



AUDIT AND PENSIONS COMMITTEE

29 June 2010

CONTRIBUTORS

PRINCIPAL
CONSULTANT (RISK
MANAGEMENT)

ALL DEPARTMENTS

Subject

RISK MANAGEMENT PROGRESS REPORT

This report updates the Committee of the risks, controls, assurances and management action orientated to manage Corporate, Department and Divisional level risks.

**WARDS
All**

RECOMMENDATION:

- 1. The Committee approves the latest iteration of the corporate risk register.**

1. PURPOSE

- 1.1. This report informs Members on the overall arrangements and performance of risk management across the council. Effective risk management helps the council to achieve its objectives and is a key component of the 'Use of Resources' judgement and is also required by the Account and Audit Regulations 2003. The importance of good risk management and opportunity responses is essential given the potential future funding pressures as a result of the local government settlement.

2. BACKGROUND

- 2.1. The Finance and Corporate Services Department acts as the lead Department on risk management supported by the Principal Consultant Risk Management. Departmental Directors act as Risk Champions in their own service areas to support the process across all levels of the authority.
- 2.2. Risk Management is intrinsically important to the council and is a process that demonstrably helps the council achieve its business objectives through the early identification, analysis and economic control of potential hazards. It achieves value for money and efficiencies by intervening at an early stage in projects through the proactive use of risk registers using mitigating techniques that contain spend and help to ensure the successful delivery of projects.
- 2.3. Risk management is also evidence in support of producing the Annual Assurance Statement, an auditable process that seeks to determine confidence in the control mechanisms established across the operational activities of the council and of its significant partners.

3. Audit of risk management assurance frameworks

- 3.1. The council's business planning guidance 2010/13 required that Directors annual assurance statements which underpin the Annual Governance Statement (AGS) in the annual accounts are supported by evidence as they are open to be audited. Directors annual assurance statements were audited in April 2010 by Deloitte to capture and assess the quality of

information provided at year end by departments. Evidence to support Directors Assurance statements were not all available at the time of the audit. Additionally where information was provided there was limited documentation available to consider whether issues included or omitted in statements linked to declarations made.

- 3.2. As a corporate document the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives produced guidance including the definition of responsibilities for production of the statement. The Annual Governance Statement is a key corporate document. The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness. Signatories need to ensure that the Annual Governance Statement accurately reflects the governance framework for which they are responsible. In order to achieve this they are likely to rely on many sources of assurance that would include that of directors and managers. In compiling this years Annual Governance Statement issues that fall short of expected standards arose. Compiling the statement should not be completed where comments and feedback, which originate from many places, is unsupportive.
- 3.3. Transparency, co-ordination and referencing of all areas of assurance and evidence across the council promotes and increases corporate awareness of the governance statement whilst helping the auditability of internal control aspects of the councils Use of Resources. This was identified as a weakness in the development of departmental statements and this will be communicated to the Financial Strategy Board.
- 3.4. It is proposed therefore that the production of Directors Statements is taken outside the business planning process and is made the responsibility of the Financial Strategy Board, with accompanying action plan, to ensure sufficient evidence is made in preparation of the 2010 – 2011 statement. This should not prove onerous as the statement should be continuously reviewed throughout the year but in practice will emerge from routine governance and managerial processes that Financial Strategy Board consider and operate continuously.

4. Integration

Risk Management has been identified as being within the scope of the integration programme between the council and NHS Hammersmith & Fulham Capital Ambition bid. Progress has not developed beyond the initial 'critical friend' approach primarily due to the difficulty in the PCT's recruitment of a permanent Risk Manager and a number of interim appointments. There are however opportunities identified with the current interim appointment to liaise over common areas at both Strategic and Operational levels. Monthly meetings now take place and a shared risk register is being compiled where operationally services and objectives are now shared.

5. Data Quality

5.1. Good data management benefits the council through protection of secure information, accurate data being used for submission of grants and internal transactions, clear and concise reporting of data for management and members. Good data quality saves money by managing out potential errors. There are risks involved with data handling that include but are not limited to;

- Poor access controls of personal information
- Transposed figures resulting in errors across databases, spreadsheets or other systems
- Separation of duties not being adhered to

- Under or over estimation of figures i.e. in population data
 - Setting unrealistic performance targets
- 5.2. Departments, Services, Managers and Individuals handle data from a number of sources that include partnerships, government, voluntary bodies, the Office of National Statistics. Data is used in everyday situations from accounting, social care, procurement, performance, internal and external communications and for other areas such as planning or income collection from parking. Its scope is vast and data quality is regarded as a core competency.
- 5.3. The Strategy, Performance and Procurement Team has led the council's campaign to maintain its already high standard of information management through the development of focussed training, risk awareness raising and where required through written guidance and protocols. In doing so the profile of data quality has been raised significantly across the council and its partners.
- 5.4. There have been no unresolved incidents involving data quality reported to the Principal Consultant, Risk Management, for the Committee to note over the past quarter. Where Data Quality issues have been identified these have been reported through the Annual Governance Statement review and Officers have been notified accordingly.

6. CORPORATE RISK REGISTER

- 6.1. Key corporate risks have been reviewed and updated in line with findings from Departmental, Service and Project Risk Registers and the latest iteration of the Corporate Risk Register is attached as **Appendix 1** following its review at the Executive Management Team (EMT). The following information updates the committee on progress made against individual risk areas.
- 6.1.1. **Business Resilience** – Arrangements over the winter demonstrated robust arrangements in managing the consequences

of cold weather and icy conditions affecting the borough. The potential effects of Swine Flu never fully materialised and the threat receded sufficiently that a separate entry on the register has been removed. It is to be noted that the councils approach determined early on that avoiding knee jerk reactions when planning its carefully measured response avoided costs through unnecessary stockpiling of supplies, changing and enhancing of cleaning regimes & emergency procurement of personal protective equipment.

- 6.1.2. Information resilience through technology remains an exposure however Cabinet most recently approved proposals, 26th April 2010, to extend, upgrade and improve corporate information technology resilience arrangements. These are however medium term plans and improvements will take time to bed in.
- 6.1.3. **Managing Projects** – Programme and portfolio management across the council is reported to EMT on a monthly basis and compliance with the council's agreed project management approach is being considered as part of the production of the Annual Governance Statement by the Programme Management Office and through regular reporting and monitoring. Audits in this area indicate some weakness in compliance with agreed management and reporting procedures.
- 6.1.4. **Managing statutory duty** – The councils' Safety committee re-convened in December 08 and has met periodically. An Audit of Health & Safety recently demonstrated improvements in resource, planning and monitoring. The Executive Management Team have recently approved moves towards compliance with Health & Safety Executive Standard HSG65 Management (Over-arching guide on the essential philosophy of good health and safety: what it means; how to achieve it; and how to maintain it.)
- 6.1.5. **Managing Human Resources** – Designated an opportunity risk given the integration agenda and the future potential for collaborative working. The risk assessment looks for positive responses to opportunity including realisation (identifying and seizing an opportunity), Enhancement (seizing and improving on an already identified opportunity and exploitation (identifying and seizing multiple benefits). A positive outcome from the examination

of the Corporate Workforce Strategy following the recent Use of Resources refresh is expected.

- 6.1.6. **Managing budgets** – Procedures are in place to inform Members periodically on the financial position of council services through Corporate Revenue & Capital Monitoring reports. Difficulties persist as a result of the residual impact of the recession and future uncertainty of inflation. Pressures on demand led services such as benefits and housing remain. Where pressures on budgets have materialised through increasing spend patterns these have been brought to the attention of the Corporate Finance and the Financial Strategy Board. Risks associated with financial pressures are estimated and appropriate risks highlighted in budgeting. As financial settlement from central government is likely to be severely reduced measures have been put into place through mechanisms such as a more testing business and financial planning process. Times ahead remain challenging.
- 6.1.7. **Successful partnerships** – At the time of writing this report an audit of partnerships was being undertaken by Internal Audit. This follows a review of partners led by the administering Division in the Finance & Corporate Services Department as part of the annual update of the Borough Partnership. The outcome is expected to be positive, a final report on this area is outstanding.
- 6.1.8. **Maintaining reputation and service standards** – Local and National media attention has increased from pressure groups and Unions with interest in financial performance, procurement, executive pay, pensions and Elected Officials expenses. Processes are in place to bring queries to the attention of management and respond as legislation, principally the Data Protection Act, and Freedom of Information Act that apply.
- 6.1.9. **Managing fraud** – Fraud risks are managed out through inherent and applied controls. The Corporate Anti-Fraud Team takes the lead in fraud prevention, targeting suspected areas of fraud internally and externally. A separate fraud report is provided to Audit Committee by the Head of the Anti-Fraud service. Recent

counter fraud successes have been published on the council internet. Her Majesty's Revenue and Customs are promoting a campaign to raise awareness around working with contractors. The council is well placed and currently promotes 'due diligence' activities internally as a matter of good practice. Creditworthiness and liquidity checks are monitored and reported to the council's Competition Board.

6.1.10. **Successful reorganisation and cultural change** – The Organisational Development Division has delivered an effective staff Performance Management and Appraisal system integrated within the already highly regarded and now unified Business and Financial Planning process.

6.1.11. **Managing the business objectives (publics needs and expectations)** – Improved individual performance management arrangements have been rolled out and Business & Medium Term Financial Planning has being combined into one overall process (Objective setting and Resource allocation through to Delivery then Performance monitoring). A Corporate Workforce Group meets regularly continuing the development towards a flexible, dynamic and efficient workforce.

6.1.12. **Market testing of services** – Market testing objectives are reviewed quarterly as part of corporate monitoring of the procurement road map through the council's Competition Board. An update on this area will be provided at the Committee's next meeting.

7. CONCLUSIONS

7.1. It is envisaged that following on from the achievement of risk management objectives that the council will realise continuous improvement within its financial resources across front line services as a result and in doing so remain fully compliant with the requirements for risk management.

8. Comments from Director of Finance and Corporate Services

The Director of Finance and Corporate Services is the Council's 'Risk Champion' and endorses the contents of this report.

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Audit Commission: Worth The Risk, Improving Risk Management in Local Government	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
2.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
3.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	OGC Website	http://www.ogc.gov.uk/sdto/olkit/reference/ogc_library/related/orange-book.pdf
4.	Departmental Risk Registers	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
5.	CIPFA Finance Advisory Network The Annual Governance Statement	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall

Appendix 1

Corporate Risk Register

