# GOVERNANCE - UPDATE

## SUMMARY

1.1 This report provides an update on the developments being made within the Council's governance framework. It covers:

- Progress being made on both the Governance Action Plan and the Risk Management Action Plan.
- Improvements required to the risk management framework.
- An update on the Audit Commission's National Fraud Initiative.
- Progress being made in reviewing the Council's policies and strategies around key governance issues – Whistleblowing (Confidential Reporting Code) and Anti-Money Laundering.
- An outline of the Chartered Institute of Public Finance and Accountancy's proposed guidance on the role of the Head of Internal Audit.

## RECOMMENDATIONS

2.1 To note the progress made on the Governance Action Plan

2.2 To note the progress made on the Risk Management Action Plan.

2.3 To approve a risk appetite that is "risk averse".

2.4 To note the progress made on the implementation of audit recommendations in the risk management audit and request a further update at the March 2011 meeting.

2.5 To approve the Partnership risk guide and the Project risk guide.

## REASONS FOR RECOMMENDATIONS

3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

| SUPPORTING INFORMATION |
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4.1    The Governance Action Plan was approved by this Committee on 25 March 2010. Progress has been made on implementing the proposed actions. However, the re-structure within the Council and the change of government both nationally and locally has impacted on some areas of the action plan. The current progress is shown in Appendix 2.

4.2    The Risk Management Action Plan was approved by this Committee on 25 March 2010. Good progress has been made on delivering the actions identified. The current progress on those actions with a target date of September 2010 or earlier is shown in Appendix 3. Work on those actions with a target date after September 2010 is still on-going and progress will be reported to the December meeting of this Committee.

4.3    The membership of the Strategic Risk Group has been reviewed and will now be chaired by the Strategic Director - Neighbourhoods. The first meeting of the group is 5 October 2010.

4.4    One of the key actions in the Risk Management Action Plan is to formally set the Council's risk appetite. The concept of "risk appetite" is key to achieving effective risk management. The HM Treasury "Orange Book" states that the concept may be looked at in different ways depending on whether the risk being considered is a threat or an opportunity:

- when considering threats the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised.  It is about comparing the cost (financial or otherwise) of constraining the risk with the cost of the exposure should the exposure become a reality and then finding an acceptable balance;

- when considering opportunities the concept embraces consideration of how much the Council is prepared to actively put at risk in order to obtain the benefits of the opportunity. In this sense it is about comparing the value (financial or otherwise) of potential benefits with the losses which might be incurred (some losses may be incurred with or without realising the benefits).

Some risk is unavoidable and it is not within the ability of the Council to completely manage it to a tolerable level. The Council has to accept that there will be risks arising which it cannot control. In these cases the Council needs to make contingency plans.

In either case the risk appetite will best be expressed as a series of boundaries which give management clear guidance on the limits of risk which they can take. Our current risk appetite, as depicted in the current risk matrix (see appendix 4), is quite 'risk aggressive' and is intended to encourage opportunity taking despite the risks that may be present. Appendix 4 also contains an alternate risk matrix which demonstrates a more cautious 'risk averse' approach that may be better suited to the difficult times ahead.

4.5     Internal Audit has recently reviewed the risk management processes in place within the Council to ensure they were sound and gave sufficient consideration to risk identification and mitigating actions (see also the Internal Audit Update Report on the agenda). The audit rated the area under review as "unsatisfactory". The review found a number of control weaknesses which are in the process of being addressed. A number of the issues raised by Internal Audit had been identified by the Risk Management section in its self-assessment against the ALARM performance model, from which the Risk Management action plan was produced. The table at Appendix 5 shows the progress on implementation of each audit recommendation.

4.6     A risk management handbook is being developed which defines what is meant by risk management, outlines the roles and responsibilities of both Members and Officers and details the actions that the Council needs to take to further develop the risk management processes and enhance the overall assurance framework (The RM Strategy). The final version will be brought to the December meeting of the Committee. The handbook will pull together all of the Council's risk management documents so they are together in one place. It is intended to locate the handbook on the Council's intranet.

4.7     The Risk Management Section is producing a series of risk guides to assist staff in their understanding of significant risk areas. Two of the guides – Partnership Risk and Project Risk are attached at Appendix 6.

Partnership Risk Guide

Derby City Council is increasingly delivering its services through partnerships with other public and private sector organisations. This growth in the various types of partnership working presents the authority with governance and accountability challenges.

One important aspect of governance is the management of risk. Partnership working brings with it a number of risks that need to be managed. This document is primarily intended to help those who are involved in either setting up partnership arrangements or those working directly with partner organisations to recognise the risks they may face and apply the corporate methodology to help manage them.

Project Risk Guide

Projects are a tremendous source of opportunity for Derby City Council but they also can increase the risks that we may face. This is a rewrite of the current risk management guidance found within the Project Management handbook. Its development was prompted by an audit recommendation that highlighted a number of weaknesses that were found in the current methodology, particularly around risk identification. This rewrite is intended to bridge the gap between corporate risk methodology and the risk management typically found within projects. It is also intended to encourage people to consider a broader range of risks that may impair successful completion of a project.

4.8 The programme of Risk Management training for staff is progressing well. Workshops have recently been held on two key risk areas - Partnership risk and Procurement risk. The workshops are being run in conjunction with the Council's insurers Zurich Municipal. We are looking to run risk management briefing workshops within each Directorate and are investigating the possibility of running workshops on environmental risks and reputational risk.

4.9 At its meeting on 25 March 2010, Committee reviewed the Council's strategic risk list. Since then, 2 further strategic risks issues have been identified for consideration. These risk issues are:
- climate change/adaptability
- Central Government policy

Both pose a significant risk to the way that the Council will deliver and manage services in the future. These 2 issues will be discussed at the Strategic Risk Group meeting on 5 October and the revised Strategic Risk list will be brought to the December meeting of this Committee for approval.

4.10 The Audit Commission's National Fraud Initiative (NFI) will be taking place again in 2010/11. The data extracts for the NFI exercise are due to be sent to the Audit Commission during the week commencing 4 October 2010. Data will be submitted on Payroll, Housing, Licensing, Travel concessions, Right to Buy and Creditor records. Additionally, the DWP will be submitting data for Housing benefit claimants and Zurich will be submitting Insurance claim data.

The Audit Commission will be carrying out matches using the data from Derby City Council and other authorities across the UK. They expect to return the results to us on 25 January 2011. These are the same sets of data that were required for the 2008/9 exercise which identified frauds, overpayments and errors valued at £183 million across England. Within Derby the exercise produced 11,977 individual potential matches which fell into 90 different categories of match (e.g. 16 cases where one authority had an individual claiming Housing benefit who was also a licensed taxi operator at a different authority). Examination and investigation of these matches resulted in £58,624 being identified as error, overpayment or fraud.
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During 2009/2010 a further exercise was carried out on Electoral Roll and Council Tax data which generated matches resulting in £154,355 being raised as additional Council Tax charges from customers who had failed to notify the Council that they were no longer entitled to Single Occupier discount.

Despite the proposed abolition of the Audit Commission, the NFI exercises are still to continue, with development of enhanced matches being planned

4.11 The Council's Confidential Reporting Code is currently under review by Legal and Internal Audit. The Code needs updating to reflect changes to the named officers with who matters must be raised. The key area for development is around Protected Disclosures made to the Council, as this is not adequately covered in the existing Code.

4.12    The Council's Anti-Money Laundering Policy has been reviewed and revised and now needs to be discussed with Legal. It is expected that the final version will be brought to the December meeting of this Committee for approval.

4.13    The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently produced a document – The Role of the Head of Internal Audit (HIA) – for consultation. CIPFA sees this work as a demonstration of its commitment to effective internal audit and believes that the Statement will help clarify the role of the HIA and raise its profile. CIPFA's Steering Group is meeting again on 4 October to consider a revised draft. The aim is to issue the final Statement before the end of November 2010 and then CIPFA will look at producing a local government specific version.

| OTHER OPTIONS CONSIDERED |
|---|

5.1    N/A

**This report has been approved by the following officers:**

| Legal officer | n/a |
|---|---|
| **Financial officer** | n/a |
| **Human Resources officer** | n/a |
| **Service Director(s)** | n/a |
| **Other(s)** | n/a |

| For more information contact: | Name Richard Boneham  01332 255688   e-mail richard.boneham@derby.gov.uk |
|---|---|
| **Background papers:** | None |
| **List of appendices:** | Appendix 1 – Implications |
| | Appendix 2 – Governance Action Plan Update |
| | Appendix 3 – Risk Management Plan Update |
| | Appendix 4 – Risk appetite |
| | Appendix 5 – Internal Audit – Risk Management Recommendations |
| | Appendix 6 – Partnership Risk Guide and Project Risk Guide |

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**IMPLICATIONS**
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**Financial**

1.1 The charge for Unitary Councils participating in NFI 2010/11 will be £3,650 excluding VAT. This is the same cost as for NFI 2008/9. The NFI is run over a two-year period, so the scale of fees covers the two financial years 20010/11 and 2011/12. The Audit Commission will bill for the fee in two equal annual instalments. It is anticipated that any additional costs will be kept to a minimum as any extraction software is already in existence following previous NFI exercises.

**Legal**

2.1 The Audit Commission has designated the NFI to be part of the statutory external audit and authorities are legally obliged to provide the relevant data, which is required under the Audit Commission Act 1998. The Council will comply with Data Protection principles and advice regarding data matching issued by the Audit Commission. Much of this was done as part of the participation in previous NFI exercises. The steps we take prior to each NFI exercise are to inform staff and their representative bodies that payroll data is to be used.

**Personnel**

3.1 The pay records of Council employees will be subject to data matching. Trade Unions have been consulted on this initiative and employees advised of the process. As with previous NFI exercises, a notification regarding the process of data matching of payroll information is being attached to the September payslips. Further information is available on the Council's website and the Audit Commission's website. If the volume of extra work generated from the data matching was large enough to affect the ability of staff required to investigate the matches to carry out their normal work, there may be a need to consider consequential staffing proposals as appropriate.

**Equalities Impact**

4.1 None directly arising.

**Health and Safety**

5.1 None directly arising.

**Carbon commitment**

6.1 None directly arising.

**Value for money**

7.1    None directly arising.


**Corporate objectives and priorities for change**

8.1    The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

## Governance Action Plan

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| **Principle 1 - Purpose of the authority, outcomes for authority and implementing vision for local area** | | | | | | |
| 1. | Clear framework in place for managing governance across the Council, which is reviewed annually.<br><br>Officers and members are clear about their responsibilities in relation to governance. | a) Develop a Code of Governance which sets out the framework for managing governance…<br>- Describes roles and responsibilities for officers and members<br>- Contains updated terms of reference for Governance Steering Group<br>- Includes arrangements for review. | **High** | **May 2010 (Annual meeting)** | The Code of Governance was approved by Audit and Accounts Committee on 25 March 2010. | Steve Dunning / Richard Boneham |
| 2. | Regular assessments of performance and value for money across all services. | a)  Agree review programme for service performance to link with the DECATS/transformation programme.<br><br>b)  Put in place regular monitoring of VFM indicators. | **High** | **May 2010**<br><br><br>**June 2010** | a)  DECATS review programme now agreed.<br>b)  Local and corporate VFM indicators have been agreed as part of the 2010 VFM strategy and will be monitored on a regular basis throughout the year | Don McLure / Martyn Marples |
| 3. | Reinvigorate local democracy and achieve stability in political control of the Council to enable effective long-term planning. | a)  Undertake review in light of Local Government and Public Involvement in Health Act 2007.<br>• Decision on electoral cycle needed i.e. whether to maintain elections by thirds or change to whole council elections every four years.  Decision must be taken by 31 December 2010 to comply with statutory requirements. | **Medium** | **Proposals to Council meeting in July 2010 followed by consultation and final approval by November 2010 Council** | At the Council meeting on 7 July 2010 it was resolved that the Council will not move to whole Council elections from May 2011.<br><br>It was also resolved that a special Governance Committee be established to agree consultation arrangements and oversee the process leading to the final decision on the Council's future executive arrangements. The | Steve Dunning |

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| | | • Decision on new political leadership model needed – Elected Mayor or Leader appointed for four years. Decision must be taken by 31 December 2010 to comply with statutory requirements. | | | Committee met on 28 July 2010 and the consultation has now begun. Final decision taken by full Council on 17 November. | |
| **Principle 2 – Members and officers working together to achieve common purpose with clearly defined functions and roles** | | | | | | |
| 4. | Standardised policy through central coordination, development and review of policy.<br><br>Policies accessible to all staff.<br><br>Clear accountabilities for policy management and implementation. | a) Agree Council definition of policies, strategies and plans.<br><br>b) Undertake a gap analysis of the policies that are currently active and the adherence to these.<br><br>c) Put in place a system for managing policy across the Council so policies are accessible and up to date.<br><br>d) Ensure accountable officers are identified for each policy/ department for specific policies, responsibilities are outlined in their job descriptions and within individual performance objectives<br><br>e) Develop horizon scanning/policy management tool to consider likely impact of future policies/legislation. | **Medium** | **April 2010**<br><br>**October 2010**<br><br>**October 2010**<br><br>**April 2011**<br><br>**April 2011** | Completed and set out in the Strategic Policy Framework.<br><br>The Policy Register is reviewed quarterly to maintain an accurate database of active policy. Adherance measurement will only be possible once the new policy management system is introduced.<br><br>The procurement of the system is being managed through the transformation programme and team.<br><br>Accountability is being established through the quarterly Policy Register review. An common approach for policy management will be introduced as part of the CEO restructure.<br><br>This is achieved through the Policy Update, On the Horizon and briefings | Gavin Thompson |
| 5. | Consistent governance framework applied within departments. | a) Ensure every department has:<br>• Risk register,<br>• Scheme of Delegation including financial and HR (also factored | **High** | **July 2010** | a) and b)<br><br>Work is in progress to identify a suitable location for the responsibility | Richard Boneham |

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| | Clearly defined accountability for areas of responsibility.<br><br>Robust risk management framework. | in job descriptions),<br>• Contracts Register,<br>• Partnership register<br>• Business Plan,<br>• Health and Safety Assessment<br><br>b) Ensure departmental documents are reviewed on at least an annual basis by having an accountable officer for each.<br><br>c) Formal sign off mechanism on tools of governance on an annual basis by the Strategic Director.<br><br>d) Need accessible and dynamic Strategic Risk Register which is monitored quarterly to COG, Cabinet and Audit and Accounts.<br><br>e) Clear set of strategic risks that directly link into departments and their individual risk registers.<br><br>f) Clear protocol on how issues are communicated up and down the organisation in relation to risks. | | **July 2010**<br><br>**May 2010**<br><br>**July 2010**<br><br>**July 2010**<br><br>**July 2010** | for each of these documents<br><br>c) a methodology has been developed to provide each Strategic Director with the assurances they require to sign off the adequacy of the governance framework in their Directorate<br><br>d), e) and f)<br>Strategic Risk Group will review the draft methodology for these on 5 October 2010. | |
| 6. | Clear understanding of roles and responsibilities between officers and members | a) Agree Chief Executive and Leader protocol as part of the Constitution (including arrangements for performance review of Chief Executive). . | **High** | **May 2010** | Done. Amendment made to constitution to specify arrangements for performance review of chief executive at full council in May. | Rod Wood / Steve Dunning |
| 7. | Defined roles of Members | a) Undertake review of Personnel | **High** | **May 2010** | Done. Personnel Committee and | Rod Wood / Steve |

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| | and officers in industrial relations issues including resolving disputes. | Committee and Disputes Sub-committee. | | | Disputes sub-committee removed from constitution by full council in May. | Dunning |
| 8. | Improved management of partnership activity. | a) Establish formal policy to outline what a partnership is and when they should be embarked upon<br><br>b) Partnerships need formal agreements that outline:<br>• Legal status<br>• Governance<br>• Objectives<br>• Scheme of delegation<br>• Business continuity<br>• Register of Interests<br>• Risk Register<br>• Resolution of conflicts<br>• Exit strategy<br>• Review arrangements<br><br>c) Develop business case template for departments wishing to set up partnerships, which are signed off by a Strategic Director<br><br>d) A single Council manager in charge of reviewing partnership activity. | **Medium** | **June 2010**<br><br><br><br>**September 2010**<br><br><br><br><br><br><br><br><br><br><br>**September 2010**<br><br><br><br>**March 2011** | a) The Council's draft Partnership Toolkit was agreed at COG in June. It defines a partnership and provides guidance on when a partnership should be established.<br><br>b) The Partnership Toolkits outlines that Partnership Agreements should cover all of these areas listed.<br><br>An action plan is being developed which will implement the Partnership Toolkit's recommendations. This action plan will initially apply to the Council's High Risk Partnerships.<br><br><br><br>c) The business case template is included in the Partnership Toolkit. | Gordon Stirling / Nick Searle |
| **Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** | | | | | | |
| 9. | Defined standards of behaviour communicated to and adhered to by all members and officers. | a) Review existing member and officer protocols to ensure fit for purpose…<br>• member/officer relations<br>• Gifts/hospitality<br>• Use of facilities<br>• Email/website usage | **Medium** | **Approval by Standards Committee by October 2010**<br><br>**Approval by** | • The work on the member/officer relations has been delayed in light of the Government's intention to abolish the Standards Board framework.<br>• Revisions have been made to the Employee Code of Conduct to | Stuart Leslie/ Steve Dunning / Richard Boneham / Rod Wood / Alison Moss / Paul McMahon |

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| | | • Confidential reporting (Whistleblowing) incl disclosure . | | **Council in November 2010** | reflect strengthening of guidance around Gifts and Hospitality and Declarations of Interest. The Code needs to be referred back to COG.<br>• The e-mail/internet policy for officers is reviewed annually. The next review is due October 2010. The policy for Members is currently being reviewed.<br>• The Confidential Reporting Code is currently being revised. | |
| **Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk** | | | | | | |
| **10.** | Effective, evidence based decision making. | a) Review definition of key decision.<br><br>b) Establish clear process for collecting evidence on why a decision was made, in relation to the Council's and partnerships vision.<br><br>c) Reinforce procedure for obtaining legal and financial implications.<br><br>d) Maintain database of evidence used on a Chief Officer Group (COG) level to make decisions, kept for a specific period in case external audit want to question decisions made (COG minutes). | **Low** | **May 2011 (Annual meeting)** | This will be considered in the coming months | Steve Dunning |
| **11.** | Decision making based on data and information that is robust and high quality. | a) Clear roles, responsibilities and accountability structures for data quality reported both internally and externally.<br><br>b) Formalised process for checking data on a monthly basis to account | **Medium** | **October 2010**<br><br><br>**October 2010** | The Data Quality Policy review is underway and is expected to be completed by March 2011 (delayed slightly due to Chief Executive's Office restructure). | Heather Greenan |

| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|----|-----------|--------|----------|------------|----------------------------|--------------|
| | | for errors and ensure they do not continue until they are checked on an annual basis. | | | | |
| 12. | Regular and effective evaluation of decisions made by the Council. | Introduce better evaluation procedures through Scrutiny and Audit and Accounts committees. | **High** | **May 2010** | This work has slipped but a report will be taken to a future Scrutiny Management Commission | Steve Dunning |
| **Principle 5 – Developing the capacity and capability of members and officers to be effective** | | | | | | |
| 13. | Clear roles and responsibilities for people in their jobs.<br><br>Robust appraisal process for identifying areas for improvement and tackling problems early. | a) Re-evaluate the job roles around the Council to incorporate accountability structures and delegated functions.<br><br>b) Implement a concise and monitored process to clarify job roles on a regular basis.<br><br>c) Establish process for re-evaluating team roles when a member of the team leaves, to enquire whether team roles could be fulfilled without filling the role. | **Low** | **October 2010**<br><br><br>**October 2010**<br><br><br><br>**October 2010** | Proposal going to the Trade Unions on a new approach to Job Evaluation at the Joint Steering Group meeting on 17 September. | Rod Wood |
| **Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability** | | | | | | |
| 14. | Empowered communities. | a) Review of constitution and wider decision making to promote citizenship<br><br>b) Engagement strengthened through clear communication links to communities through Boards and Committees (part of DECATs) | **Medium** | **May 2010**<br><br><br><br>**May 2010** | A verbal update will be provided at the meeting. | Stuart Leslie<br><br><br><br>Gordon Stirling |

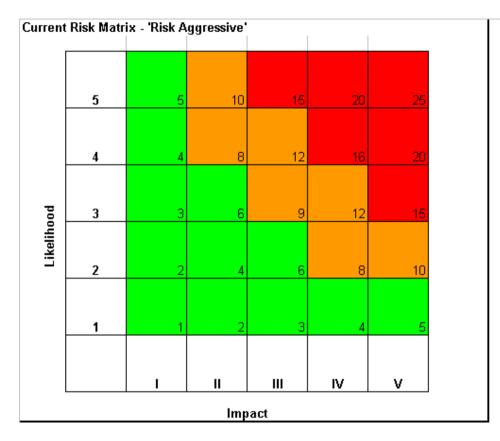| No | Objective | Action | Priority | Timescales | Progress update – Sept 2010 | Lead Officer |
|---|---|---|---|---|---|---|
| | | | | | | |
| 15. | Clear consultation with stakeholders and the community. | a) Review Involvement Strategy in conjunction with partners.<br><br>b) Add engagement data to shared evidence base for SCS. | High | May 2010<br><br><br>May 2010 | Work ongoing | Gavin Thompson |
| 16. | Improved staff engagement and greater focus on role as ambassadors. | a) Cascade briefings on a regular basis from Chief Executive and Senior Managers.<br><br>b) Establish rolling communication of plan of briefings focused on different aspects of governance e.g. manager briefings. | Low | March 2010<br><br><br><br>March 2011 | a) New team briefing system begins in October 2010.<br><br>b) Work not yet started | Yvonne Wilkinson / Richard Boneham |
| 17. | Effective communication mechanisms in place to enhance the reputation of the Council. | a) Review Communication / Reputation Strategy.<br><br>b) Make improvements to the external Council website. | High | March 2010<br><br><br>August 2010 | a) Done<br><br><br>b) Web site project ongoing | Yvonne Wilkinson |
| 18. | Customer insight data collated and used to improve services. | a) Systematic user feedback recorded and actioned, with improved monitoring of complaints and interventions.<br><br>b) Fundamental review on how the Council measures customer service (including results of change champions) | Medium | May 2011<br><br><br><br>May 2010 | a) Work not yet started<br><br>b) Awaiting feedback from Change Champions | Bernard Fenton |

# Risk Management Action Plan

| Criteria | Where are DCC? | Action | Target Date | Current Status (as at 10 September 2010) |
|---|---|---|---|---|
| They own and manage a register of key strategic risks and set the risk appetite | Council has not set its appetite and capacity and never assessed its exposure to risk. | The Council needs to set its risk capacity & appetite. | Jun-10 | The risk appetite has been set by the Risk Management Section based on best practice. It is subject to approval by Audit and Accounts Committee (23/9/10) |
| They own and manage a register of key strategic risks and set the risk appetite | | Council's Risk Management Strategy reviewed and updated | Jun-10 | This has been drafted in line with best practice and is included in the draft handbook. The handbook will be brought to the December meeting of the Committee. |
| Risk framework is reviewed, developed, refined and communicated | It is largely complete, but needs to be refined. Communication is poor. | Improve communication of risk management | Jun-10 | Partnership risk guide and project risk guide subject to approval by Audit and Accounts Committee (23/9/10). Risk management officers are visiting Directorates to promote risk management etc. It is planned to use Derbynet and develop specific risk management pages. |
| Risk with partners and suppliers is well managed across organisational boundaries | A partnership toolkit is being drafted. A Guide to Partnership risk has been developed by the Risk Management Team. | Both formal and informal training to be arranged. | Jul-10 | A partnership toolkit has been drafted by the Performance Section. A partnership risk guide has been drafted. Partnership risk training has been completed and been met with positive response. |
| Senior managers take the lead to apply risk management thoroughly across the organisation | | Produce a competency framework for each Senior Manager in relation to risk management. | Aug-10 | Revised Job Descriptions for senior managers now have a risk element included. |

| Criteria | Where are DCC? | Action | Target Date | Current Status (as at 10 September 2010) |
|---|---|---|---|---|
| Risk management principles are reflected in the organisations strategies and policies | Certain risk types are assessed but there is no evidence that they are assessed against any recognised principles. | Review the risk management principles within the decision making framework. | Sep-10 | This has been delayed by the Council restructure and the revamping of the SRG. The SRG will pick this up as part of its work programme. |
| A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework | There are the skills and knowledge within the Strategic Risk Group, but there is a question about the support available for the Group to achieve this. | Review and develop the support framework. | Sep-10 | This has been delayed by the Council restructure and the revamping of the SRG. The SRG will pick this up as part of its work programme. |

**Risk Appetite**



Current Risk Matrix - 'Risk Aggressive'

| Likelihood | | I | II | III | IV | V |
|---|---|---|---|---|---|---|
| 5 | | 5 | 10 | 15 | 20 | 25 |
| 4 | | 4 | 8 | 12 | 16 | 20 |
| 3 | | 3 | 6 | 9 | 12 | 15 |
| 2 | | 2 | 4 | 6 | 8 | 10 |
| 1 | | 1 | 2 | 3 | 4 | 5 |

Impact



Alternate Risk Matrix - 'Risk Averse'

| Likelihood | | I | II | III | IV | V |
|---|---|---|---|---|---|---|
| 5 | | 5 | 10 | 15 | 20 | 25 |
| 4 | | 4 | 8 | 12 | 16 | 20 |
| 3 | | 3 | 6 | 9 | 12 | 15 |
| 2 | | 2 | 4 | 6 | 8 | 10 |
| 1 | | 1 | 2 | 3 | 4 | 5 |

Impact

**Internal Audit – Risk Management Audit Recommendations and Responses**

| Rec Ref | Control Issue /Control Rating | Recommendation | Action Details Inc. alternative solution (If no action please state reasons) | Action Date (dd/mm/yyyy) | Status |
|---------|------------------------------|----------------|------------------------------------------------------------------------------|---------------------------|--------|
| 1 | The Council has not considered and documented its risk appetite. Merits Attention | We recommend that the Council consider its attitude to risk and document, within the Risk Management Strategy, its risk appetite.  Moving forward the Council could consider its risk appetite at the following levels:<br><br>• Corporate – the overall amount of risk judged appropriate for the Council to tolerate.<br><br>• Delegated – cascade the level of tolerance down through the Council and agree risk appetite at different levels of the organisation.<br><br>• Project – those that fall outside of the day-to- day operations of the Council might need their own statement of risk appetite. | The Risk Management Action Plan 2010/11 contains this action.  The Action plan was approved by audit and Accounts Committee on 25 March 2010.  The risk appetite has been set by the Risk Management Team and will be taken to the Sept 2010 Audit and Accounts Committee for approval. | 30/09/2010 | The approval of the Council's risk appetite will be sought at the Audit and Accounts Committee on 23 September 2010.  The risk appetite now includes an escalation process based on trigger points. |

| Rec Ref | Control Issue /Control Rating | Recommendation | Action Details Inc. alternative solution (If no action please state reasons) | Action Date (dd/mm/yyyy) | Status |
|---|---|---|---|---|---|
| 2 | There was no documented requirement for the Audit & Accounts Committee to review the effectiveness of the Risk Management Strategy. Merits Attention | We recommend that the Audit & Accounts Committee's terms of reference should be updated to reflect the requirement for the Committee to review the effectiveness of the Council's Risk Management Strategy. Committee should undertake a periodic review of the effectiveness of the Risk Management Strategy by assessing outcomes from its implementation. | The terms of reference were reviewed and revised by Committee at the June 2010 meeting to follow best practice as per the CIPFA guidelines. The terms of reference now state " to monitor the effective development and operation of risk management and corporate governance in the Council". By implication this includes the effectiveness of the RM Strategy.  The revised ToR were approved by Council on 7 July 2010. | 7/7/2010 | Done |

| Rec Ref | Control Issue /Control Rating | Recommendation | Action Details Inc. alternative solution (If no action please state reasons) | Action Date (dd/mm/yyyy) | Status |
|---|---|---|---|---|---|
| 3 | The supplementary guides to risk management for partnerships, projects and fraud were not readily available and were not subject to regular review and update.  The Project Risk Management Guide and the Guide to Risk Management had not been presented to the Strategic Risk Group for approval.  The Risk Management Strategy and Policy Statement and the Guide to Risk Management had not been reviewed for a number of years. Merits Attention | We recommend that the risk management guidance documents are reviewed on a regular basis and following each review they should be presented to the Strategic Risk Group for consideration and to the Audit & Accounts Committee for approval. The approved guides should be made widely available throughout the Council. | The Guidance documents were considered by the Strategic Risk Group in March 2009. However, they have been held back to reflect developments in the partnership toolkit and work being done on Anti-fraud and corruption risks with ZM. The final documents will be taken to Audit and Accounts in September 2010. Once approved they will be made available on Derbynet. | 30/09/2010 | Draft copies of these guidance documents are due to be considered at the Audit and Accounts Committee meeting on 23 September 2010. |

| Rec Ref | Control Issue /Control Rating | Recommendation | Action Details Inc. alternative solution (If no action please state reasons) | Action Date (dd/mm/yyyy) | Status |
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| 4 | Although departments have risk registers in place, they were of a poor quality and were not subject to regular review.  Officers identifying and scoring risks used differing methods to that specified in the Council's risk management guidance and had not documented the potential value of the impact of departmental risks. Merits Attention | We recommend that a plan of action is put in place to ensure that the JCAD RISK system is promptly developed and rolled out to departments.  This will ensure that the same methodology is used for scoring risks and will help to identify where officers are either not undertaking risk management, or where they require further support in identifying and managing risks. Suitable training and documented guidance should be given to those officers who have access to the JCAD RISK system to ensure they are able to use the system effectively. | The Risk Management Action Plan 2010/11 contains an action to fully develop JCAD Risk by March 2011. A timetable will be produced to ensure that the timeframe for this action is met.<br><br>Training is planned as part of the implementation process. | 01/03/2011 | Training is planned as part of the implementation process. A quotation has been obtained from JCAD for the training. |
| 5 | The business planning process had been reviewed and the emphasis on risk identification and recording had been removed. Significant | We recommend that as part of the annual business planning process, Management should be required to formally consider the operational risks affecting their services. Management should be provided with a standard template to facilitate and prompt the recording of all information required by the Risk Management section to update the JCAD RISK system. | The Risk Management Team will meet with the Head of Performance and Improvement to seek the re-introduction of risk assessment into the Business Planning cycle. | 31/08/2010 | Done |

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| 6 | The strategic risk log was unfinished at the time of audit testing. Merits Attention | We recommend that the strategic risk log should be completed and made available throughout the Council. The strategic risk log should be subject to regular review and update thereafter. | The Strategic Risks are currently being reviewed following the recent changes to national and Local government. The revised list is scheduled to go to Audit and Accounts Committee in September 2010. | 30/09/2010 | A draft list has been prepared and will be reviewed by the Strategic Risk Group on 5 October 2010. |
| 7 | There was no clear documented link between strategic and departmental objectives and risk. Merits Attention | We recommend that the strategic risk log and the risk assessments in departmental business plans include the appropriate links between strategic and departmental objectives and risk, to ensure that the Council are mindful of risks they face when working towards the achievement of objectives. | The RM guidance does detail how risk identification comes from objectives, however the non-inclusion in business planning has led to the links not being sufficiently robust. This will be addressed as part of our response to recommendation 5. | 31/08/2010 | The Head of Risk has met with the Head of Performance to resolve this issue. This action should be fully resolved by the start of the next business planning cycle. |
| 8 | Training on risk management had not been delivered to all managers and supervisors. Merits Attention | We recommend that the risk management section develop a rolling programme of training and deliver this on a periodic basis to ensure that all officers with responsibility for risk are equipped to carry out their duties, in line with Council policy and best practice requirements. Managers should ensure that relevant staff attend the risk management training sessions. Consideration should be given to raising the profile of Risk Management by delivering information via the Council's Managers Briefing sessions. | This has been implemented. A rolling programme of training is already in place, and we are looking to build on this. We are currently working on methods of raising the profile of risk management throughout the Council. This will begin with a re- constituted Strategic Risk Group. | | Done |

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| 9 | Processes surrounding the identification, management and monitoring of partnership risks were underdeveloped. Significant | We recommend that the Risk Management Section undertake the following actions: •Develop JCAD RISK to include risk details for all partnerships, alongside the appropriate departmental representatives. •Undertake a monitoring role to ensure that the JCAD RISK system is populated and that departmental officers are actively monitoring and managing the partnership risks. •Educate the officers involved with partnerships and provide training on partnerships and risks. •Consider the partnership risks identified and ensure they are appropriately mitigated so as to avoid having a material impact on the Council, if they were to occur. | JCAD Risk will be developed to include risks with partnerships. See response to recommendation 12. Partnership risk training has been booked for 21 July 2010. The risk management team will liaise with the relevant risk owner to make sure this is being done. | 01/03/2011 | Done |
| 10 | There was inadequate documentation of the treatment of residual risks and how they should be mitigated for both strategic and operational risks. Significant | We recommend that consideration is given to the treatment of residual risks for all departmental and strategic risks and how they should be mitigated, and that this should be documented and communicated in the various strategy and guidance documents produced. | This will be considered at the next Strategic Risk Group meeting. It is step 4 of the risk management process which is contained in the RM guidance. | 29/10/2010 | This will be considered at the Strategic Risk Group meeting on 5 October 2010. |

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| 11 | There were no formal risk management monitoring and reporting requirements in place for the Council and its Committees or groups. Merits Attention | We recommend that formal reporting arrangements are established and adhered to, to ensure that the top level of the organisation receives timely and appropriate information on risk. We also recommend that the remit of the Audit & Accounts Committee and the Strategic Risk Group be regularly reviewed to ensure it is appropriate for the Council and in line with best practice. | This has been implemented. Audit and Accounts Committee receives a quarterly update on Risk management activities. The remit of the Strategic Risk Group was approved by Audit and Accounts Committee on 25 March 2010. The revised terms of reference for Audit and Accounts was approved by Council on 7 July 2010. | | Done |
| 12 | There was limited monitoring by the Risk Management section to ensure that responsible officers have undertaken agreed actions in relation to the risks they manage, and there was no assurance from departments that internal monitoring of risks and agreed actions was undertaken. Merits Attention | We recommend that the Risk Management section seek assurances on a periodic basis that departmental risks are being managed and monitored, and that agreed actions are being undertaken. Where the Risk Management Section identify that departments do not undertake agreed actions, this should be reported to the Audit & Accounts Committee. | The RM action plan contains an action to "Review the risk management process within individual departments" by March 2011. The RM team are currently making departmental visits to discuss the management and monitoring of risks. Where departments are not complying with risk management practices, these will be highlighted to Audit and Accounts in the quarterly update. | 01/03/2011 | Visits have been made to discuss RM processes currently in place within Directorates with a primary focus to ensure compliance with corporate methodology. Issues of non-compliance will be included in the quarterly update to Audit and Accounts Committee. |

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| 13 | There was insufficient communication between responsible officers across the Council in relation to risk management developments and changes to key risks and action plans. Significant | We recommend that the Risk Management Section develops and implements a formal protocol for Directorates to feedback information on risk. This information will ensure that the Strategic Risk Group and the Audit & Accounts Committee will receive accurate and timely information on the operation of risk management processes within the Council. | A protocol will be developed. | 29/10/2010 | We will look to develop a protocol towards the end of the year 2010. |
| 14 | There were limited or insufficient early warning indicators in place for the Council's risks. Merits Attention | We recommend that all of the Council's identified risks are reviewed to ascertain where early warning indicators can be put in place. These matters should then be reported to an appropriate group or Committee. | This is an issue that will be discussed with individual risk owners. | 01/03/2011 | This should be fully resolved by the start of the next business planning cycle. |
| 15 | There was no documented evidence to suggest that risk management was used to inform decision-making within the Council. Significant | We recommend that managers and members are reminded of the importance and benefits of utilising risk management in their decision making processes. We also recommend that where the risk management process has been used the outcomes of this should be documented and suggest a suitable place for recording risk issues is within the reports to Council or Committee. | The importance of utilising risk management in decision making is highlighted with risk management training and the guidance notes/handbooks. Documenting within reports was raised at Strategic Risk Group in January 2008 and dismissed. This will be raised again at the next meeting. | 29/10/2009 | This will be raised at the next meeting of the Strategic Risk Group. |