

Committee:	Risk Management Steering Group	Agenda Item
Date:	16 January 2007	5
Title:	Management of significant business risks	
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Summary

This item allows members of the Steering Group to self assess the current position relating to risk management against the Audit Commission's Key Lines of Enquiry.

Recommendations

The self assessment is determined.

Background Papers

Audit Commission KLoE section 4.1 – The Council manages its significant business risks (set out below).

Impact

Communication/Consultation	There may be poor communication and consultation if the Council fails to manage its significant business risks.
Community Safety	There may be implications for the community and its safety if the Council fails to manage its significant business risks.
Equalities	There may be inequalities if the Council fails to manage its significant business risks.
Finance	There may be financial implications if the Council fails to manage its significant business risks.
Human Rights	Human Rights may be infringed if the Council fails to manage its significant business risks.
Legal implications	Litigation may result if the Council fails to manage its significant business risks.
Ward-specific impacts	All wards may be affected if the Council fails to manage its significant business risks.
Workforce/Workplace	The Council's workforce may be affected if the Council fails to manage its significant business risks Members and officers are likely to require training

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Situation

The Audit Commission judge how well the Council manages and uses its financial resources. It broadly covers strategic financial management and therefore includes the Council’s risk management arrangements. The judgement consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also criteria of performance against each key line of enquiry showing performance levels 2, 3 and 4. Judgement is made on the following scale:

- 4 = well above minimum requirements (performing strongly)
- 3 = consistently above minimum requirements (performing well)
- 2 = at only minimum requirements (adequate performance)
- 1 = below minimum requirements (inadequate performance)

Most criteria at level 2 are shown in bold and indicated with an asterisk. These criteria are therefore “must haves”. This is because level 2 performance represents a minimum requirement and will need to be in place before the Council can be considered for level 3.

To achieve level 3 performance, the Council must have all arrangements described at level 2 in place. It is important to note that these should be embedded and operating effectively with clear outcomes, which is a more demanding test than for level 2. In addition, all bold criteria at level 3 must be met.

A council that is performing strongly will need to demonstrate it meets all the bold criteria for level 2 and 3, that its arrangements are effectively embedded and have an impact on outcomes. In addition to meeting the criteria, evidence to support achievement of level 4 should demonstrate innovation or best practice that can be shared with other authorities.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Council fails to manage its significant business risks resulting in criticism and declining performance	Low	High	Risk Management Strategy Risk Registers Risk Management Steering Group

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INTERNAL CONTROL		
How well does the council's internal control environment enable it to manage its significant business risks?		
Key line of enquiry		
4.1 The council manages its significant business risks		
Audit Focus		
Evidence that: the council has a risk management process in place the risk management system covers partnership working		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council has adopted a risk management strategy/policy that has been approved by members.</p> <p>* The risk management strategy/policy requires the council to:</p> <ul style="list-style-type: none"> • identify corporate and operational risks • assess the risks for likelihood and impact • identify mitigating controls • allocate responsibility for the mitigating controls. <p>* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</p> <p>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</p>	<p>* The risk management process is reviewed and updated at least annually.</p> <p>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>* All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment. (now bold)</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</p> <p>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being</p>	<p>A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.</p> <p>The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> • strategic planning • financial planning • policy making and review • performance management. <p>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>

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<p>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</p>	<p>actively managed, including reporting to full council as appropriate.</p>	
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