

Audit Committee –15 June 2010**RISK MANAGEMENT – QUARTERLY REVIEW****Joint Report of the Risk and Health and Safety Advisor and the Strategic Director (Resources)**

Statutory Powers: (Local Government Act 1972 as amended.
Accounting and Audit Regulations 2003)

Financial Implications: Existing budgets

Purpose:

The purpose of this report is to provide an up-date on risk management. There is a direct link to CP6 (Improve core service performance in a cost-effective way) and indirect links to CPs 1 to 5.

RECOMMENDATION

That the Audit Committee considers the progress made on risk management and comments accordingly.

Background

1. This report is the quarterly update to the Committee on Risk Management activity and provides information for the period from March 2010.
2. Its purpose is not only to provide information to members but also to demonstrate one of the methods of member involvement in risk management. It also provides evidence for the Key Lines of Enquiry (KLOE) Use of Resources Assessment.

Partnership Risk Management - Current Situation

3. Members will recall that at its meeting on 1st December 2009 the Committee resolved that the merits of establishing a Scrutiny Task and Finish Group to investigate the Council's involvement in all its Partnerships (e.g. whether they be statutory or voluntary and assessing their Value for Money implications with regard to costs and resources) be explored." (A 30/09)
4. The task and Finish Group reported to the Community Policy Development Group on 15 April and concluded that of the 13 non-significant Partnerships 10 provide value for money but they required further information on the following:

- Devon Rural Housing Partnership
 - Devon Improvement Group
 - Devon Strategic Housing Group
5. The following were identified as significant partnerships for the Council and in accordance with the Council Partnership Policy and Guidance a report on them is to be submitted to Scrutiny in July 2010:
- South Hams Strategic Partnership
 - Devon Strategic Partnership
 - South Devon AONB
 - Visit South Devon
 - Supporting People Partnership
 - Children's Trust
 - South Devon & Dartmoor Crime & Disorder Reduction Partnership
 - Devonwide Concessionary Bus Travel Partnership
 - Total Place
 - Procurement Partnership

Internal Audit

6. The audit of Risk Management has been completed and the conclusions are at Appendix A.
7. The report also recommended that high level and emerging risks should be included in reports to the Committee on a regular basis and the two high level operational risks are listed at Appendix B.
8. Members will be aware of the report to Council on 13 May 2010 outlining the risks to the Council in the current arrangements of the winter storage at Salcombe. The risks identified by the Harbourmaster include of health and safety, financial due to loss of income and reputational risks.
9. Further information on high level and emerging risks will be provided at future meetings as the risk register is up-dated and reviewed.
10. We are also in the process of aligning our risk process with that of West Devon Borough Council

Business Continuity

11. The Business Continuity Plan (BCP) revision is now complete and a joint test with West Devon Borough Council test is being undertaken on 30 June 2010 (deferred from 9 April) using the resources of our insurers, Zurich Municipal.
12. The test will cover a range of matters including call out, cascading initial information and emergency power supply.
13. Risk Assessment

Opportunities/Benefits

A fully embedded and working risk management system will enable the Council to:

- Meet demands for savings.
- Target resources more effectively
- Produce better outcomes on corporate objectives
- Deliver innovative projects
- Produce better outcomes for service users
- Protect our reputation
- Enable lower risk related costs
- Proactively identify both threats and opportunities and enable the council to take appropriate action.
- Demonstrate its compliance with the criteria for CPA and its proactive approach to improvement. (Whilst the Council may consider that maintaining an “Excellent” grade might not be the best use of resources, dropping a grade could be detrimental to the Council’s reputation)
- Meet increasing demands on our resources more effectively

Issues/Obstacles/Threats	Control measures/mitigation
<ul style="list-style-type: none"> ▪ Failure of managers to identify risks timely ▪ Failure of managers to monitor on-going risks and identify changing circumstances ▪ Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities. ▪ Failure of all staff to embrace risk management at their individual level ▪ Failure to comply with statutory requirements and good practice may leave the Council open to investigation and possible prosecution ▪ We have suitable and sufficient policies and procedures in place in many areas. We must continue to ensure that these and monitored for 	<ul style="list-style-type: none"> ▪ Systems in place using service plans, reviews of Covalent, reports to SMT and Members and the use of risk workshops all enable the identification of risks ▪ The requirement for managers to monitor and review existing risks is to be monitored ▪ Use of risk workshops at an early stage of any project and/or partnership will assist in identifying risks • Training provided to all staff and reminders issued when appropriate • Review of policies, procedures and guidance on an on-going basis coupled with analysis of new and revised legislation reduce significantly the risks in this area • On-going review of policies and procedures with recording of such reviews

compliance and that reviews are carried out when appropriate.	
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Conclusion

14. The Council's risk management systems are developing satisfactorily but we cannot afford to be complacent. Shared working and integrated Devon will require us to ensure that we have identified significant risks, considered the appropriate control measures and put them in place.

Pete Osborne
Risk and Health and Safety Advisor

Audit Committee
15 June 2010

Mark Seymour
Strategic Director (Resources)

Background documents:

None

Audit Opinion and Conclusions

Audit Opinion

Good

Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.

Conclusions

The Audit Commission have recently completed their work in respect of risk management in the CAA Use of Resources KLOE 2.4:

Positives:

- SHDC has a risk management strategy;
- SHDC has a risk register which is updated during the year;
- SHDC has a risk management group in place;
- Risk management progress is reported to the Audit Committee;
- Proactive Risk Officer keen to drive improvement and see results;
- Risk Officer is already planning changes to tackle areas for development; and
- Process in place to identify and consider significant partnerships (to be applied in 2010/11).

Areas for development:

Some aspects of:

- Risk identification;
- Risk monitoring; and
- The risk registers.

We support the findings of the Audit Commission and we have also recommended that the Council's Strategy is reviewed and updated to include the Council's Risk Appetite and Tolerance, introducing the reporting of high level risks to the Audit Committee; and, the development of a risk response matrix to guide what action is needed following the use of the risk evaluation matrix already in use.

High Level Operational Risks

Description	Internal Controls	Current Impact	Current Likelihood	Ownership Assigned To
Private sector business and employment Disinvestments and local business failures	Managed reduction of economy service Strong partnerships, quick support and good communication Aim to maintain strategic engagements and partnerships but reduce relationships with local business community	4	3	Lee Bray
Recycling process plant closure	Establish alternative transfer and process facilities.	4	3	Chris Lucas

Assessment of Risk

1. likelihood of the risk occurring:

1. Has happened rarely/never before
2. Only likely to happen every 3+ years
3. Likely to happen at some point over the next 1-2 years
4. Regular occurrence Frequently encountered daily, monthly, weekly

2. Impact of the Risk

Score	Personal Safety	Failure to provide Statutory Duties/ meet legal obligations. Litigation/ claims/ fines	Financial Loss/Business disruption (% of budget)	Service disruption (days)	Personal Privacy infringement	Reputation/ Embarrassment/
1	Minor discomfort to an individual or several people	Service £1K to £25K Corporate £25K to £50K	5% to 10%	Brief disruption of an important service area. Service disruption up to 1 day.	Isolated individual personal detail comprised/ revealed	Contained within the Service
2	Minor injury an individual or several people	Service £25K to £50K Corporate £50K to £100K	11% to 40%	Major effect on important service area for a short period (2-3 days)	Some individual personal detail comprised/ revealed	Contained within the Service Group
3	Severe injury to an individual or several people	Service £50k to £75k Corporate £100k to £150k	41% to 60%	Complete loss of an important service area for a short period (3-5 days)	Many individual personal details comprised/ revealed	Local Public or media interest
4	Death of an individual or several people	Service £75k plus Corporate £150k plus	Over 60%	Major loss of service and/or protracted period 5+ days		National public or media awareness with possible resignation by officer(s) and/or Councillor(s)

