

# REPORT TO GOVERNANCE AND AUDIT COMMITTEE

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF188**

**DATE: 15 March 2012**

<b>TITLE:</b>	<b>Governance and Risk Management Update</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Resources & Assets Portfolio Holder	
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<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	HOF154 – Risk Management Annual Report and Strategy Update, HOF167 – Risk Management Update (including roadmap) and HOF155 – Counter Fraud, Bribery and Corruption Framework	

## 1. RECOMMENDATION

The Governance & Audit Committee is requested to:

- i) note the contents of this report
- ii) Approve the updated Risk Management Improvement Plan Actions
- iii) Approve the wording insertion to the Counter Fraud, Bribery and Corruption Framework

## **2. PURPOSE OF THE REPORT**

The committee is charged with monitoring the risk management framework and arrangements on behalf of the Council and at the meeting held on 29<sup>th</sup> September 2011 approved the Risk Management Improvement Plan. At the December meeting of the committee it was agreed an update on the actions outlined in the improvement plan would be provided at this meeting.

Alongside this the Committee is also responsible for Governance including Counter Fraud with an updated Framework being approved in March 2011. Following a recent assessment on Section 11 compliance with the Children Act 2004 a minor amendment to the Counter Fraud, Bribery and Corruption framework is being proposed.

## **3. DETAILS OF REPORT**

In order to ensure the council continues to improve and develop risk management across the authority an updated Risk Management Improvement Plan was approved in September 2011 to ensure the continued delivery of effective risk management within the Council. This improvement plan included the development of a Risk Management Development roadmap which outlined a set of key activities to be completed over the next 12 months that would add value to the existing risk management arrangements of the Council. The activities outlined in the road map focus on enabling the Council to make better use of its existing risk management intelligence and therefore assist with understanding the implications to the Council as well as contribute to more informed decision making.

An updated Risk Management Improvement Plan is included in Appendix A which summarises the progress made to date with further details on what has been achieved is outlined below.

### Maintaining the Service Risk Profile

As outlined in section one of the improvement plan a refresh exercise on the service risk register was undertaken with service managers in December 2011. This focused on service areas taking their current risk registers and assessing if:

- a) All the previous risks identified were still relevant
- b) How well are these risks being managed and what controls we had in place
- c) Are there any emerging risks that needed to be included

The review focused on 'exceptional risks' which are those scored as high and also covered the most important 'business as usual' risks. The updated service risk register was presented to the Risk Management Group in January 2012 for peer challenge to ensure the scoring and weighting was in line with other areas. These risks have then been incorporated in the service planning process for 2012/13 and will be managed through the Council's corporate risk management system.

Another of the development areas identified in the improvement plan was to ensure a greater emphasis was placed on the risk commentary within committee reports. Currently, there is a risk section within the reports. This does not adequately show risk assessment and mitigation of risk. Therefore, we are looking to establish a more formal approach and provide guidance to managers on how to make the best use of the risk section in order to ensure members have the access to the relevant risk information where required. This will ensure all decisions are made on a fully informed basis.

The outline of the suggested approach to this which focuses on exceptional risks being included in the report under specific risk categories such as financial, reputation etc and would cover:

- Brief overview of what the risk is
- Risk score
- Outline of the action plan in place / required to manage the risk

This has been considered by Management Team who support the approach and the aim is to implement in the early part of the new financial year.

#### Risk Measuring, Reporting and Monitoring

As part of the risk register analysis the use of risk categorisation has been further developed in line with the Risk Management Strategy to assist with identifying risk interdependency. This can assist with improving the robustness of actions being taken to manage risks and where there are similar category type risks, these can be managed together more effectively. This has been incorporated in both the recent service and corporate risk register reviews with risk categories covering:

- Strategic risk
- Operational risk
- Regulatory risk
- Financial risk
- Reputational risk
- Information & data quality risk
- People & management risk
- Health & safety risk
- Legal Risk

Another development around the risk registers was to introduce the use of heat-map reporting which helps to give an overview of where risks sit in the scoring matrix in a user friendly way to supplement the more detailed risk registers. The corporate risk heat map was presented to the committee for the first time at its meeting in December 2011 and was well received.

Alongside the corporate and service risk registers the Council has other types of risk namely; Project, Health & Safety and Partnerships. In order to ensure the Council can effectively manage these and understand how the risks are monitored, an exercise has been undertaken to review how they feed into the risk management framework. This has helped to clarify where the above types of risk are being reported and monitored which in summary are:

<b>Type of Risk</b>	<b>Where and how are these monitored</b>
Project risks	The exceptional risks will be captured / managed through the Councils corporate risk management system and reported to the Performance and Programme Board as part of the new project management methodology. All other risks will be captured on the project risk log and managed as part of the project delivery process.
Health and Safety risks	These will also be captured and included on the corporate risk management system and discussed at the health and safety meetings which correlate with the Risk management group.
Partnership risks	There is a partnership register for all the significant partnerships the Council engages in and this will capture the relevant risks. These will then be reported into the risk management group.

One of the other areas identified to assist the Council is ensuring risks are joined up to service delivery and Council objectives by undertaking a risk triangulation / risk mapping process. The triangulation would take the Council priorities, risk (whether project, corporate etc) and performance indicators to fully understand the how the delivery of priorities are achieved and provide an early warning system if something is falling short of expected targets. Alongside this, mapping each corporate risk against a priority to aid the understanding of the correlation between each risk and priority project.

The improvement plan identified this exercise to be undertaken during quarter 4 of 2011/12 however, in light of the updated priority plans being reviewed by Council at its meeting in March, it is proposed to delay this until quarter 1 of 2012/13. This will also link into the review of the performance indicators as part of the service planning process for 2012/13 to ensure the triangulation / mapping exercise are undertaken on the latest information available.

### Corporate Risk Intelligence and Prioritisation

A key activity of the improvement plan was to undertake a refresh of the Corporate Risk Register in conjunction with a number of other tasks outlined in the plan in order to support the review. The Corporate Risk Register was updated in conjunction with Heads of Services in order to refresh existing risks and ensure they remain relevant and review any actions being taken. Alongside this horizon scanning of future developments and emerging risks were also undertaken and considered by Management team.

In terms of the other actions completed whilst undertaking this review; these were:

- Making use of bespoke risk categories such as economic, reputational, legislative in order to help group risks into areas which may have interdependencies in line with the Risk Management Strategy categorisation of risks.
- Apply weighting to the Corporate Risks in order to identify the most significant risks that may impact on the Council delivering against its priorities.

The resulting Corporate Risk Register was then presented to the Governance and Audit Committee at its meeting in December 2011 and as highlighted earlier in the report was supplemented with a heat-map for overall risk reporting.

### Benchmarking

As part of the corporate risk register review the Council also took into consideration benchmarking risks against other local authorities that may be relevant to South Kesteven. The review showed the Council is well positioned in its risk management and appears to have captured all the main risk areas when compared to others. It did assist with providing some more detailed information on risk actions for common categories which have been shared with service areas.

### Risk Management Conclusion

Overall the majority of the Risk Management Improvement Plan has been delivered with the exception of two main areas; Risk section on committee reports and triangulation of priorities, performance and risk (including risk links with priority projects). As outlined above there is a clear rationale of where the Council is in developing these areas with timelines in place for implementation of them.

An Internal Audit has also been undertaken on Risk Management which has taken into account all aspects of how the Council manages risk including the areas outlined in the risk management improvement plan. A positive conclusion was given overall on how the Council is managing risk effectively and reflects the resource and focus allocated to this area over the past year.

Once the final two areas of the improvement plan have been delivered the anticipation is not to devise another improvement plan in light of the good progress made and supported by Internal Audit. The focus should be on maintaining the building blocks put in place.

### Counter Fraud, Corruption and Bribery Framework

There has been a recent assessment by the Lincolnshire Safeguarding Children's Board (LSCB) relating to Section 11 compliance with the Children Act 2004. As part of this assessment they reviewed the Councils Whistle Blowing Policy and as a result have suggested some additional wording is included in the policy around safeguarding. These changes will ensure the Council is compliant with the LSCB guidance which expects the Council has effective whistle blowing and allegation policies and systems in place for professionals and service users, which are compatible with LSCB Procedure and Guidance.

Therefore, it is proposed to update the Whistle Blowing Policy contained with the councils Counter Fraud, Bribery and Corruption Framework as outlined in Appendix B with the appropriate wording to comply with the LSCB guidance. This will ensure the council can positively respond to the LSCB on their suggested action and acknowledge this has been complete as part of their follow up review.

#### **4. OTHER OPTIONS CONSIDERED**

None

#### **5. RESOURCE IMPLICATIONS**

This report has no direct impact on the Council's resources, including finance/ budget, people, land/property etc.

#### **6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)**

Risks have been considered as part of this report of which there are no high level risks associated with this.

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None

#### **8. CRIME AND DISORDER IMPLICATIONS**

None

#### **9. COMMENT OF FINANCIAL SERVICES**

In accordance with the terms of reference, the Governance and Audit Committee are kept fully informed of current developments in risk management.

#### **10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES**

Members of the Committee are responsible on behalf of the Council for monitoring actions taken by Cabinet and Management Team to identify corporate business risks and assess whether they are being effectively managed. It is essential they are kept up to date with details of the risks and how they have been mitigated.

The terms of reference of the Governance and Audit Committee include approval of the Counter Fraud, Bribery and Corruption Framework on behalf of the Council.

#### **11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

None

#### **12. APPENDICES:**

Appendix A – Risk Management Improvement Plan – March 2012

Appendix B – Counter Fraud, Corruption and Bribery Framework Update