

**Agenda Item No:** 6  
**Report To:** Audit Committee  
**Date:** 28 September 2011  
**Report Title:** Approach and Strategy for Taking Forward Risk Management at Ashford  
**Report Author:** Brian Parsons - Head of Audit Partnership



**Summary:** The Council needs to put improved risk management arrangements in place.

The report proposes that the responsibility for progressing the risk arrangements is allocated to the Head of Audit Partnership.

A way forward is proposed.

The Committee is asked to endorse the proposed approach.

**Key Decision:** NO

**Affected Wards:** N/A

**Recommendations** **The Audit Committee is asked to:-**

**Endorse the proposed arrangements for risk management.**

**Financial Implications:** None directly

**Equalities Impact Assessment** No

**Other Material Implications:** An effective risk management process is a vital element of the Council's governance arrangements.

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## **Report Title: Approach and Strategy for Taking Forward Risk Management at Ashford**

### **Purpose of the Report**

1. The report sets out a number of proposals for the future provision of the Council's risk management arrangements.

### **Issue to be Decided**

2. The Council needs to put improved risk management arrangements in place.
3. The report proposes that the responsibility for progressing the arrangements are allocated to the Head of Audit Partnership, who has proposed a way forward. The Committee is asked to endorse the proposed approach.

### **Background**

#### **Annual Governance Statement**

4. Members will recall that they considered and approved the Council's Annual Governance Statement (2010/11) at the meeting of the committee on 27 June 2011.
5. The report accompanying the statement concludes that 'Governance arrangements continue to be strong and are under regular review. 2010/2011 saw some fundamental development, particularly the review of priorities for the council, the 'taking stock' of growth plans, and the emerging plans for a new approach to localism. It is considered the governance framework remains effective and responsive to change and adaptation as circumstances dictate.'
6. The statement identifies only two significant areas of governance as warranting further attention. The first concerns the development of new approaches to partnership working and arrangements to put in practice the council's approach to localism. The second concerns the need to refresh risk management.
7. Although there is a need to improve the Council's overall risk management arrangements, it is important to acknowledge that there are already pockets of good practice within the organisation; for example some of the projects originating from the Housing section demonstrate a sound risk management approach.

## **Previous Arrangements**

8. The arrangements for risk management were managed by the Policy and Performance Team until 2010. The team has since been disbanded.
9. The four-way Internal Audit Partnership with Maidstone, Swale and Tunbridge Wells came into existence on 1 April 2010.
10. For the other three Councils, it was intended that the partnership would provide the home for business risk management. This was, to some extent, a continuation of the pre-partnership arrangements where the respective Head of Audit had responsibility for risk management; however at Ashford it was unclear initially whether the arrangements for risk management would remain with Policy and Performance.
11. The changes to the corporate structure at Ashford during 2010 led the Deputy Chief Executive to ask the Head of Audit Partnership to take on the responsibility for risk management. There was no additional resource provided for this work. For the audit partnership, in terms of priorities, it was necessary to get the partnership up and running before consideration could be given to the arrangements that need to be put in place for risk management.
12. The final agreement on the partnerships costs in September 2010 meant that the option to appoint a 'risk officer' to work within the partnership was no longer possible.
13. This report makes a number of proposals in terms of how the risk management arrangements can be provided in future through the Mid Kent Audit Partnership.
14. The limited resources which are available to the Head of Audit Partnership for risk management work dictate that maximum use is made of the relationship with the Council's insurers, Zurich, and that the arrangements are delivered in accordance with the strategic objective to provide the 'best services resources allow'.
15. This will affect the speed at which some aspects of risk management can be progressed. However, in some ways this is beneficial as it will allow risk management arrangements to be introduced over a period and to become properly embedded.

## **Role of the Audit Committee in relation to risk management.**

16. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process (Minute No. 408/12/06 refers)

17. In accordance with its terms of reference, the Committee must consider/monitor or advise the Council as appropriate on the effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.

### **A definition of risk management**

18. Risk can be defined as 'the chance of something happening that will have an impact on objectives'. Risk management is the 'the term applied to a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities'. Put more simply, risk management is a means of reducing the barriers to achieving successful outcomes.

### **Responsibility for risk management**

19. The responsibility for ensuring there are adequate arrangements within the Council for risk management rests with Management Team and Cabinet.
20. The proposed role for the Head of Audit Partnership within the arrangements is to facilitate the risk management process, promote risk management within the organisation and report periodically on the adequacy of the arrangements.

### **Zurich Management Services**

21. Under the terms of the Council's insurance contract with Zurich, the company provide an annual allowance for risk management work. The work can take several forms, for example the business risk management process which is the subject of this report, or an operational risk reduction programme, such as a review of Water and Open Spaces, which will be carried out by Zurich shortly to identify health and safety risks leading to a reduction in the risks and an accompanying reduction in claims.
22. The annual allowance from Zurich is £10,000. The Council currently has £15,000 in the risk management budget, with a further £10,000 to come at the date of renewal, 1 October 2011. It is considered that this budget is sufficient to allow work to be done on business risk management as well as to continue with the risk reduction programme. The allowance must be 'spent' on Zurich's products.

### **The way forward**

23. It is proposed that the Head of Audit Partnership takes responsibility for moving the Council's business risk management arrangements forward. This will include:
  - Review and update of the Risk Strategy
  - Creation of a Strategic Risk Register (including the identification of the risks to the delivery of the five year Business Plan)

- Promotion of operational (service) risk registers for inclusion in service plans.
  - Promotion of project risk arrangements
  - Training for senior managers, unit managers and Members
  - Raising awareness of risk management as a key management competency
  - Creating a 'risk management toolkit' to be placed on the Intranet
  - Annual report to Audit Committee on risk management
  - Regular liaison between the Head of Audit Partnership and the Council's Insurance Officer to ensure that the best use is made of the risk management budget.
  - The use of the risk registers to assist the audit planning process.
24. The approach taken to risk management will be positive and will use the risk management process as a means of improving the decision making and forward planning processes, but without creating a risk management 'industry'. The approach will be simple and practical.

## **Risk Assessment**

25. Risk is the subject of the report.

## **Equalities Impact Assessment**

26. Not applicable

## **Other Options Considered**

27. The Committee could decide that it is not necessary to improve the current risk management arrangements; however this would leave a significant weakness in governance.
28. The Committee could decide not to allocate the responsibility for progressing the risk management arrangements to the Head of Audit Partnership.

## **Consultation**

29. There will be consultation with management as the process is developed.

## **Implications Assessment**

30. An effective risk management process is a vital element of the Council's governance arrangements.

## **Conclusion**

31. The existing risk management arrangements are in need of improvement in order to make them effective and meaningful.

32. The resources available to move risk management forward are quite limited and the process needs to move forward at a practical pace, which allows risk management to become embedded within the organisation.
33. It is proposed that the Head of Audit Partnership will have formal responsibility for progressing risk management within the organisation.

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