



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
25 MARCH 2010**

Report of the Head of Audit and
Risk Management

ITEM 12

RISK MANAGEMENT

RECOMMENDATION

- 1.1 To approve the terms of reference for the Strategic Risk Group.
- 1.2 To approve the Risk Management Action Plan.

SUPPORTING INFORMATION

- 2.1 As part of our policy of continuous improvement in the Council's risk management systems, the Insurance and Risk Management section has reviewed and updated a number of key processes and procedures.
- 2.2 The Council's key risk management document is the Risk Management Strategy. This Strategy provides assurances to Members and Management on the adequacy of arrangements for the conduct of business and the use of resources. The strategy approved in 2006 was due for review in 2009 as it covered a 3 year period. The Strategy is currently being reviewed and updated and will be taken to the June 2010 meeting of the Audit and Accounts Committee for approval. One of the key elements of the current strategy that required review was the roles and responsibilities of named officers which has also led to a review of the Strategic Risk Group.
- 2.3 The role of the Strategic Risk Group required clarification within the risk management framework. The terms of reference for the group have been re-defined and are presented in diagrammatical format in Appendix 2 to reflect the various roles within each sector of the Risk management Cycle. The Risk Management Team is currently reviewing the roles of departments and individual services within the risk management framework. The Chief Officer Group has agreed the terms of reference for approval by this Committee.
- 2.4 The public risk management association (ALARM) has produced a National Performance Model for Risk Management in the Public Services. The Model:
 - Measures current performance against a recognised achievement level
 - Provides the basis for clear performance indicators

- Acts as a catalyst for improved performance within the organisation
- Informs assurance in corporate governance terms
- Demonstrates current maturity in terms of
 - External inspection expectations
 - National and international standards
- Allows for comparison with other organisations and learning from best practice through systematic benchmarking

2.5 The Model breaks risk management activity down into 7 strands:

Enablers

- Leadership and management
- Strategy and policy
- People
- Partnership, shared risks and resources
- Processes and tools

Results

- Risk handling and assurance
- Outcomes and delivery

A detailed and comprehensive set of questions have been designed to test current performance against an Assessment Framework of 5 levels of risk maturity. A self-assessment exercise has been carried out to ascertain where the Council is with its risk maturity. The result is shown in the table below:

Level	Description	Assessment
1	Engaging	Achieved
2	Happening	Achieved
3	Working	Part Achieved
4	Embedded and Integrated	Not assessed
5	Driving	Not assessed

2.6 The actions required to achieve level 3 have been developed into the Risk Management Action Plan for 2010/11, which is shown in Appendix 3. The Chief Officer Group has agreed the action plan for approval by this Committee.

2.7. One of the main areas covered by the 2006 Strategy was the embedding of risk management throughout the Council's processes. This is still to be fully achieved. A workshop, facilitated by the Council's insurers, Zurich Municipal, was held in 2009 for members of the Governance Group and the Strategic Risk Group. The workshop identified areas where embedding had not been achieved. Embedding risk

management is fundamental to meeting the requirements of the National Performance Model and requires buy-in from Members and Senior Managers. Therefore, the required developments have been incorporated into the Risk Management Action Plan.

- 2.8 At its meeting on 10 June 2009, Chief Officer Group reviewed the strategic risk list drawn up by the SRG. A workshop held on 20 July 2009 refined the list and categorised each risk. The list was considered by the Audit and Accounts Committee on 3 December 2009. The list needs to be reviewed and new/emerging risks identified i.e. risks around the Council's transformation process. A further workshop was held on 23 February 2010 to evaluate the risks facing the Council.
- 2.9 In purchasing the JC Applications Development (JCAD) risk software, we have taken a key step in ensuring that our risk management process becomes consistent and structured throughout the authority.
- 2.10 Currently the system is being used centrally to record risk, the risk owner and the controls in place. The process of co-ordinating the monitoring of risks, based on the information held on the JCAD system, has now commenced. This involves the Risk Management Team prompting risk owners to review their risks, to ensure that risks are not overlooked or forgotten.
- 2.11 Over the next couple of months, the Risk Management Team will be developing the process beyond just the recording of risks and will begin actively tracking risks and reviewing them. We can then make full use of the reporting functions to clearly evidence the effectiveness of risk management.
- 2.12. Progress on the action plan will be reported to this Committee at each meeting.

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Background papers:

List of appendices:

Appendix 1 – Implications
Appendix 2 – Strategic Risk Group – terms of reference
Appendix 3 – Risk Management Action Plan

IMPLICATIONS

Financial

1. None directly arising

Legal

2. None directly arising

Personnel

3. None directly arising

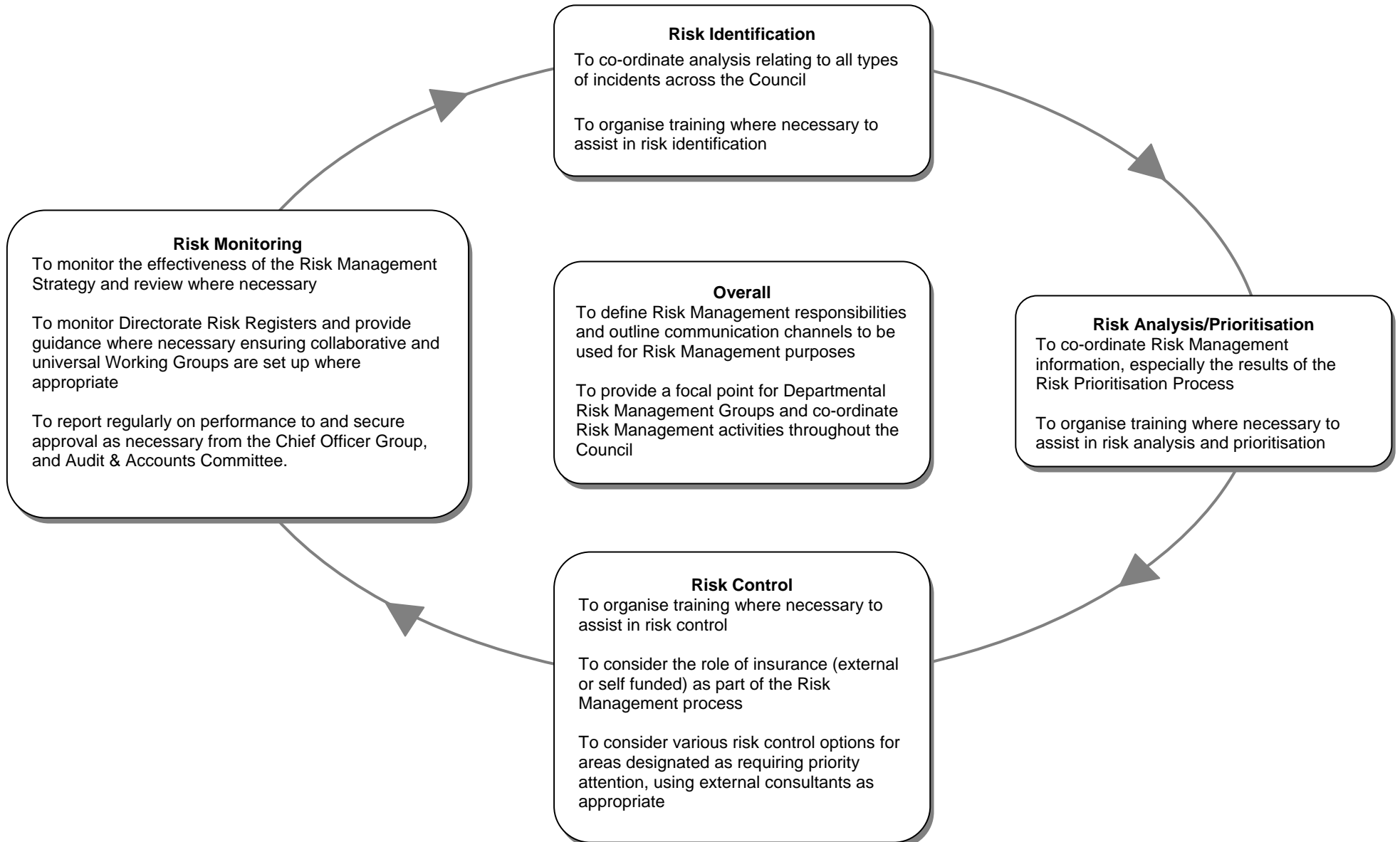
Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. 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.

Terms of Reference for the Strategic Risk Group



Risk Management Action Plan 2010/11

Objective: To meet the requirements of Level 3 of the national Performance Model by 31 March 2011.

Criteria	Where are DCC?	Action	Owner	Target Date
Senior managers take the lead to apply risk management thoroughly across the organisation		Advanced risk awareness guidance & training needs to be developed for Heads of Service and above.	Head of Audit and Risk Mgt	October 2010
		Produce a competency framework for each Senior Manager in relation to risk management.	Head of Audit and Risk Mgt	August 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.	Chair of Audit and Accounts Committee	June 2010
		Council's Risk Management Strategy reviewed and updated	Head of Audit and Risk Mgt	June 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.	Chair of SRG	September 2010
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	Head of Audit and Risk Mgt	June 2010
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.	Head of Audit and Risk Mgt	September 2010
Staff are aware of key risks and responsibilities	This is patchy across the Council, although the risk awareness training that has been rolled out goes some way to meeting this.	To review the impact of this training.	Head of Audit and Risk Mgt	March 2011
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	Both formal and informal training to be arranged.	Head of Audit and Risk Mgt and Planning	July 2010

Criteria	Where are DCC?	Action	Owner	Target Date
	Management Team.		and Performance Manager	
Appropriate resources in place to manage risk	Risk management team is in place, but there is no dedicated resource to manage risks in departments it is down to individual managers.	Review the risk management process within individual departments.	Head of Audit and Risk Mgt	March 2011
Risk management processes used to support key business processes	This depends on individual officers rather than actual processes.	Links with above actions for risk management processes and training.	Head of Audit and Risk Mgt	March 2011
Early warning indicators and lessons learned are reported	Horizon scanning & "lessons learned" is being introduced into the SRG Agenda.	SRG to monitor	Chair of SRG	Ongoing – quarterly reports to Audit & Accounts
Critical services supported through continuity plans	The BCP contains plans for all critical services.	Changes to critical services need to be monitored.	Head of Audit and Risk Mgt and Senior Emergency Planning Officer	Ongoing – quarterly reports to Chair of SRG
Clear evidence that risk management is being effective in all key areas. Clear evidence that risk management is supporting delivery of key outcomes in all relevant areas	We have an electronic risk management system that can assist in providing the evidence.	Develop JCAD system to its full potential.	Risk and Insurance Technician	March 2011
Capability assessed within a formal assurance framework and against best practise standards	The risk management framework is assessed under Use of Resources Key Lines of Enquiry. It is also checked against the Institute of Risk Management standards and the ALARM national performance model.	No action required beyond current practices. The situation will be reviewed on a quarterly basis to ensure it continues to meet the criteria stated.	Risk and Insurance Technician	Ongoing – quarterly report to Head of Audit & RM