



AUDIT COMMITTEE

1 FEBRUARY 2005

AGENDA
ITEM:

CORPORATE RISK MANAGEMENT - POSITION STATEMENT

Ward(s): ALL

Portfolio: Councillor J O'Hare – Deputy Leader

Service: Performance Management – Risk Management

Summary of report:

This risk management position statement outlines work undertaken since the last report on 22 July 2004 and outlines key actions arising from an Audit Commission report and the corporate healthcheck undertaken in August 2004.

Background Papers:

- Report 22 July 2004 – Corporate Arrangements for Risk Management
- Audit Commission report.
- Corporate Healthcheck.
- Proposals for CPA from 2005 - Audit Commission December 2004.

Recommendations

1. That the contents of the report and its appendices be noted.
2. That the receipt of further reports reporting on the implementation progress of the action plan(s) be approved.

Signed:

Executive Director: Carole Evans

Date: 14.01.05

Resource and Legal Considerations

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

Citizen Impact

The effective management of risk can protect residents and service users from risk, and contribute towards delivering value for money and improved services.

Environment Impact

None relating directly to this report.

Performance Management and Risk Management Issues

The risk management strategy has a direct impact on the council's performance in delivering its services. The recent Auditor's Scored Judgement for risk management, which feeds directly into the council's CPA assessment, received the maximum possible score of 4.

The effective management of risk at strategic and operational levels is essential for sound and modern corporate governance.

Equality Implications

None arising directly from this report.

Consultation

Managers and colleagues of all levels across the council are involved in and accountable for the preparation and monitoring of risk registers and the effective management of identified risks.

Vision 2008

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.

Contact Officer:

Ann Johnson, Corporate Risk Manager

☎ 01922 652912

johnsona@walsall.gov.uk

Rob Flinter – Head of Corporate Performance Management

☎ 01922 653524

flinterr@walsall.gov.uk

1. RISK MANAGEMENT - UPDATE

- 1.1 The report of 22 July 2004 outlined the significant steps already taken to strengthen the council's approach to risk management, and the many sound processes and activities were in place. It also set out the further work required to ensure that these initiatives were further developed and processes refined.
- 1.2 An independent corporate health check was undertaken by Zurich Municipal Management Services in August 2004. The outcome was very positive with 25 recommendations being made. Twelve of these apply across all directorates and thirteen apply specifically to individual directorates. This document is attached at **Appendix 1**. The specific directorate requirements are being discussed with the relevant directorates by the corporate risk manager. Development of an action plan is currently underway and the progress made on this plan will be reported to EMT.
- 1.3 The Audit Commission have also undertaken two pieces of work with regard to risk management; the annual auditors' scored judgement (ASJ) which feeds into the CPA and a general audit as part of their annual audit plan. The council's risk management arrangements scored the maximum possible 4 for ASJ purposes.
- 1.4 The action plan from the ASJ preparation work and the audit recommendations will be combined into one integrated action plan going forward.

2. TRAINING

- 2.1 Further training has been undertaken since July 2004 with a further 34 officers attending risk awareness sessions. A member training session was held on 4 October 2005. A total of 20 members have now received risk awareness training and it is envisaged that this will be rolled out to all members in the future.

3. ROLES AND RESPONSIBILITIES

- 3.1 Every level within the organisation has a responsibility to ensure that risks to the organisation achieving its objectives are managed and controlled. The schedule at **appendix 2** outlines the roles and responsibilities of all concerned.

4. FUTURE DEVELOPMENT

- 4.1 The action plans derived from the corporate healthcheck, the ASJ scored judgement, audit report, and the CPA improvement plan devised to inform the ASJ addresses all the issues previously raised in the CPA improvement plan. Future development of risk management within Walsall will include:
 - Further member training.
 - A number of new risk champions will be trained over the coming months.
 - Risk awareness sessions to teams.
 - The software solution purchased will be rolled out across directorates.
 - A more sophisticated approach to risk will be adopted within the service planning process.

- The implementation of the corporate risk management strategy will be reviewed frequently to continue to ensure that it meets the needs of the organisation and supports the council's vision.
- A review how risks are managed within partnerships in consultation with internal audit and the audit commission.

5. SUMMARY

- 5.1 The findings from both reviews clearly demonstrate that the council has made significant progress and has embedded strategic risk management in its mainstream activities. The council's proactive approach to risk management is planned to continue, embracing the Audit Commission's new approach to CPA from 2005, which will result in an even more demanding test.
- 5.2 The council's good practice approach to management risk will continue to evolve to ensure risks and opportunities are promptly identified and appropriately managed. The action plan developed to manage this risk should enable this challenge to be met. Audit Committee has a role in monitoring the implementation of that plan.

Walsall MBC

August 2004

**WALSALL METROPOLITAN BOROUGH COUNCIL
RISK MANAGEMENT AUDIT**

PRIVATE AND CONFIDENTIAL

Prepared by: Pam Duke, Principal Consultant
Checked by: Alex Evans, Analyst
Zurich Municipal Management Services
Hermes House
Southwood Crescent
Farnborough
Hants
GU14 0NJ
Tel: 01252 387722
Ref: DCO GFH 41063



Executive Summary

The findings from our review clearly demonstrate that Walsall Metropolitan Borough Council has made positive steps to implementing a recognised process of risk management across its activities. Walsall MBC should be proud of its achievements so far in embedding strategic risk management throughout the council. The Council adopted a formal risk management policy in 2002. There are however areas, particularly around ensuring absolute consistency across directorates, that could benefit from further development. This report has made 25 recommendations that further support the implementation of the policy. 12 of the recommendations apply across all directorates whilst 13 of them apply specifically to certain directorates.

The key directorate wide recommendations to consider at this time are:

Recommendation 1: Key directorate risks of strategic importance are featured in the strategic risks register. A formal process should be considered whereby directorates also formally report their top risks to EMT on a regular basis.

Recommendation 2: Members are involved in identifying risk through events and regular work and briefings with senior officers. Members should become more involved in the 'determining' of risks consistently across the council both at corporate and directorate level.

Recommendation 3: The prioritisation matrix should be standardised across all areas to the 6*4 matrix.

Recommendation 4: The forms to record risks and their actions should be reviewed and standardised to improve consistency of approach.

Recommendation 5: The formal process to manage the risks within projects should be made consistent with the corporate, directorate and service planning process.

Recommendation 6: Although there is an increasing awareness of risk through a variety of means, specific communication about the risk registers both horizontally and vertically within the directorates, should be strengthened.

Alongside the recommendations that have flowed from the interviews that we held with Walsall MBC staff, other issues were raised that need to be considered. These include

- Directors, Heads of Service and some senior managers have been involved in developing risk registers in many areas but there was a recognised need to continue to raise the awareness of risk management across all remaining tiers of the Council. This will ensure that the ability is maximised throughout the Council to identify and measure risks across all activities of the Council.
- The Risk champion forum should be held regularly to keep momentum and share best practice

- The existing comprehensive risk management guidance should be formalised into an accessible risk management toolkit to provide clear guidance on the methodology and approach to be adopted.

The Corporate Risk Manager is already developing many of these recommendations and issues. There has been a clear commitment from the top of the organisation – both at member and officer level and practical application of the principles of risk management, this continuing support will ensure clear messaging to staff that risk management has a role within successful service delivery and meeting objectives,

Introduction

Zurich Municipal Management Services has been commissioned by Walsall MBC to undertake an independent review of the adoption of risk management by the directorates. The purpose of this review is to enable the council to review the consistency and the extent to which risk management has been embedded throughout the organisation. It will be used to inform the CPA process and to identify areas for development. It will also provide Walsall MBC with an external view of how the organisation is doing and what more needs to be done on its path to excellence.

Corporate governance, inspection and regulation criteria demand that robust and demonstrable risk management and internal control mechanisms are embedded at all levels of the organisations.

The concept of Corporate Governance has become increasingly important in the public sector, and is defined in the CIPFA/SOLACE publication, 'Corporate Governance in Local Government' as "...the system by which local authorities direct and control their functions and relate to their communities." On the specific subject of Risk Management and Internal Control, it states that "an authority needs to establish and maintain a systematic strategy, framework and processes for managing risk". It is against such requirements that the external scrutiny of the processes employed by the Council in developing and managing its risk management policy is reviewed, evaluating the extent and effectiveness of the framework and methodology being employed.

This review has focused on the Council's risk policy and the directorate's approaches to embedding that policy. The review has two different approaches:

- **Process Audit:**

Comparing the process for identifying and managing risks against standards and CPA scoring framework to identify potential gaps or areas of improvement

- **Results Audit:**

Comparing the type of risks identified against 'best practice' to ensure the process is comprehensive

Background

During the course of the 17th and 18th August 2004, Pam Duke of ZMMS and Ann Johnson, Corporate risk manager - Walsall MBC, interviewed five risk champions and five members of either the executive management team or the directorate management team. This ensured that the views of both the risk champions and the management team were gathered for each directorate.

Each interviewee was asked a number of pre-prepared questions designed to establish the extent to which risk management had been embedded across the directorates. .

The following is a summary of findings that are consistent and relevant across each directorate:

1. A list of "top" directorate risks is not automatically considered by EMT however each director has a clear corporate responsibility to manage their own risks and if a directorate risk is of strategic importance then it does appear in the strategic risk register.

Recommendation 1: A formal process should be considered whereby directorates also formally report their top risks to EMT on a regular basis.

2. Members are involved in the determining of risk in different ways. In some instances they have been informed both about the risk register and have discussed emerging issues through regular portfolio holder briefings and, for example, the Cabinet have had a dedicated session identifying "banana skins".

Recommendation 2: Members should become more formally involved in the 'determining' of risks across the Council at Corporate and directorate level.

3. The prioritisation process has evolved from the previous 3*3 matrix at corporate level whilst at directorate level the modern 6*4 matrix is used, for service planning 2004/5 the guidance suggested using a 3*3 matrix but some services have used a 6*4. This inconsistency is planned to be rectified for the 2005/6 service planning process.

Recommendation 3: The prioritisation matrix should be standardised across all areas to the 6*4 matrix

4. Different forms are being used to record information on risks within directorates. All risks should be clearly stated in terms of a vulnerability, trigger and consequence. Action plans should be completed for all risks. A software package will be introduced shortly; all forms will be consistent with this package.

Recommendation 4: The forms to record risks and their actions should be reviewed and standardised to improve consistency of approach.

5. Inconsistency in the development of risk registers within projects. The corporate project management guidance (UIC) does not explicitly ask for a risk assessment for each project although projects being managed have typically undertaken a risk assessment. Where PRINCE2 is being used an effective risk management approach exists.

Recommendation 5: The same formal process to manage the risks within projects should be adopted to be consistent with the corporate, directorate and service planning process.

6. Communication of the directorate and service planning risk registers to staff within the Council may not be fully comprehensive in some areas and could result in a lack of awareness. However service and team plans contain them and they are discussed at management teams. There are many ways in which the concept of risk is already communicated including training and drafting of cabinet reports for example but there is a need to be certain that it is reaching all tiers within the organisation.

Recommendation 6: Communication about the risk registers both horizontally and vertically within the directorates, should be further strengthened.

7. Management teams now see risk management as a useful management tool. The risk management process is being fully adopted and directorates are developing the action planning and review and monitoring phases of the cycle. For example within Social Care and Supported Housing this review and monitoring phase has been formalised through a 'performance board'. Other directorates have yet to fully adopt this monitoring and review process and others are carrying out risk management as an integral part of their management team meetings.

Recommendation 7: Formal review and monitoring arrangements should be adopted and timetabled to happen on a regular basis both at directorate and service level

8. Risk management features in every Cabinet report which is a great strength. To further develop this the risks should be formally linked back to directorate or service or project risk assessments where appropriate and supported by relevant documentation using the corporate approach.

Recommendation 8: Further guidance should be provided to support the development of the risk management element of cabinet papers to make overt links to risk registers as new risks emerge and existing risks evolve.

9. The development of the identification of risk in partnerships is to be reviewed.

Recommendation 9: The formal process used to manage the risks to the Council should also be used in relation to the partnerships in which they are involved.

10. Although risks from many partnerships or projects are established and managed they currently do not always form part of their individual directorate risk register. They should be a mainstream element of the relevant risk register. Risk management is not formally joined up with risk registers being held in different formats although this is already planned to be dealt with as part of the roll out of the new corporate system.

Recommendation 10: A comprehensive risk register should be developed to a strengthen analysis of risks (a software product is being introduced in 2004 that will help enable this process)

11. The current paper based system does not allow for easy automatic analysis of any cross cutting issues within the directorates. Therefore, the information flow between service and directorate risk registers to identify these issues has scope to be further strengthened.

Recommendation 11: Improved information flows between service risk registers and the directorate risk register should be established, so that cross cutting risks can be established and where appropriate service risks elevated to directorate risks. The roll out of the computerised system will address this issue.

12. A great deal of work has already been undertaken by the council to identify and manage its operational risks. It is important that existing risks and previous assessments continue to be used to identify new and emerging and evolving risks. These categories are liability, property/asset, computer/data and operational/management. Alongside these the council is introducing safety management standards that must be adopted and will be monitored for compliance. Inclusion of all risks identified by these assessments should be included within the service or team plan assessments.

Recommendation 12: Operational risk assessments should be an integral part of the assessment of risk to the service and be regularly reviewed where this is not already occurring.

The following is a summary for each directorate of the findings and recommendations

Corporate services summary

13. Although the spectrum of risks identified is good (across all 13 categories) the descriptions (vulnerability and consequences) require strengthening for some. This may cause confusion and a difficulty in understanding the risk if they were communicated further

Recommendation 13: The risk descriptions (vulnerability) should be developed further to increase the understanding of risk

14. Risk management is occurring across the directorate but it is not always documented or formalised.

Recommendation 14: The risk management methodology and supporting documentation should be used consistently to document risk management exercises and discussions

Life long learning and community summary

15. Initially in 2004/5 SMT were not involved actively in the risk management process. This is being rectified with a workshop in September when the management team will have been appointed and individuals in post.

Recommendation 15: SMT need to continue to be involved in the risk management process for the directorate and take ownership of the risks identified.

16. There has been limited identification of risks across the 13 categories of risk used in the process. Some areas have not been fully considered.

Recommendation 16: At the September review meeting SMT must identify risks across the whole spectrum of the 13 categories of risk identified in the guidance material.

17. No action plans or review processes have yet been developed, although this is planned to happen after the September workshop.

Recommendation 17: The action plans and the subsequent review and monitoring of the risks must be developed and adopted on a regular basis after September.

18. Not all services have risk assessed their service plans for 2004/5.

Recommendation 18: All service plans must be risk assessed using the corporate approach and action plans and review and monitoring mechanisms adopted, consistently across the directorate

19. The SERCO partnership is informally risk assessed. There is no evidence that SERCO effectively risk assesses their delivery.

Recommendation 19: A formal process to establish the risks to the Council in relation to the SERCO partnership should be further developed. This will be dealt with within the partnerships risk evaluation although one aspect is already included in the strategic risk register.

Regeneration, housing and built environment summary

20. Most services have risk assessed their service plans for 2004/5 although not always consistent with the corporate approach.

Recommendation 20: All service plans must be risk assessed using the corporate approach, and action plans and review and monitoring mechanisms adopted, consistently across the directorate

21. Informal mechanisms exist at service level to review and monitor risks.

Recommendation 21: Formal review and monitoring processes of risks should be adopted at service level.

22. The vulnerability and trigger are confused; the trigger should be the actual risk with the vulnerability describing the background as to why this risk may occur

Recommendation 22: The existing vulnerability should be changed to the trigger. The vulnerabilities should be further developed.

Social Care and Supported Housing summary

No separate recommendations

Corporate/ strategic risk register:

Although not specifically discussed during the interview process, a number of issues surrounding the corporate risk register were identified. They are as follows:

23. EMT profile the corporate risks on a 3*3 matrix (due to the way in which the process has evolved) rather than the 6*4 used by directorates although it is understood that this is already planned to move to a 6x4 at the next review.

Recommendation 23: The corporate risk should be profiled using a 6*4 matrix

24. Corporate risks are not written with clear vulnerabilities, triggers and consequences as they were identified using a different process and it is already planned to fully align this with the revised council wide process.

Recommendation 24: The risk descriptions (vulnerability) should be developed further to increase the understanding of risk and triggers clearly stated

25. EMT has identified all the main strategic risks. This could be further strengthened by formally using the 13 categories of risk as the framework within which to identify new and emerging risks.

Recommendation 25: A review of risks facing the Council across the 13 categories of risk should take place each quarter using the formal framework comprising 13 categories.

Next Steps

The recommendations and issues discussed in this report should be adopted by Walsall MBC to ensure that it continues in its journey for excellence. The steps outlined above will move the Council closer to demonstrating that it has embedded a risk management culture across all of its activities. This will help satisfy CPA requirements but more importantly ensure that the Council is effectively managing its business to achieve its objectives and vision.

Risk Management - Roles and Responsibilities

Activities	Cabinet (members)	Audit Committee	EMT	Individual Directors	Risk Champions	DMT's	PB's	CRM	Internal Audit	AC	RI
STRATEGY											
Write and update policy								✓			
Approve policy	✓	✓	✓								
Strategic Risk Register - update - receive and approve			✓	✓							
Review and update RMAP's				✓							
Prepare annual report								✓			
Receive annual report	✓	✓	✓								
Advise elected members of the risk management implications of decisions			✓	✓							
Quarterly monitoring of RMAP's								✓			
Quarterly report to emt								✓			
DIRECTORATE											
Advice and guidance					✓			✓			✓
Risk register - quarterly update - quarterly review					✓ ✓	✓ ✓		✓			

PB = Performance Boards
 CRM = Corporate Risk Manager
 AC = Audit Commission
 RI = Risk and Insurance

Risk Management - Roles and Responsibilities

Activities	Cabinet (members)	Audit Committee	EMT	Individual Directors	Risk Champions	DMT's	PB's	CRM	Internal Audit	AC	RI
SERVICE											
Risk register - quarterly update - quarterly review				✓	✓	✓					
Progress reports – RM action plans				✓	✓	✓	✓	✓			
AUDIT											
The role of internal audit within risk management is to provide an independent assessment of the effectiveness (or otherwise) of:											
• The robustness of corporate arrangements for risk management		✓					✓		✓	✓	
• The risk management function		✓					✓		✓	✓	
• The implementation of corporate directorate risk management arrangements		✓					✓		✓	✓	
• Internal controls across the council's services/systems		✓							✓	✓	
GENERAL											
Establish training needs					✓			✓			✓
Liason with Internal Audit and Audit Commission		✓		✓		✓		✓			
Communicate RM process to all staff			✓	✓	✓	✓	✓	✓			✓