

## **Executive Member for Corporate Services and Advisory Panel**

12 December 2006

Report of the Assistant Director Audit and Risk Management

### **Risk Management Development Plan**

#### **Summary**

1. This paper is for information purposes only. Full details of the future agenda for Risk Management development and monitoring is set out in the report presented to Audit and Governance Committee on 4 October 2006 (The Role of Audit & Governance Committee in Managing and Monitoring the Implementation of Risk Management). The key priorities of the development agenda are:
  - ensuring the consistency and quality of data entered into the Risk Management system (Magique)
  - ensuring all directorates and service areas have the opportunity to consider, record and manage risks using the Magique Risk Management system on an ongoing as opposed to an annual basis
  - provide formalised Risk Management training to Officers to ensure that they have an understanding of the role and purpose of Risk Management in delivering their services
  - continue to build on the pre-Council seminar of 29 June 2006 engaging Members more fully in their understanding of Risk Management and its benefits to the Council
  - develop a risk reporting process that provides information on key risks to inform the decision making process
  - work with the Performance Improvement Team to formalise the relationship and role of risk in business planning and performance management routines.

## Background

2. The Audit & Governance Committee under schedule 2 part 3 of the new constitution have responsibility for monitoring the effective development of Risk Management and corporate governance at the Council. The Executive Member for Corporate Services maintains responsibility for the overall Risk Management strategy (Annex 1). This report is provided to keep the Executive Member & Advisory Panel (EMAP) apprised of the development agenda.
3. Risk Management is a business discipline that public and private sector organisations use to better manage potential opportunities and threats to the achievement of corporate objectives. Risk Management forms a key part of the Council's corporate governance arrangements, strategic management and performance management process.
4. Risk can best be described as uncertainty of outcome. Nothing is achieved without some element of risk. In common with many other authorities, relatively little was done generally in the past to formally evaluate and manage risk at the Council. Where departments did consider risk the approach tended to be piecemeal. Any failure to clearly identify and manage risks accordingly can mean that not enough is done to reduce exposure to hazards, loss or failure. Equally it can mean that opportunities may be lost if the organisation is not confident in how it should manage any risks associated with new initiatives or changes in practice. Risk Management is therefore concerned with how the organisation can best evaluate and balance hazards and opportunities to make well-informed decisions and provide sustainable improvements in service delivery.
5. Risk Management can only be effective if officers and Members fully engage in the process. Managing risk is not about producing a risk register or identifying as many risks as you can. It is about embedding the process into our current management practices and taking a systematic approach to managing risks only when they pose a significant threat.

## Data Quality

6. The risk register provides a proactive management tool that profiles risk across the whole Council making it transparent and allocating accountability for controls and actions. There are areas of good Risk Management practice across the Council but the Risk Management process is far from fully embedded. This has meant that the data in the risk register is patchy in terms of those services that provide information on their risks. The descriptions of risks are at best adequate but in many cases they are badly described and fail to inform the reader of the real impact on the organisation should they occur.

7. The Risk Register is the fulcrum of the Risk Management process and it is imperative that the data it contains is of the highest quality. The system not only provides a register of risks but is also an action planning tool allowing for the monitoring of actions related to reducing risk. It is for this reason that the development plan identifies this to be one of its most important priorities. If this does not happen there is a danger that the risk register may become compromised as an effective tool. This would seriously undermine the Risk Management agenda and be detrimental to the Council's Comprehensive Performance Assessment (CPA) score.
8. To ensure that this does not happen a systematic review of all risks contained within the register is to be carried out over the next 12 months to improve the consistency and quality of data. In addition areas where risk management has not been undertaken across the Council are to be identified and appropriate workshops and training provided.

## Use of Magique

9. The Risk Management process at the Council until recently relied upon each directorate management team giving consideration to risk on an annual basis. In addition service managers considered risk when completing their annual service plan, the output of this was usually a one line description of the risk. This was then transferred into an Excel spreadsheet, which became the Council's risk register. This meant that the register did not provide a comprehensive record giving full details of the risk and any actions to be taken to mitigate it.
10. The introduction of Magique (A web based Risk Management database tool) means that the Council now has a real time system into which risks can be input at any time. The system allows owners to fully describe the risk its impacts, identify and describe controls and action plan around areas of identified weakness. In this way Risk Management should become part of our every day management culture. To make best use of Magique and ensure that it operates as an early warning system to the Council risk should be regularly considered and the level of existing risks reviewed by risk owners. The team are currently developing a comprehensive procedure manual, which will provide advice and guidance on the process and timetable for identifying and reviewing risk. An example of a well described and poorly described risk are shown below:
  - Significant failure of corporate data / voice network - Significant large scale failure of the corporate data network would prevent access to corporate and Departmental Business Systems and information for both staff and elected members. A failure on the same scale of the corporate telephone system preventing calls in/out of the council would severely disrupt one of the vital

communication channels the council has with its customer base and business partners.

- High Staff Turnover

## Officer & Member Training

11. Underpinning everything that we are trying to achieve within the development plan is training. Risk Management training has been delivered across the Council but it has been very much on an 'ad hoc' basis. It is difficult to secure the 'hearts and minds' of officers if they do not really understand what Risk Management is all about. The view that Risk Management is an additional function or bureaucratic 'bolt on' is still prevalent across the Council at all levels.
12. A more formalised training programme is currently being planned using external providers. The intention is to deliver this to key officers early in the New Year. Before this happens a risk management strategic visioning session will be undertaken with Corporate Management Team on 29 November. This session will look at the key threats as well as benefits and opportunities to the Council of embedding Risk Management into the culture. This will help set the context for the training in relation to strategic Risk Management at the Council. A full outline-training programme can be found at Annex 2.
13. As well as developing a more formalised training program for officers it is important that we continue to build on the pre-Council seminar of 29 June 2006 by engaging Members more fully in their understanding of Risk Management and its benefits to the Council. The inclusion of a Risk Management section within committee reports has raised Members awareness of risk but at the same time there is a danger that it has made risk look to be a separate process.
14. Raising Member awareness has been further developed within the new Council Constitution, which assigns responsibility for the Risk Management function to the Executive Member for Corporate Services as such he is now responsible for bringing key corporate Risk Management issues to the Executive. In addition full Council appointed a Member Champion (Cllr Tom Holvey) for Risk Management at the Annual General Meeting in May 2006. This roll will provide leadership for risk at Member level and help promote, communicate and champion risk management across the organisation. Risk Management training will be made available for new Members following next May's elections.

## Risk Reporting

15. Identifying and recording risk is important but unless action is taken to mitigate and manage the risks it serves very little purpose. The new

Constitution has given responsibility to the Audit and Governance committee to take regular monitoring and exception reports with regard to the deployment and development of Risk Management. This role will provide overall management assurance that risk is properly managed across the organisation and will allow for escalation in the event that appropriate action is not taken.

16. At Directorate level the inclusion of risk in the new service planning template will allow for a more formalised reporting process on progress against risk mitigation actions. These reports will be generated from Magique and can be provided to Directorate Management Teams on a quarterly basis. This should ensure the profile of Risk Management stays on Directorate agendas and becomes more integrated into formal management routines.

## Risk & Performance Management

17. Risk Management plays an important role in effective planning and needs to be properly built into the organisations routines and processes. Risk needs to be considered as early as possible in the planning process and through its effective management the Council should benefit by improved performance.
18. To ensure that risk can be incorporated into the Council's planning routines consultation is being undertaken with the Performance Improvement Team. The purpose of the consultation is to gain better coordination and understanding of how and when risk should be considered in the process.

## Options

19. Not applicable.

## Corporate Priorities

20. Risk Management relates directly to the Council's priority to *'improve leadership at all levels to provide clear, consistent direction to the organisation'* clear and consistent leadership and direction requires a thorough understanding of all the risks and challenges to the organisation. As Risk Management should be integrated into all the Council's processes and routines it should help contribute to the effective delivery of all 13 corporate priorities. The key development issues raised in this paper support the actions required to improve the Council's CPA score of 2 for Risk Management to 3 as a minimum prior to the next full inspection in 2008.

## Implications

21. Funding for the risk management training is being provided from the risk management fund. There are no further financial, HR, equalities, legal, crime & disorder, IT, property or other implications arising from this report.

## Risk Management

22. In compliance with the Council's Risk Management strategy. There are no risks associated with the recommendations of this report

## Recommendations

23. That the Advisory Panel advise the Executive Member to:
- a) note the contents of this report;

Reason

*To raise awareness of the Risk Management development agenda and advise Members of the further work now needed to support the effective development of risk management at the Council.*

### Contact Details

**Author:**

David Walker  
Risk and Insurance Manager  
Phone No 01904 552261

**Chief Officer Responsible for the report:**

Liz Ackroyd  
Assistant Director of Resources (ARM)

**Report Approved**

**Date** 29/11/06

**Specialist Implications Officer(s)** None

**Wards Affected** Not applicable

All

**For further information please contact the author of the report**

### Background Papers

The Role of Audit & Governance Committee in Managing and Monitoring the Implementation of Risk Management

### Annexes

- Annex 1 Risk Management Strategy  
Annex 2 Risk Management Training Programme