TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

13 October 2009

Report of the Director of Finance

Part 1- Public

Delegated

1   **RISK MANAGEMENT UPDATE**

Summary
This report serves to update Members on recent risk management related activities.

1.1   Background

1.1.1   As reported to this Committee in April 2008, Consultants were employed in August 2007 to carry out a 'Health Check' on the Council's risk management procedures. One of the recommendations that flowed from this exercise was the implementation of a quarterly review of all Operational Risk Registers.

1.1.2   The objective of these reviews and the subsequent reporting mechanisms is to ensure that management and Members are given sufficient information about the overall risk status of the authority. This reporting regime will highlight the movement of risk and ensure that movement of risks towards the high risk area is monitored.

1.1.3   Although there has always been a process where Chief Officers have kept Management Team aware of how situations are developing the last Use of Resources assessment identified that this process could be improved and that a formal reporting mechanism within the risk management framework was required.

1.1.4   The assessment also felt that the reports to Audit Committee on Risk Management could be improved.

1.1.5   Following these comments, I have agreed with the Council's Management Team that all Chief Officers will now report to Management Team any risks that move into the High Risk area as soon as they happen. In addition, Management Team will receive a "catch all" report six monthly in order to update them on how risks are moving generally.

1.1.6   The initial reviews commenced in 2009/10 and all Services were tasked to carry out a review of their Operational Risk Registers in April and July 2009. Prior to carrying out their reviews Services were reminded of the need to consider any

Partnerships that their Service might be reliant upon and the effects of the current economic situation.

1.1.7 A total of 47 registers containing 634 (April) and 600 (July) Activities / Objectives were reviewed and the ratings of the risks identified were as follows –

	April 2009		**July 2009**	
Low Risk	262	41%	221	37%
Medium Risk	366	58%	373	62%
High Risk	6	1%	6	1%
	634	100%	600	100%
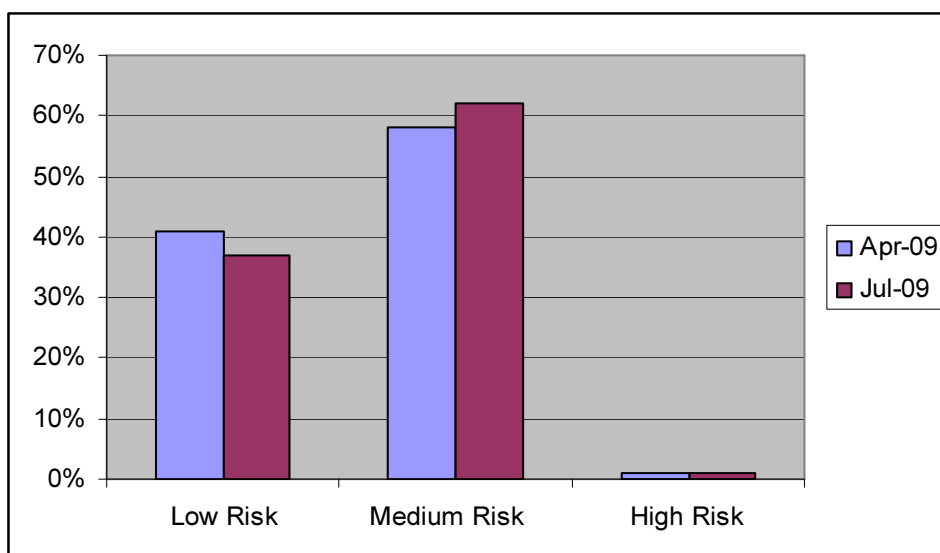
1.1.8 The reduction in Activities / Objectives is primarily due to the Leisure Services (Development) register which has been aligned to more closely reflect the work undertaken in their Performance Plan. In addition, where certain areas have overlapped or are similar to other areas, the issues have been covered in more general terms.

1.1.9 As would be expected in the current climate the movement of risk perception is moving from low risk to medium risk although there has been a reduction in the overall number of risks included in the registers. However, the number of areas identified as being high risk have remained the same.

1.1.10 Following the reviews Chief Officers were advised of those Activities / Objectives within their own Service that had been scored as a High Risk. In this context a score of High would require a **Likelihood Rating** of 'Likely' or higher, together with an **Impact Rating** of 'Critical' or higher. The rating is based on the following –

	Likelihood	Score		Impact	Score	
	Almost Inevitable	6		Catastrophic	4	
	Very Likely	5		Critical	3	
	Likely	4		Marginal	2	
	Unlikely	3		Neglible	1	
	Very Unlikely	2				
	Almost Impossible	1		**Risk Ratings**		
				Low Risk	0 - 4	
				Medium Risk	5 - 12	
				High Risk	15 +	

1.1.11 In order to ensure that a corporate awareness of the High Risk areas is maintained, Chief Officers report their areas of High Risk to Management Team. Attached at **[Annex 1]** to this report are details of the 6 Activities / Objectives that were scored as High Risk together with a brief explanation as to the reason/s behind the scoring. It is worth mentioning that staffing issues within Financial Services (Revenues & Benefits) has resulted in the majority of scores being increased within those areas.

1.1.12 The benefits of a quarterly review have been reconsidered. With six hundred risks identified on the registers this has proved to be time consuming and a three-month period is also considered too short a period within which to measure movement of risk. Any significant events will require a review of individual risks affected with any risks entering the red zone to be reported to Management Team so a six-monthly review of risk registers is now considered to be more efficient.

1.1.13 There has also been some comment on the "Impact" definitions with the difference between marginal and critical being wide whilst critical and catastrophic being difficult to differentiate. It is considered that significant impact should be introduced for a score of 3 with critical becoming 4 and catastrophic being dropped to improve the interpretation of the risk.

1.2   Strategic Risks

1.2.1   Strategic risks that affect the whole organisation such as power loss etc are covered in the business continuity plan and are scored in accordance with the overall risk scoring mechanism. Any risks identified in the Business Continuity Plan are also included in the operational risk register of the service responsible for monitoring that part of the plan. There are also strategic risks that relate to a key objective of the Council as identified in Spotlight. These are also all included in the operational risk registers as they are allocated to a specific service and appear in their service plans.

1.2.2   However, the last Use of Resources assessment identified that there was not a separate strategic risk register. Without trawling through the operational risk registers these risks could not be easily identified.

1.2.3   In order to highlight these key objective risks they have been extracted from the overall risk registers and are drawn to Members attention. **[Annex 2]**

1.2.4   The current situation with these 8 risks as at July 2009 is as follows: -

High Risks 1   Medium Risk 3   Low Risk 4

1.3   Legal Implications

1.3.1   There are no specific legal implications relating to the maintenance of risk registers although the Accounts & Audit Regulations places an implied requirement for them.

1.4   Financial and Value for Money Considerations

1.4.1   The existence of up to date Risk Registers together with regular reviews will help to identify emerging significant risks at an early stage and enable them to managed and reduce risk exposure.

1.5   Risk Assessment

1.5.1   The maintenance of up to date and valid Risk Registers is an important feature in any risk management process and is essential if the Council is to meet the requirements of the Key Lines of Enquiry assessment.

1.5.2   An effective risk management system is a factor in the Corporate Governance Statement and part of the overall governance arrangements for this Council.

1.6   Policy Considerations

1.6.1   Business Continuity/Resilience

1.7   Recommendations

1.7.1   Members are **RECOMMENDED** to

    1)   Note the improvements made to the Risk Management process ; and

    2)   Acknowledge the items that have been assessed as high Risk at the present time, and note the existing controls to minimise the impact of these risks.

Nil   contact: Brian Courtney

Sharon Shelton
Director of Finance