

AUDIT AND PENSIONS COMMITTEE

22 September 2010

CONTRIBUTORS

Chief Internal Auditor
Principal Consultant-
Risk Management

**COMBINED RISK MANAGEMENT HIGHLIGHT
REPORT**

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

**WARDS
All**

RECOMMENDATION:

- 1. Future reporting needs to the committee are to be based on exception and operational risk activity.**
- 2. The committee adopt a new suite of risk reporting snapshots that includes information security, data quality, insurance, health and safety, fraud, financial and contractor risk. (Appendix A – draft format subject to further development)**
- 3. The committee consider the current risk position as reported in Appendix A.**

1. PURPOSE

- 1.1. This report informs Members on the performance of risk management across the council and presents a change in reporting from previous submissions to Committee, attached on a work-in-progress basis as **APPENDIX A**. A review of risk management output is underway based on the British Standard BS 31100 code of risk management practice. The outcome of the review, conducted by Deloitte's, will seek to present information on risk utilising three standard output areas, Strategic, Projects and Programmes and finally Operations. Data shown in Appendix A is illustrative of the base information that would be developed for the purpose of scrutiny by the Committee. Effective risk management continues to help the council to achieve its objectives by 'getting things right first time' and is a key indicator of the 'Corporate Health' of the council.

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.

3. Future reporting needs

- 3.1. It is proposed that the future risk reporting needs of the council are focussed on exception and operational risk activity. This is to move from reporting on process to focussing on activity output, and assisting in developing future risk strategy. The revised approach reflects the standards required as part of the British Standard Code of Practice for risk management. There are a number of key drivers for this including keeping costs down, ensuring and maintaining added value to risk management and positively promoting opportunity management through sensible risk taking. The change in format is intended to enhance transparency of some of the most critical risk areas, assist in keeping costs down through effective management reporting, highlight unnecessary risk and to facilitate robust scrutiny by committee.
- 3.2. Currently risk management is being benchmarked against the British Standard through a gap analysis to ascertain the appropriateness of intelligence used to inform the risk management process.
- 3.3. Output will in future be orientated in accordance with the British Standard model that covers three discreet elements namely;
 - Strategic – Corporate Risk Register
 - Programmes and Projects
 - Operations
- 3.4. Bringing together operational risk information, for example insurance, health & safety and fraud, adds value through shared intelligence from data, for

example to examine if there is any correlation across health & safety, sickness and insurance statistics to spot any patterns emerging.

- 3.5. Additional information held on information security breaches, data quality, and tracking of financial budget risks will be developed. Full background information will be held for the benefit of members detailed enquiries.
- 3.6. To illustrate how the range of information will potentially look, a first version of the new report is attached in **APPENDIX A** (with operational information provided on a snapshot basis as this stage). This will also help serve to address the requirements to demonstrate organisation financial resilience as part of the Value for money judgement of the annual accounts.

4. CONCLUSIONS

- 4.1. To further mature the application of risk management across the council and to comply with British Standards BS31100 code of practice that the council adopt the proposed amendments to risk reporting.

5. 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/okit/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	Michael Sloniowski 2587	Strategy, Performance & Procurement

	Governance Statement		Ground Floor, Room 10 Hammersmith Town Hall
6.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall

APPENDIX A Risk Management – Audit & Pension Committee information

1. Strategic

Corporate Risk Register

There are no specific changes to the corporate risk profile and the position remains fairly static. A copy of the Corporate Risk Register is attached for information. It is noteworthy however to consider the potential severity of the financial settlement from government and the potential impact on services currently being managed through the Business and Financial Planning process.

Highlights

Improvements

- A project and funding to improve Business Continuity (IT) resilience has been initiated. This will markedly improve the council's resilience in the event of a significant IT service failure through mirrored systems and upgrades.
- The roll out of Human Resources Self Service Payroll system and Smart HR providing proactive identification and timely delivery of solutions to HR issues with improved ability to analyse service demands and speedier solutions.

Significant risks

- Potential harsh financial settlement maintaining pressure on budgets and social resources (housing, welfare and care) managed through the business and financial planning process.
- The potential of a 'double dip recession' and the effect on assets, people, social budgets and local employment

Corporate risk register (attachment)



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Corporate Risk Regist

2. Programmes and Projects

Table 1 Programmes and projects

Monthly reports are provided to the Executive Management team through the Programme Management Office (PMO). An excerpt of the programme tracker illustrates the status of projects based on a traffic RAG indicator. Calls to action and recommendations from the PMO are flagged for EMT attention.

EMT Summary - h&f tracked Programmes and Projects - 7 July					
Sequenced by Key Milestones					
Programme	EMT Owner	Project	Milestones	Date	Status
Supporting Your Choice	JR	100 Club Pilot	100 club evaluation complete	Apr-10	Complete
Supporting Your Choice	JR	Implementation projects	PIDs developed - range of projects	Apr-10	Complete
Slicker Business	JW	Corporate Services Review	Reworked PID signed off	Apr-10	Cancelled
Slicker Business	JW	Overall Programme	Programme Definition	Jun-10	Green
Slicker Business	JW	Corporate Services Review	High Priority Areas completed	Jun-10	Cancelled
Building Schools for the Future	JW	Selected Bidder	Selected Bidder Stage completed	Feb-11	Green
SmartWorking	NP	Telephony	Complete Telephony solution (incl. Outlook integration)	Mar-10	Amber
SmartWorking	NP	Netconnect (Lynx Plus)	Pilots - report & recommendations	Jul-10	Green
Asset Management	NP	Cobbs Hall	Construction work complete	Apr-10	TBC
Asset Management	NP	CAMSYS	Go Live	May-10	Red
SmartWorking	NP	Overall Programme	Business case to Cabinet Briefing for Stage C - rollout to rest of council	Jun-10	Complete
Asset Management	NP	Stow Road Depot	Final vacaton	Sep-10	Amber
Asset Management	NP	Barclay House	Disposal	Sep-11	Green
Customer Transformation	LC	Improving the Customer Experience online	Delivery of Project Sparkle and online Housing Benefits	Aug-10	Green
Customer Transformation	LC	Improving the Customer Experience online	Delivery of online Council Tax and Visitor Parking Permits	Nov-10	Amber
Strategic Regeneration	LD	Developing Decent Neighbourhoods	Draft Opportunity Area Planning Framework - consultation start	Jul-10	Amber
Strategic Regeneration	LD	Area Opportunity Plans: Hammersmith & White City	Consultation starts on OAPF	Jul-10	Green
Strategic Regeneration	LD	Local Housing Company	Business case to Cabinet Briefing	Jul-10	Green
Strategic Regeneration	LD	Local Development Framework (LDF)	Framework publication	Sep-10	Amber

Highlights

- Delivery of the CAMSYS asset management project, marked in the above table as red, has been delayed due to the implementation of updated bespoke enhancements from the supplier Technology Forge affecting the help desk module.

Market Testing

Highlights

Each distinct class of procurement activity is reported through the council's competition board. A summary of their position is outlined below;

- **Market Testing Programme (Green)** – The overall programme is broadly on track. Passenger Transport progressing well, Home Care due to be let in October and business case prepared for H&F News. However minor delay on Health & Safety project
- **Contract Renewals (Amber)** – Mixed picture with a number of contracts already elapsed or no response received despite a number of reminders. Suggest Department Management Teams check through their lists individually to identify any problems which need to be addressed.

- **Contract Monitoring (Amber)** – 10 major contracts reviewed, of which 2 are on red status (London hire Ltd, London Energy PLC), 2 on amber status (Eden Foods Services and Family Mosaic Housing) with the remainder on green status. No response received on Kier Support Services. Actions in place to address shortcomings – departments will need to monitor the effectiveness of these.
- **Building Schools for the Future (BSF) (Red)** – The Government has announced the stopping of all BSF programmes that have not achieved Financial Close. As a consequence of this, the procurement of a LEP to deliver the H&F programme has been halted and all work has stopped on school projects within our BSF programme. A review of schools capital funding will commence in July 2010. It will report to Ministers in mid-September and a forward plan for capital investment over the next spending review period will be produced by the end of the calendar year. Notwithstanding the aforementioned review of capital spending, the BSF Team within the Schools Resourcing Division of Childrens Services is exploring the potential of alternative avenues of funding of schools capital projects. Although the formal competitive dialogue process has been halted, lines of communication with the two bidders are being maintained to explore possible options for partnership working within an alternative funding strategy.
- **WLA Joint Procurement Unit (Amber)** – Overall programme on amber status notably High Cost Placements, Supplier Accreditation, Market analysis/engagement and Programme management.
- **HF/PCT Integration Programme (Amber)** - Despite some uncertainty on future direction for the PCT, there are 3 notable achievements namely 1) Improved overall results in the 2009/10 World Class Commissioning review (although low score on procurement competency 9). 2) Significantly improved risk management of Procurement process & contract management has been recognised and confirmed by internal auditors. 3) The integration benefits from adopting LBHF best-practice has been recognised by the Audit Commission. Introduction of a Competition Board supported by non-exec Chairman and recognised by WCC panel as positive & innovative has been highlighted by the Audit Commission as an example of world class innovation for PCT's in relation to 2009/10 Use of Resources review. Also opportunities for the Adult Social Care JPU offering commissioning services to GPs being explored.
- **E Procurement (Green)** – Overall programme on track. E-Invoicing and e-Tendering implemented and being rolled out which will deliver savings and provide greater consistency in procurement processes being adopted. London Procurement Portal due to be implemented in the autumn.
- **Contract Review and Negotiation Report (Green)** – Briefing sent to all departments, meetings being held by members of the Corporate Procurement Team with Contract Managers throughout the summer and autumn and a special Contract Managers Forum programmed for 5th October 2010 to report on progress and agree next steps.

Individual contract performance

Monitoring of a sample of contracts with regards to risk is undertaken through the Strategy, performance and procurement division. These highlight if a contract is being managed through robust channels to ensure benefits realisation is achieved. Monitoring includes;

- Performance
- Risk
- Information (data quality)
- Cost
- End user satisfaction

A copy of the monitoring document is attached for members' information.

Highlights

At present there are no significant issues to report.

Contract monitoring (attachment – PART 2 – EXEMPT CONFIDENTIAL INFORMATION for Committee)



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Contract monitoring.>

3. Operations

Meaningful Operational Data is being developed and expanded for Members and Officers. Trends in insurance spend (claims patterns), health and safety, sickness, budget risk and other areas will help sharpen focus on cost.

Operational information can be reviewed by members to determine if the risk management strategy applied is effective in managing the control environment. As ineffective controls can increase risk beyond expected levels and the cost of maintaining a control can increase over time, the council's services should undertake regular review of controls and maintain a test schedule to ensure that they remain fit for purpose and cost effective. Where controls are no longer considered necessary or cost effective their removal should be sanctioned by the council Executive Management Team.

The charts below provide snapshot information, which it is proposed to develop including with trend data.

Chart 1 Sickness by cause

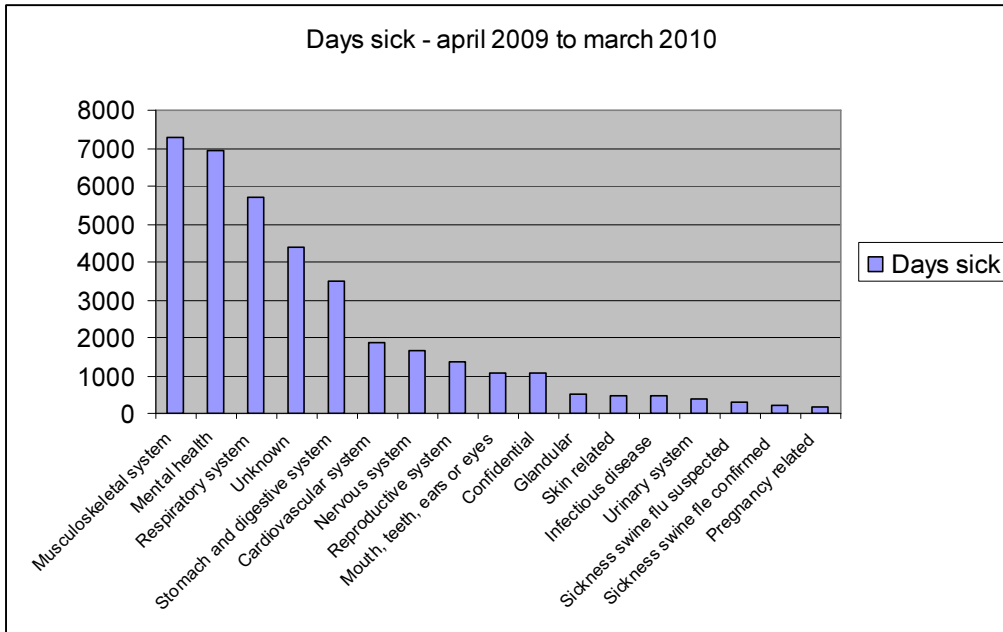


Chart 2 Insurance claims by number 01-07-09 to 31-03-2010

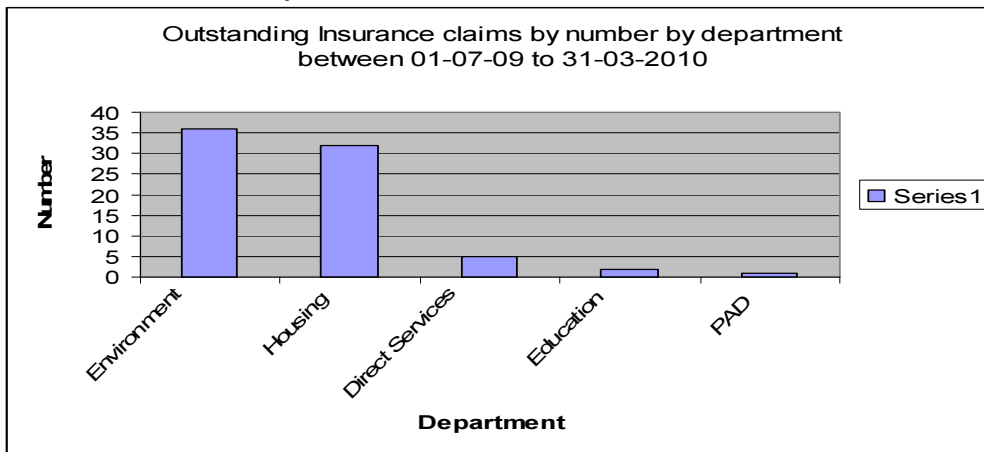


Chart 3 Outstanding Insurance claims by cost 01-07-09 to 31-03-2010

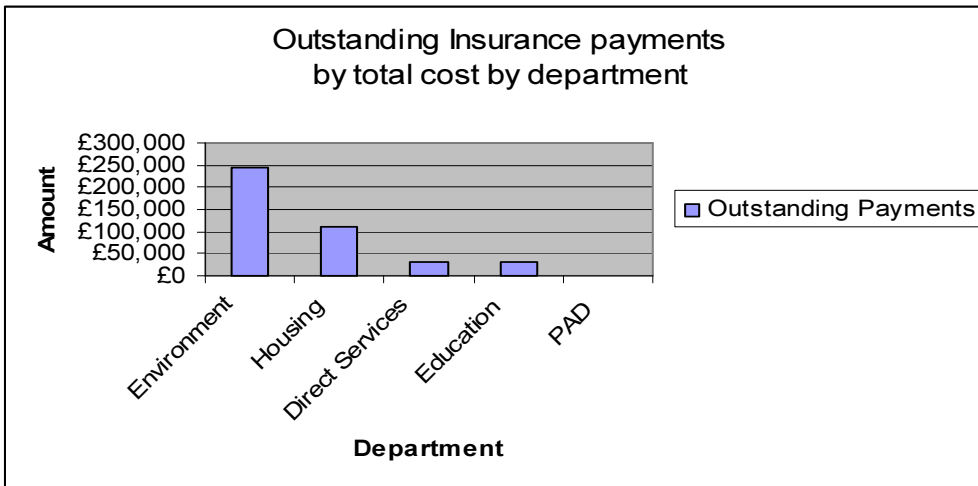
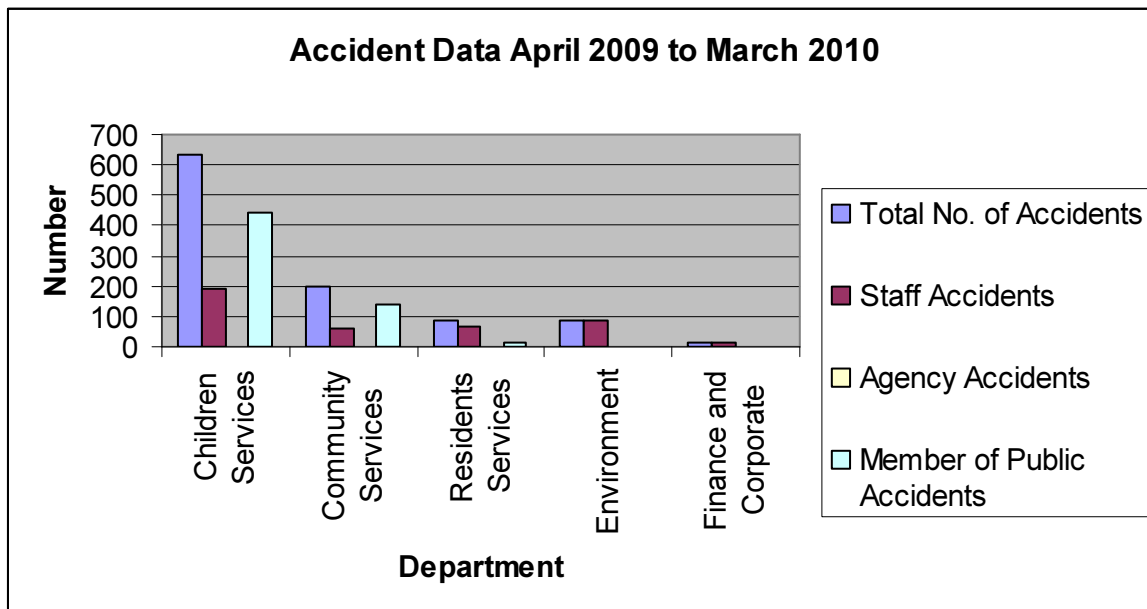


Chart 4 Health and Safety Accident data



Key Budget Risks identified

Financial risks are prudently identified as part of budget planning. Attached are the key risks identified as part of the agreed budget from 2010. It is proposed that these are reported to committee by exception to ascertain whether these risks came to fruition.



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Key Budget risks.pdf

Information Security and Data Quality

The information management team has been asked to compile information for the next Audit and Pension Committee to address any potential or actual breaches of information security and or data quality incidents.

Fraud risk

Members are asked to consider the benefits of combining elements of the Fraud reporting currently provided under separate cover into this proposed combined risk management highlight report.