

	<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">17 June 2015</p>
<p>RISK MANAGEMENT</p>	
<p>Report of the Director of Finance</p>	
<p>Open Report</p>	
<p>For Review & Comment</p> <p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: Hitesh Jolapara, Director of Finance</p>	
<p>Report Author: Michael Sloniowski, Shared Services Risk Manager</p>	<p>Contact Details: Tel: 020 8753 2587 michael.sloniowski@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Committee are asked to note the Accounts and Audit Regulations 2015 amendments that specifically concern risk management.
- 1.2. The Audit Pensions and Standards Committee in February 2015 monitored the key strategic risks at corporate level for the Borough and the key operational risks identified by individual departments. This paper provides an update of the current status in respect of strategic risks currently identified for 2015 - 2016. The paper also presents, for Members discussion, a forward plan recommending departments attend the Committee in future to report on:
 - (a) Whether or not the risk profile is changing;
 - (b) To gain assurance that risk management is effectively implemented by departments, and to identify when further action is necessary.

2. RECOMMENDATIONS

- 2.1. The Committee are asked to note the amendments to the Accounts and Audit Regulations 2015, a statutory instrument, that concern risk management which was laid before Parliament on 17 February 2015 and came into effect on the 1st April 2015.

- 2.2. In order that the Council meets the requirement of the regulations the Committee are asked to note that quarterly review of strategic risks faced by the Council has been undertaken by Hammersmith and Fulham Business Board. The Committee are also invited to consider these risks and corresponding mitigations in the register for appropriateness, attached as **Appendix 1**.
- 2.3. The Committee are asked to approve the forward plan for risk management review of departments attached as **Appendix 2**.

3. REASONS FOR DECISION

- 3.1. On April 1, 2015, the Accounts and Audit Regulations 2015 replaced the former Accounts and Audit Regulations 2011. The Audit Pensions and Standards Committee's role is to provide an oversight of the authority's processes to comply with the regulations and facilitate the identification and management of key risks. By ensuring that effective management of risk is undertaken services can benefit by reducing their significance; either by reducing the level of impact or likelihood.

4. INTRODUCTION AND BACKGROUND

- 4.1. Sections three and four of the Accounts and Audit Regulations 2015 set out the Council's responsibility for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.
- 4.2. The purpose of the Audit Pension and Standards Committee is to provide the Leader of the Council and Chief Executive additional assurance on the adequacy of the risk management framework by overseeing and ensuring that effective risk management arrangements are in place. The Strategic Shared Services risk register is provided to the Committee to inform them of the risks associated with major areas of activity.

5. PROPOSAL AND ISSUES

Accounts and Audit Regulations 2015

- 5.1. The Committee are reminded of the amendments to the Accounts and Audit Regulations 2015, a statutory instrument, concerning risk management that was laid before Parliament on 17 February 2015 and came into effect on the 1st April 2015.
- 5.2. Part two, section three of the instrument relates to the Internal Control of the Council and states;

'3. A relevant authority must ensure that it has a sound system of internal control which;

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.'

5.3. Part four, section four of the instrument relate to financial control and states;

'4 The financial control systems determined in accordance with paragraph (1)(b) must include;

measures;

- (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
- (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
- (iii) to ensure that risk is appropriately managed;'

5.4. The Council and the Audit Pension and Standards Committee is committed to ensuring an integrated risk management process exists within all working practices and management processes, including corporate governance, the budget setting process and medium term financial plan, business planning, performance management, programme and project management and partnerships to meet the requirements of these regulations.

Risk Register

5.5. The strategic risk register attached as Appendix 1, holds a variety of business risks focussing on the strategic objectives set for the council. These have recently been reviewed by the Interim Chief Executive and Executive Directors at Hammersmith and Fulham's Business Board.

5.6. Risks are prioritised for reporting in accordance to the scoring methodology highlighted within the risk management strategy. The range or spectrum of risks comprising significant risk is commonly defined as being made up of three major categories of risk - strategic, change and service delivery (operational business as usual) risks. Hammersmith and Fulham Council categorise risk in this way and that is consistent with good practice as defined by the Institute of Risk Management, Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

- 5.7. The unifying factor of all of the Council's key, potentially large-scale and significant risks, are that they are inter-related and form part of a wider collective or portfolio effect of risk exposure to the Council.
- 5.8. Management of this exposure is most effective and efficient when undertaken in common, collective and portfolio terms, rather than on an individual risk by risk basis or appetite by appetite basis varying across different directorates.

Forward plan.

- 5.9. Risks identified by departments are recorded in Departmental risk registers. Departmental risk registers also include operational risks affecting teams but excludes low level operational or specialist activities where other risk assessments exist, for example health and safety at work. A forward plan of departments invited to attend the Committee has been prepared and is attached as **Appendix 2**.
- 5.10. Departments remain responsible for the self-regulation of their departmental risk management arrangements, including identification, measurement and reporting. Where appropriate, risks identified in these risk registers have been incorporated into the annual audit planning process to enable audit resources to be directed to the most appropriate areas that may affect business assurance.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. *Not applicable as the report is a representation of the business risks and opportunities to H&F Council.*

7. CONSULTATION

- 7.1. *Not applicable as the report addresses the business risks to H&F Council.*

8. EQUALITY IMPLICATIONS

- 8.1. *The responsibility to complete Equality Impact Assessment in relation to policy decisions is the responsibility of the appropriate departmental officer. The report highlights some of the risks and consequences of risk taking over a broad landscape and as such specific Equality and Diversity issues are referred to in the council's Risk Register.*

9. LEGAL IMPLICATIONS

- 9.1. *Failure to manage risk effectively may give rise to increased exposure to litigation, claims and complaints. As such the report contributes to the effective Corporate Governance of the council.*

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. *Exposure to unplanned risk could be detrimental to the ongoing financial and reputational standing of the Council. Failure to innovate and take positive risks may result in loss of opportunity and reduced Value for Money. There are no direct financial implications with the report content.*

11. RISK MANAGEMENT

- 11.1. *It is the responsibility of management to mitigate risk to an acceptable level. Appropriate and proportionate mitigating actions to known risks are expressed in the Risk Register and subject to review as part of planned Audit work and the Annual Governance Statement.*
- 11.2. Implications verified/completed by: Michael Sloniowski, Principal Consultant Risk Management. 020 8753 2587

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. *Failure to address risk in procurement may lead to a reduction in the expected benefits (Value for Money, Efficiency, Resilience, Quality of Service) and leave the council exposed to potential fraud and collusion as identified in the Bribery Act.*

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Shared Services Internal Audit, Town Hall, Kensington
2.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	Michael Sloniowski 2587	Shared Services Internal Audit, Town Hall, Kensington
3.	Departmental Risk Registers, Shared Services Portfolio risk logs	Michael Sloniowski 2587	Shared Services Internal Audit, Town Hall, Kensington

4.	Shared Services Programme report updates	Michael Sloniowski 2587	TriBnet
5.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Shared Services Internal Audit, Town Hall, Kensington

LIST OF APPENDICES:

Appendix 1 - Strategic Shared Services Risk Register

Appendix 2 - Forward Plan