

Audit Committee – 28 September 2010

Submission of risks for scrutiny

1. Summary of report

- 1.1 This report provides feedback on the following two risks selected for scrutiny by Audit Committee on 13 April 2010 from its own risk register (**Appendix 1**).
- Risk No 3 – Insufficient knowledge across the committee members for them to be assured that local area agreement risks are being effectively managed
 - Risk No 12 – The committee feels there is insufficient review of engagement approaches across the council.
- 1.2 Each plan was last reviewed in August 2010. Controls in each of these are overall adequate but there are some suggested improvements.
- 1.3 The risk assessments and management action plans supporting these risks are at **Appendix 2** and **3**.

2. Recommendation

- 2.1 To note the contents of the report.



Rory Borealis
Executive Director (Resources)
16 September 2010



James Walsh
Chief Finance Officer
15 September 2010

3. Governance

- 3.1 Audit Committee's core function is considering the adequacy and effectiveness of the risk management framework which includes the following:
- Reviewing the mechanisms for the assessment and management of risk.
 - Giving assurance about the process.
 - Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2006 as follows:
 - Regulation 4 (1) - The relevant body shall be responsible for ensuring that the body has a sound system of internal control which facilitates the effective exercise of the bodies functions and which includes arrangements for the management of risk.

- Regulation 4 (2) - The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control with any financial statements the body is required to publish. The outcome of the review is set out in the Statement of Internal Control (SIC) which is signed off by the Leader of the Council and the Chief Executive indicating that they are satisfied that there are robust arrangements in place for the management of risk.
- 3.2 Audit committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed, including reporting to full council as appropriate.

4. Resource and legal considerations

- 4.1 There are no direct resource implications relating to this report. However the statutory requirements are detailed in the governance section above.

5. Performance management and risk management issues

- 5.1 A risk register has been developed by audit committee to identify and manage the risks to the committee fulfilling its remit. This document is periodically reviewed ensuring that these risks are monitored and controlled.

6. Equality implications

- 6.1 None arising directly from this report.

7. Summary of Risks Selected for Scrutiny

- 7.1 **Audit Committee Risk No 3 – Insufficient knowledge across the committee members for them to be assured that local area agreement risks are being effectively managed**
- 7.2 This risk first appeared on the Audit Committee risk register in November 2005 following a facilitated risk management workshop. However its title was updated at a later workshop in September 2008.
- 7.3 This risk relates to ensuring Walsall Partnership provides committee members with sufficient knowledge in relation to Walsall's Local Area Agreement (LAA), providing assurances that any associated risks are being effectively managed.
- 7.4 To address this risk Walsall Partnership has undertaken a detailed review of its performance management structures and, as a consequence of this review, has implemented significant changes to its executive structure. The key changes have seen the group become smaller in terms of membership, with the executive being more focused in looking at those indicators whose performance are considered to be at risk of underachievement. To help inform these decisions members of Walsall Partnership's support team have been working with the Council's corporate risk team and now allocate a risk rating for each indicator. This is used at the end of every quarter to assess if intervention is required to address

underperformance for indicators. To supplement this particular process corrective action plans are provided for all those indicators whose performance are below their agreed set target.

- 7.5 The thematic group structures which feed into the executive group continue to remain with each group meeting regularly to monitor the performance of their responsible indicators, with any issues being fed directly into the executive group. In addition to this the performance of the LAA indicators are reported into each responsible Overview and Scrutiny Panel to ensure members are aware of potential issues.
- 7.6 One external variable which is having a considerable impact on the future and performance of the LAA has been the establishment of the Coalition Government. Under this new regime significant changes have been made, the first of which has seen the abolishment of the Comprehensive Area Assessment (CAA) (which acted as the over-arching framework for a single area) in line with this Government's commitment to reducing the burden which the collection of data imposes on partnerships. Consequently the impact of this has caused some uncertainty over the future of some of Walsall's 25 priority performance targets as a review of the National Indicator Set is being conducted. To date written confirmation has been received stating that the impending Place and Tellus 5 surveys have been postponed, resulting in 5 priority indicators within Walsall's LAA being classed as undeliverable.
- 7.7 In addition to this doubt has been placed over whether the stage II performance reward grant payment in relation to achievement of the current LAA will be forthcoming.
- 7.8 Whilst the current situation provides major uncertainty as to the future of Local Area Agreements it does provide a new opportunity to re-establish local priorities through genuine engagement through the area partnerships model.
- 7.9 The risk is underpinned by a comprehensive risk management action plan (**Appendix 2**).

8. Audit Committee Risk No 12 – The committee feels there is insufficient review of engagement approaches across the council

- 8.1 This risk first appeared on the Audit Committee risk register in February 2007 following a facilitated risk management workshop. Its title was updated at a later workshop in September 2008.
- 8.2 The risk relates to committee members believing that there has been an insufficient review of engagement approaches around the council. Since this risk was initially identified Walsall Partnership developed and implemented Walsall's new area partnerships community engagement model, which has superseded the previous Local Neighbourhood Partnership structure. This new model has been approved by both Cabinet and the LSP's Board and has been incorporated into the council's 'Working Smarter' initiative which has helped to establish area partnerships working arrangements and processes.

8.3 This has seen a commitment being made by partners that all forms of engagement should now be made through the area manager structure. To strengthen this commitment Walsall Partnership have secured the services of the council's 'corporate consultation and customer feedback officer' on a part-time secondment basis to help develop an engagement and consultation plan to directly address the risk raised by the committee members. In addition to this the partnership has a service level agreement with the council's communication team and through this has requested that all outcomes generated through the area manager model be fed back into the public domain through a variety of media formats. As a consequence of these pieces of work it is proposed that the findings be presented at the committee's meeting in December 2010.

8.4 The risk is underpinned by a comprehensive risk management action plan (**Appendix 3**).

9. Consultation

9.1 The officers with responsibility for assisting the audit committee with the management of the risks selected for scrutiny have been consulted and their views and comments form the basis of this report.

10. Background papers

10.1 Audit committee risk register/files/working papers.

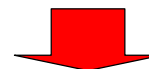
Author








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AUDIT COMMITTEE RISK REGISTER - APRIL 2010



| | | | | NOVEMBER 2009 | | JANUARY 2010 | | APRIL 2010 | | OVERVIEW | | | | | |
|-----|--|-------------|----------------------|---------------|----------------|--------------|----------------|-------------|----------------|----------|-------|---|--------|------------------|------|
| No. | Description of Risk | Risk Owner | Lead Officer | Risk Rating | Score Priority | Risk Rating | Score Priority | Risk Rating | Score Priority | AM/ AO | Trend | Current Status | Target | Nature of Change | RMAI |
| 1 | Full information not provided to the Committee | Audit Cttee | | 6 | M | 6 | M | 6 | M | AO | ↔ |  | | N/C | |
| 3 | Insufficient knowledge across the committee members for them to be assured that local area agreement risks are being effectively managed | Audit Cttee | Clive Wright | 9 | M | 6 | M | 9 | M | AM | ↑ |  | 6M | N/C | U/D |
| 5 | Committee is not satisfied that risk information from partners is monitored regularly | Audit Cttee | James Walsh | 12 | M | 12 | M | 12 | M | AM | ↔ |  | 6M | N/C | U/D |
| 6 | Staff shortages within the Corporate Services directorate | Audit Cttee | | 6 | M | 6 | M | 6 | M | AO | ↔ |  | | N/C | |
| 11 | Impact of ineffective/inappropriate implementation of HR policies | Audit Cttee | Michelle Smirthwaite | 9 | M | 9 | M | 9 | M | AM | ↔ |  | 6M | U/D | U/D |
| 12 | The committee feels there is insufficient review of engagement approaches across the council | Audit Cttee | Clive Wright | 8 | M | 6 | M | 8 | M | AM | ↑ |  | 6M | N/C | U/D |
| 13 | Action plans not developed or implemented in respect of Committee's risks | Audit Cttee | Ann Johnson | 9 | M | 9 | M | 9 | M | AM | ↔ |  | 6M | N/C | U/D |

H = HIGH
M = MEDIUM
L = LOW

AM - ACTIVELY MANAGED
AO - ACTIVELY OBSERVED

NR - NEW RISK
RM = RISK MANAGED

NC = NO CHANGE
UD = UPDATED

Audit Committee Risk Assessment

Summary of Risk: Insufficient knowledge across the committee members for them to be assured that local area agreement risks are being effectively managed

Date of Assessment: August 2010

| IDENTIFYING THE RISK | | | | | |
|----------------------|--|---|--------------------|------------|-------------|
| Ref | Risk (ie: Threat to the organisation) | Consequence | Assessment of Risk | | |
| | | | I 1 - 4 | L 1 - 6 | PR I x L |
| 3 | <u>Vulnerability</u> The council has moved to local area agreements as a new way of funding service delivery jointly with partners. This is a new area and the knowledge of the Committee members in this area needs developing. | <ul style="list-style-type: none"> Failure to carry out effectively the responsibilities of the committee Members feel 'out of depth' Assurances not delivered | 3 | 3 | 9 |

Rating Scores:
 Impact:
 Catastrophic = 4 (Affects all of the objectives)
 Critical = 3 (Affects most of the objectives)
 Marginal = 2 (Affects some of the objectives)
 Negligible = 1 (Little effect to objectives)

Likelihood:
 Very High = 6
 High = 5
 Significant = 4
 Low = 3
 Very Low = 2
 Almost impossible = 1

Management Action Plan (MAP)

| | |
|------------------------------------|---------------------------------------|
| Risk Group: Audit Committee | Date plan updated: August 2010 |
|------------------------------------|---------------------------------------|

| | | | | | |
|------------|---------------|---|---|---|--|
| Likelihood | 6 | | | | |
| | 5 | | | | |
| | 4 | | | | |
| | 3 | | | 3 | |
| | 2 | | | | |
| | 1 | | | | |
| | 1 | 2 | 3 | 4 | |
| | Impact | | | | |

Risk Owner: Audit Committee

Lead Officer: Clive Wright

Last Updated:

March 2009

28 July 2009

19 Nov 2009

January 2010

August 2010

Last Reviewed:

28 July 2009

19 Nov 2009

January 2010

August 2010

| Risk Number | Current Risk Score | Target Risk Score | Achieved By: | Description |
|-------------|--------------------|-------------------|--------------|--|
| 3 | 9 | 9 | Nov 2010 | Insufficient knowledge across the committee members for them to be assured that local area agreement risks are being effectively managed |

| Action/controls already in place | Adequacy of action/control to address risk | Required management action/control | Responsibility for action | | Critical success factors & KPIs | Review frequency | Key dates |
|---|--|---|---------------------------|-------------------------|--|---|---------------------------------------|
| Risk register initially established in November 2005 identifying the risks associated in delivering the LAA. | Adequate | Up-to-date risk register and actions being developed to mitigate the risks. Audit Committee to have sight of the risk register and an explanation of how it is managed and monitored. | Clive Wright | Audit Manager | Confidence by the Committee that risks are being managed effectively and mitigated | Quarterly (within the partnership support team) | 31.3.2010 then quarterly through 2011 |
| Partnership Board and Executive structures manage LAA performance. Reports received from Thematic Groups – LAA progress and corrective action planning. | Adequate | | Clive Wright | Ann Johnson/ Pam Cox | Confidence in partnership delivery and governance arrangements | Quarterly | 31.3.2010 then quarterly through 2011 |

APPENDIX 2

| Action/controls already in place | Adequacy of action/control to address risk | Required management action/control | Responsibility for action | | Critical success factors & KPIs | Review frequency | Key dates |
|---|--|---|---------------------------|-------------------------|--|------------------|---|
| Overview and Scrutiny panels receive LAA performance monitoring reports | Adequate | Committee to receive an update from Overview and Scrutiny or Partnership Executive groups on the progress being made | Clive Wright | John Garner | Confidence in partnership delivery and governance arrangements | Quarterly | As determined by Exec/ Scrutiny Panel meeting dates |
| | | Clive Wright to come to Audit Committee in September each year to give presentation on partnership working to achieve the LAA priorities. | Clive Wright | Ann Johnson/ Pam Cox | Confidence in partnership delivery and governance arrangements | Annually | September 2010 |

Audit Committee Risk Assessment

Summary of Risk: The committee feels there is insufficient review of engagement approaches across the council

Date of Assessment: August 2010

| IDENTIFYING THE RISK | | | | | |
|----------------------|---|--|--------------------|------------|-----------|
| Ref | Risk (ie: Threat to the organisation) | Consequence | Assessment of Risk | | |
| | | | I 1 - 4 | L 1 - 6 | PR 1xL |
| 12 | <u>Vulnerability</u> Engaging with stakeholders is essential particularly in light of the requirements of the recent White Paper. LNPs are one mechanism for engagement and they are not seen as being that effective. | <ul style="list-style-type: none"> • Audit committee not satisfied with control mechanism • Community views not heard • Criticism from inspectors • LNPs fail to deliver | 2 | 4 | 8 |

Rating Scores: Impact: **Catastrophic = 4** **Critical = 3** **Marginal = 2** **Negligible = 1**
(Affects all of the objectives) (Affects most of the objectives) (Affects some of the objectives) (Little effect to objectives)

Likelihood: Very High = 6 High = 5 Significant = 4 Low = 3 Very Low = 2 Almost impossible = 1

Management Action Plan (MAP)

| | |
|------------------------------------|---------------------------------------|
| Risk Group: Audit Committee | Date plan updated: August 2010 |
|------------------------------------|---------------------------------------|

| | | | | | |
|--|---|---------------|----|---|---|
| | 6 | | | | |
| | 5 | | | | |
| | 4 | | 12 | | |
| | 3 | | | | |
| | 2 | | | | |
| | 1 | | | | |
| | | 1 | 2 | 3 | 4 |
| | | Impact | | | |

Risk Owner: Audit Committee

Lead Officer: Clive Wright

Last Updated:

March 2009

July 2009

19.11.09

January 2010
August 2010

Last Reviewed:

June 09

July 2009

Nov 2009

January 2010
August 2010

| Risk Number | Current Risk Score | Target Risk Score | Achieved By: | Description |
|-------------|--------------------|-------------------|--------------|--|
| 12 | 8 | 6 | Nov 2010 | The committee feels there is insufficient review of engagement approaches across the council |

| Action/controls already in place | Adequacy of action/control to address risk | Required management action/control | Responsibility for action | | Critical success factors & KPIs | Review frequency | Key dates |
|----------------------------------|--|--|---------------------------|--|---|---------------------------------|-----------|
| Audit Committee | Adequate | Update to the committee on engagement approaches being used across the Council and their effectiveness | Clive Wright | | Committee understand range of engagement mechanisms available Input to consultation on developing model for neighbourhood management | Bi-monthly (internal mechanism) | Sept 2010 |

| Action/controls already in place | Adequacy of action/control to address risk | Required management action/control | Responsibility for action | | Critical success factors & KPIs | Review frequency | Key dates |
|--|--|---|---------------------------|--|--|---|---------------|
| Walsall Partnership Board prepare plans to initiate and implement Area Management processes | Adequate | N/A | Clive Wright | | Regular meetings held at Board | Six weekly | Ongoing |
| Area Partnerships Implementation Group (APIG) | Adequate | Partnership Support Team to ensure group meets on a regular basis | Clive Wright | | Regular meetings held | Six weekly | |
| Area Management community engagement model established | Adequate | The Council's Corporate Consultation & Customer Feedback Officer to report on progress to each meeting of the Area Partnerships Implementation Group (APIG) | Clive Wright | | Regular reports produced to APIG. | | October 2010 |
| Area Plans approved by both Cabinet and the LSP's Board for the Area Manager Model. | Adequate | Continued reporting as appropriate | Clive Wright | | Area Plans produced | Board to receive updates on a quarterly basis. Cabinet to receive & approve Area Plans when produced | December 2010 |
| The Model incorporated into the Council's 'Working Smarter' initiative establishing Area Management working arrangements and processes | Adequate | Regular reports to Working Smarter Programme Board | Clive Wright | | Regular reports produced to Working Smarter Programme Board. | Weekly | |

APPENDIX 3

| Action/controls already in place | Adequacy of action/control to address risk | Required management action/control | Responsibility for action | | Critical success factors & KPIs | Review frequency | Key dates |
|--|--|--|---------------------------|--|---|------------------|---------------|
| Commitment made by partners that all forms of engagement should now be made through the Area Manager structure | Adequate | This has been agreed by Walsall Partnership Board | Clive Wright | | Engagement strategy agreed and approved | | December 2010 |
| Secured the services of the Council's Corporate Consultation & Customer Feedback Officer (part time secondment basis) to develop an engagement and consultation plan | Adequate | Secondment has been agreed – project plan is being developed | Clive Wright | | Project plan to be agreed and monitored through regular reports to APIG | | December 2010 |