

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

14 February 2008

### Report of the Director of Finance

#### Part 1- Public

#### Matters for Recommendation to Cabinet

##### **1 UPDATE ON RISK MANAGEMENT**

**This report informs Members of the changes in approach to applying risk management following the review carried out by Zurich Municipal. It also seeks Members' approval for the partial allocation of an allowance provided by the Council's insurers in respect of risk management initiatives.**

##### **1.1 Review of Risk Management procedures by Zurich Municipal**

- 1.1.1 Members will recall that the Council's insurers Zurich Municipal (ZM) carried out a review of the procedures in place for dealing with Risk Management (RM). The outcome of the review was reported to Members of the Audit Committee at the meeting of 23 October 2007.
- 1.1.2 The overall message of the review was that the Council had a robust system of risk management in place; although an action plan had been suggested for further improvements. Members were advised that this would be examined by the Management Team to identify the benefits of further enhancement and would be reported back to the next meeting of this Committee.
- 1.1.3 The review has now taken place and an action plan has been agreed by Management Team for implementation. A copy of the action plan is attached to this report as **[Annex 1]**.
- 1.1.4 Members will note that a majority of the actions are operational but it is considered important that Members of the Audit Committee are satisfied that the actions enhance the approach to Risk Management as it will form part of the evidence for assessing the internal controls of the Council.
- 1.1.5 The Use of Resources Assessment has a number of requirements relating to Risk Management that goes towards the scoring in the Key Lines of Enquiry. One of these requirements is that the Council has a Member and Officer identified as Risk Champions. Currently, the Council recognises, by default, the Leader and the Chief Executive as the Risk Champions.

- 1.1.6 Management Team felt that the Chairman of the Audit Committee and the Chief Internal Auditor would be the most appropriate nominees from an operational perspective, although it was pointed out by the Chief Solicitor that the Member role in respect of Risk Management is an Executive function and the Cabinet would need to ensure that it is happy with this 'delegation'.
- 1.1.7 It is recommended later in this report that the Committee recommend to Cabinet that these nominees are formally appointed as Risk Management Champions. However, to demonstrate the Council's ongoing commitment to risk management at the highest level, the Chief Executive and the Leader will continue to sign the strategy when it is reviewed.

## **1.2 Consultancy Allowance**

- 1.2.1 A feature of the insurance tender exercise, carried out as part of the 2006/07 renewal of insurance arrangements, was the provision by the successful insurer of an allowance which could be used to 'fund' risk management consultancy work which would also be provided by the insurer. The amount involved was £30,000 plus 5% Insurance Premium Tax providing a total allowance of £31,500. One condition attaching to the use of the allowance is that all funds must be used within a three year period and any funds not used within that period will be cancelled.
- 1.2.2 As reported to the Finance & Property Advisory Board meeting on 23 May 2007, proposals for the use of the allowance will be reported to members of the Audit Committee for consideration.
- 1.2.3 The Director of Health & Housing has proposed that a review of the management of health & safety within the Council be considered for approval. The proposed review will consider how well, as an employer, the Council carries out its responsibilities in providing a safe working environment and complies with relevant legal requirements. A brief of the work involved in the review is attached at **[Annex 2]** to this report.
- 1.2.4 The Council has a health & safety management system which has been developed over a number of years. This system uses a risk assessment approach to controlling hazards and includes a wide range of documented safe working systems together with guidance on activities which are considered to be potentially dangerous.
- 1.2.5 Preliminary discussions with the insurers as to the Council's requirements for the review of health and safety management have resulted in a quotation for the work in the sum of £4,275 plus VAT. The works can be funded from the allowance received from the insurers and, therefore, there is no direct cost on the authority for carrying out the work.

### 1.3 Legal Implications

- 1.3.1 Employers are required by law to comply with the provisions of The Health & Safety at Work Act 1974. An independent review will provide confirmation as to whether or not the Council's systems for the management of health & safety comply with current legislation.
- 1.3.2 As part of the Accounts & Audit Regulations 2003 the Council is required to have a satisfactory Risk Management system.

### 1.4 Financial and Value for Money Considerations

- 1.4.1 The action plan does not have any additional costs involved in implementing the recommendations made. The costs of the health and safety management review can be met from the risk management consultancy allowance.
- 1.4.2 Preliminary discussions with the insurers as to the Council's requirements for the review of health and safety management have resulted in a quotation for the work in the sum of £4,275 plus VAT as previously mentioned.

### 1.5 Risk Assessment

- 1.5.1 The implementation of the action plan will enhance the Risk Management process of the Council.
- 1.5.2 A failure to comply with the provisions of the Health & Safety at Work Act could result in penalties and fines being imposed on the Council and, more importantly, could jeopardise the safety and welfare of Council employees and other third parties. The reputational risk associated with a fine or penalty being imposed is also considerable.

### 1.6 Recommendations

- 1.6.1 Members are requested to **RECOMMEND** that Cabinet;
- 1) Approve the action plan as set out in the report;
  - 2) name the Audit Committee Chairman and the Chief Internal Auditor as Risk Champions; and
  - 3) accept the proposal of the Director of Health & Housing for a review of the management of health & safety within the Council to be funded from the risk management consultancy allowance.

Background papers:  
 ZM Review of Risk Management

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