

Audit CommitteeOn 21st March 2006Report Title: **Risk Management – Implementation of Strategy**Report of: **Director of Finance****1. Purpose**

- 1.1 To inform the Audit Committee of the current position on risk management implementation across the Council.
- 1.2 To advise members of the framework agreed by CEMB to assist in the development of risk management and ensure it becomes embedded into strategic and operational business planning.

2. Recommendations

- 2.1 That the Audit Committee notes the report.

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3. Reasons for any change in policy or for new policy development (if applicable)

- 3.1 None

4. Local Government (Access to Information) Act 1985

- 4.1 List of background documents:
The following background documents were used in production of this report:
- CPA Use of Resources KLOE's
 - CIPFA Finance Advisory Network guidance

5. Background

5.1 The Council's revised Risk Management strategy was approved by CEMB, and the Audit Committee, in October 2005. The strategy detailed how risk management was to be further developed in order to ensure that it became embedded into the council's business planning and operational processes.

5.2 The Council has made some progress in implementing risk management since July 2003, when the first risk management policy was approved. However, the Audit Commission reported in their CPA 2005: Use of Resources Judgement that:

'...these arrangements are not, however, embedded and processes for updating risks on an ongoing basis need to be developed....risk management arrangements are not yet adequate'

5.3 The Audit Commission also commented that Internal Audit had undertaken to complete the majority of the risk management processes across the authority to date and that directorates and business units needed to 'own' risk management. Additionally, the Audit Commission stated that the Tech Refresh project demonstrated a failure to manage and report risks effectively.

5.4 Risk Management is an important element of the Use of Resources assessment. It is therefore essential that the Council takes appropriate action to ensure that the agreed Risk Management Strategy is implemented effectively and that the Council can demonstrate compliance with the relevant CPA elements.

5.5 To date, Internal Audit has facilitated the development of risk registers for directorates and business units, based on agreed business plans. Managers have then agreed the key risks and listed the controls in place to manage the identified risks. In a number of cases key controls have then been tested by Internal Audit and a report issued to managers on the outcome of the testing.

5.6 Updating the risk registers has been done by Internal Audit, in conjunction with service managers. Although all departments and business units have been included in the process, the Council has not been able to demonstrate that the process has been fully embedded. Directorate risk registers have not been comprehensively updated since their initial completion. The Council must therefore change the way in which the risk management process is implemented and embedded within its operations.

5.7 This report provides an update on progress since October 2005, proposals for developing the risk management processes and recommendations to ensure that the risk management strategy is implemented.

6 Progress to date

6.1 Table 1 below shows the progress made to date in compiling the risk registers at corporate, departmental and business unit level. The table also shows where Internal Audit has tested the controls which have been identified by managers to manage the risks contained in the risk registers.

Table 1 – as at February 2006

	Department	Level	Register Title	Risk Register status
1	Council	Corporate	Corporate Register	Agreed by CEMB
2	CE	Dept	Chief Executive	To be drafted
3	CE – Strategy	BU	Strategy – Communications	Draft issued for approval
4	CE – Strategy	BU	Strategy – Community Safety/ Youth Offending Service	Draft issued for approval; YOS to be drafted
5	CE – Strategy	BU	Strategy (remainder)	Draft issued for approval
6	CE – OD&L	BU	Organisational Development – OD&L HR Improvement & Performance	OD&L – Agreed by service; HR – Draft issued for approval; Imp. & Perf. – to be drafted.
7	CE – OD&L	BU	Organisational Development – Member Services	Agreed by service
8	CE	BU	Legal Services	Final agreed and tested
9	CE – Access	BU	Neighbourhood Management	Draft issued for approval
10	CE – Access	BU	Corporate IT	IT have their own risk mgt developed for use in quality mgt procedures.
11	CE – Access	BU	Libraries and Museums	Draft issued for approval
12	CE – Access	BU	Customer Services	Agreed by service
13	Finance	Dept	Finance	Agreed by service
14	Finance	BU	Benefits & Local Taxation	Draft issued for approval
15	Finance	BU	Corporate Finance	Final agreed and tested
16	Finance	BU	Audit & Risk Management	Final agreed and tested
17	Finance	BU	Corporate Procurement	To be drafted
18	Finance	BU	Corporate Property	Draft issued for approval
19	Children's Service	Dept	Children's Service	Education version agreed by service, need to update
20	Children's Service	BU	School Standards & Inclusion	Final agreed and tested
21	Children's Service	BU	Children & Families	To be drafted
22	Children's Service	BU	Community & Resources	Agreed by service
23	Children's Service	BU	Service Delivery & Performance	Agreed by service
24	Children's Service	BU	Business Support & Development	Agreed by service
25	Social Services	Dept	Social Services	Agreed by service
26	Social Services	BU	Older People	Agreed by service
27	Social Services	BU	Adults	Agreed by service
28	Housing	Dept	Housing	Agreed by service
29	Housing	BU	Housing Strategy and Needs	Draft issued for approval
30	Housing	BU	Housing Management (HRA ALMO)	HHBS - Draft issued for approval
31	Housing	BU	Housing Management (HRA non- ALMO)	To be drafted
32	Environment	Dept	Environment	Agreed by service
33	Environment	BU	Recreation	Agreed by service
34	Environment	BU	Street scene	Final agreed and tested
35	Environment	BU	Planning & Environment Control	Final agreed and tested
36	Environment	BU	Enforcement	Draft issued for approval

7 Implementation – the next steps

- 7.1 Setting up the risk registers is only one part of the risk management process. In order to achieve real benefits from implementing risk management; demonstrate that managers 'own' their risks and the process is embedded; and achieve the highest rating as part of the CPA process, it is important that the risk registers are used properly, reviewed and kept up to date on a regular basis.
- 7.2 There needs to be a planned programme put in place to ensure that risk registers are monitored, reviewed and updated (by services managers); and tested (by internal audit) on a regular and systematic basis. Regular reporting to DMT's, CEMB and the Audit Committee also needs to be incorporated into the process.
- 7.3 To assist with this, Internal Audit have developed a database, which is in the process of being populated with the existing information from business unit and departmental risk registers.
- 7.4 As some risk registers contain information which has become out of date, these will need to be revised prior to entering into the database. It has been agreed by CEMB that Internal Audit facilitate risk management workshops, at directorate/DMT level, in order to complete the process to update the departmental risk registers. Internal Audit will confirm the information held with departments and agree a timescale to review and update any information which is out of date.
- 7.5 From 2006/07, Internal Audit will provide reports on a quarterly basis to each department and business unit. Departmental management teams will then be required to review and formally sign off their risk register on a quarterly basis. This will confirm that relevant managers have considered their risks, made any changes required, and given responsibility for actions to be taken to individual managers. The Chief Executives Management Board (CEMB) will review the corporate risk register on a quarterly basis, and update as appropriate.
- 7.6 The update may take the form of new risks, changes to or additional controls, and changes to risk scores. Key triggers for significant changes to risk registers will be new or changing regulations, implementation of new departmental or corporate projects, high staff turnover, changes in the external environment, and Internal Audit reviews. It should be noted that the changes in risks may result in changes to actions to manage the risks and the approach.
- 7.7 The risk database that will be populated by Internal Audit will be used to maintain an up to date risk position of the Council and provide the basis of reports to officers and Members. Examples of the reports which can be produced include:
- Risks assigned to individual officers;
 - Risks by each department;
 - RADAR map of risks;
 - Actions taken to manage risks.
- 7.8 Internal audit will provide an annual report to CEMB on risk management, including progress on implementing the strategy, results of the audit testing of the risk

management process and key controls and issues/recommendations to be addressed as part of the CPA process.

7.9 The role of the Audit Committee with regards to risk management is to confirm that a risk management process is in place and that the process is being embedded. This can be achieved through the receipt of appropriate reports with regards to risk management, including periodic reports regarding corporate, departmental and business unit level risk registers, and the work completed by internal audit to provide assurance that a risk management process is in place, and its operation across the Council. The Audit Committee will also, on an annual basis, review the corporate and departmental risks identified and confirm their acceptance of both the risks which have been identified, and the actions in place to manage them.

7.10 In order to ensure that the key processes and activities are completed, Table 2 below summarises the required actions and responsibilities which need to be completed during the year. Completion of these will ensure that the Council is better able to demonstrate that it has embedded risk management into financial and business planning. Note that Internal Audit will be undertaking a separate review of risk management systems and processes during the final quarter of 2006/07. The results of the review will be reported to CEMB and the Audit committee

Table 2 – timetable of events/required actions

Date	Required action	Related business planning actions
March 06	<ul style="list-style-type: none"> • Directors to confirm risk management representatives within departments to Internal audit. • Internal Audit to provide latest versions of risk registers and reports from database to departmental representatives. 	
April-June 06	<ul style="list-style-type: none"> • Internal Audit to attend DMT's to explain process and review output • Internal audit to agree risk mgmt programme of work • Directors and CEMB to include review of risk registers as agenda item on quarterly basis • Internal Audit to agree reporting requirements with DMT's and CEMB • Service managers to review (and update) risk registers and circulate to RM representatives 	<ul style="list-style-type: none"> • Business Plans finalised – x-ref to risk registers • List of key council-wide projects to be identified (and included on risk registers) as per new project mgmt arrangements
May 06		
June 06	<ul style="list-style-type: none"> • Progress summary by Internal Audit of the updating of risk registers, provided to Directors, ACE's and Chief Executive with recommendations as 	<ul style="list-style-type: none"> • CPA corporate assessment and JAR take place

Date	Required action	Related business planning actions
	required	
July 06	<ul style="list-style-type: none"> • Internal audit to provide first qtr reports from database to all RM representatives • DMT's and CEMB to review risk registers and quarterly reports as agenda item • Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit. 	
August 06	<ul style="list-style-type: none"> • Internal Audit to agree reporting requirements with DMT and CEMB 	Pre-business Plan reviews to commence
September 06		Finalise Pre-business Plan Reviews – x-ref to risk registers
October 06	<ul style="list-style-type: none"> • Internal audit to provide second qtr reports from database to all RM representatives • DMT's and CEMB to review risk registers and quarterly reports as agenda item • Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit. 	
November 06	<ul style="list-style-type: none"> • Internal Audit to agree reporting requirements with DMT and CEMB 	2007/08 budget planning process begins
December 06		
January 06		
February 06	<ul style="list-style-type: none"> • Internal audit to provide third qtr reports from database to all RM representatives • DMT's and CEMB to review risk registers and quarterly reports as agenda item • Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit. 	
March 06	<ul style="list-style-type: none"> • Internal Audit of risk management arrangements and embedding across the Council and report to Audit Committee 	