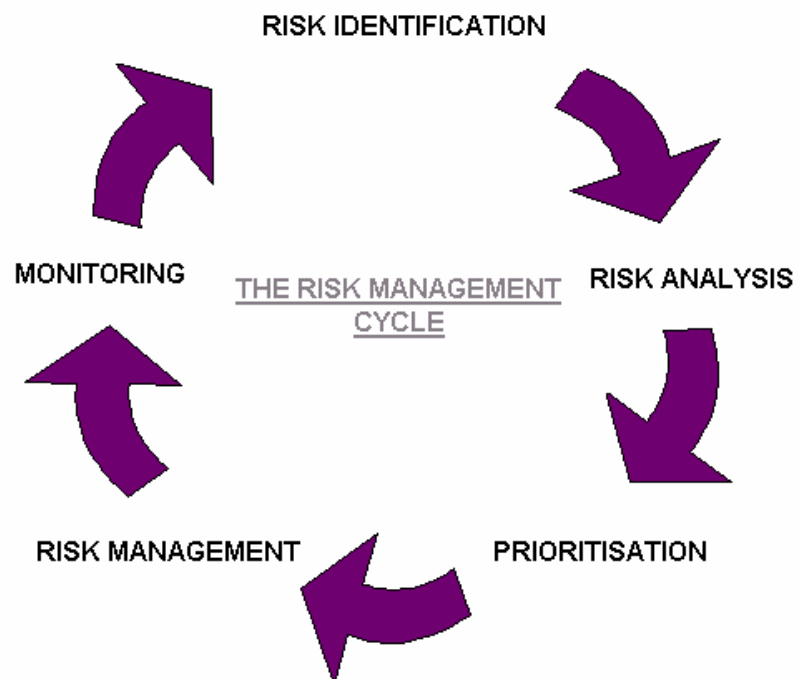
4.2 Most importantly it enables the organisation to seize opportunities it may not otherwise have considered had it not understood the risks involved. An effective risk management structure allows an organisation to understand the risks in any initiative and take informed decisions on whether and how the risks should be managed or opportunities seized. The approach seeks to reduce uncertainty and maximise the likelihood of a significant positive outcome.

A copy of the current corporate risk policy will be available for distribution at the meeting.



**WALSALL METROPOLITAN
BOROUGH COUNCIL**

RISK MANAGEMENT POLICY



1 INTRODUCTION

1.1 General

This Policy provides the framework to manage business and operational risk in the performance of Walsall activities to meet the requirements of Corporate Governance.

Risk Management, performed rigorously and comprehensively, creates stability and directly contributes to the service provision.

1.2 Definitions

Risk is defined as events that may prevent achievement of the aims or goals of one or more key business or project stakeholders.

Risk Management is a systematic way of protecting the resources and income of the Council against losses so that the objectives of the Council can be achieved without unnecessary interruption.

Risk Assessment is the systematic process of identifying and analysing risks.

1.3 Council Aims

In all ventures undertaken by Walsall, the following key business deliverables are expected:

- Achievement of planned financial targets measured in terms within budgetary limits and cash flow.
- Achieving a high level of customer satisfaction in all aspects of service delivery.
- Creation and maintenance of a supportive working environment for staff.
- Development of management team capabilities.
- Enhancement of Walsall's reputation.
- Maintenance of full compliance with legal requirements.

1.4 Policy Statement

Walsall will implement appropriate strategies to identify, analyse and manage the risks associated with its activities with the following objectives:

- Provide objective information to decision-makers.
- Reduce health, safety and environmental risks as far as reasonably practicable.
- Minimise financial and reputational losses and maximise the opportunities.
- Identify cost effective risk treatment options.

The Council will regularly identify and assess the risks associated with all its business activities and take appropriate action to prevent, or reduce the impact of events that could affect the delivery of the service.

2 REQUIREMENTS

Walsall MBC is expected to have established policies and procedures which address the issues set out below in ways appropriate to the type of service undertaken.

Processes

- Processes in place to identify the risks associated with the Council's activities, assess risks in terms of probability and consequence and evaluate reduction and mitigation measures. Management of risk is a continuous process.
- Training to ensure all management and staff understand and implement this policy.

Risk Assessment

- Risk assessments conducted for acquisitions, new contracts and projects, existing contracts and contract changes. The assessments are to address potential risks to the Council and compliance with relevant legal requirements.
- Risk assessments performed by competent personnel including, where appropriate, expertise from outside the immediate service area.
- Procedures established to update risk assessments at appropriate intervals and to review these assessments regularly.

Planning

- Management plans prepared which describe the actions to be taken to address significant risks.
- Crisis management plans prepared which describe the actions including media/public relations response to be taken to address crisis or disaster situations. The plans must be reviewed, updated and tested at regular intervals.

Management

- Assessed risks addressed by levels of management appropriate to the nature and magnitude of the risk. Decisions are to be documented and the resulting actions implemented through local procedures.

- Appropriate and cost-efficient actions taken to manage and control risks.
- Specific measures in place to ensure continuing compliance with Health and Safety and Environmental Protection legislation.

Reporting

- Procedures to ensure that regular reports identifying key risks and risk management actions are prepared for each project/contract and that summary reports are submitted to CMT.

Audit & Review

- A programme of regular audits and reviews to ensure that the risk management procedures are being followed and that planned risk reduction/mitigation actions have been implemented.
- A regular review of the risk management policies and procedures to ensure that they continue to meet the requirements for Corporate Governance and meet the needs of the Council.

3 PRINCIPLES

In all service areas, managers will carry out risk assessments regularly, record the findings and take appropriate management actions in a timely fashion. Risk reviews will specifically address strategic and operational risks as well as risks covered by Health and Safety and Environmental Protection legislation.

In particular, the following activities will be undertaken:

- Integrated contract and risk management processes
- Preparation of contingency plans for high risks
- Early identification of emerging risks and initiation of risk reduction or mitigation action

Where appropriate, managers may need to consider specialist advice for areas such as:

- Health and Safety
- Environmental Protection
- Fire

- Security
- Disaster recovery
- Safety – critical systems and operations
- Insurance
- Media/public relations

The following contract activities, because of the intrinsic risks or from past experience, present particularly high risk profiles and will require formal risk management activities to be undertaken:

- Projects involving responsibility for:
 - Safety of the general public
 - National security.
- Projects involving:
 - Design/development of safety critical systems and software
 - Civil engineering design and construction.
- Where public interest is particularly high.
- Where the customer has placed a particularly high importance on the success of the project.
- Where large scale capital investment is required.
- Where the Council is entering into private finance initiatives with partners in the private sector, health authorities, joint ventures etc.

4 COMMITMENT

Walsall is committed to achieving and demonstrating achievement of the individual components of this Policy through the preparation of documented procedures, a monitoring and audit programme and the reporting of findings.

5 RESPONSIBILITY AND AUTHORITY

The responsibility for the implementation of this Policy is set out below.

- Elected members must ensure that risk awareness and management are part of the culture of the Authority in order to ensure that the Council's objectives are met.

Members should:

- not delay implementation
 - agree on member and officer structures
 - correctly position risk management
 - promote the desired mindset and attitude
 - view risk management as an ongoing process rather than a one-off event
 - ensure that a top-down approach is adopted
 - aim for continued improvement.
- Responsibility for the achievement of this Policy rests with the CMT, Managers (at all levels within the Organisation) and all staff.

- Managers have the responsibility and authority to implement the policy and monitor its implementation in the everyday activities of their respective service areas and joint ventures. They will report their findings to the CMT.
- All staff are responsible for the ownership and undertaking of their risk management functions in accordance with this Policy and for its implementation within the framework of Walsall's procedures and directives.

6 EVIDENCE OF COMPLIANCE

To demonstrate compliance with this policy, the following documentation is to be available for audit:

- Walsall MBC
 - Risk Management Policy (This document)
 - Related policy statements and procedures
 - Risk profiles of Walsall MBC activities
 - Risk Assessments – all premises
 - Crisis management plan(s) and emergency plans
 - Internal Audit reports
- Operating Contracts/Projects
 - Risk assessment of project activities
 - Risk Management Plan and Risk Register (where appropriate)
 - Contract/project proposal review and sign-off
 - Audit/review records