AGENDA ITEM: 10   Page nos. 49-89

Meeting	Audit Committee
Date	31 August 2005
Subject	Corporate Risk Management
Report of	Chief Internal Auditor
Summary	The Committee is asked to note the External Auditor's report on Corporate Risk Management

Officer Contributors	Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: Corporate Risk Management report by External Audit
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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Beacon Council

2002-2003
Improving Urban Green Spaces
Libraries as a Community Resource
2002-2004
Community Cohesion

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1. RECOMMENDATIONS

1.1 That the committee note the attached report from External Audit on Corporate Risk Management .

2. RELEVANT PREVIOUS DECISIONS

2.1 The Audit Committee on 9 June 2005 included in the work programme for 2005-6 a report on Corporate Risk Management.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan details the priority to develop corporate capacity. Effective risk management arrangements will contribute to the effective delivery of this.

4. RISK MANAGEMENT ISSUES

4.1 Failure to have adequate and effective risk management arrangements could impact on the Council meeting its objectives efficiently, effectively and economically.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

5.1 None

6. LEGAL ISSUES

6.1 None.

7. CONSTITUTIONAL POWERS

7.1 Constitution Part 3, Paragraph 2 details the functions of the Audit Committee including "Ensuring that….action taken by the Council to implement fully a risk management system are balanced, fair, conform to accountancy standards and meet prevailing best practice".

8. BACKGROUND INFORMATION

8.1 This report is presented to the Audit Committee as the Chief Executive's response to a request from the chairman for him to review risk management.

8.2 The Council's external auditors conducted a full review of risk management arrangements in March and April 2005 as part of their work programme for 2004-5. Their final report is attached as appendix A to this report.

8.3 The auditors have concluded that 'the current arrangements and processes form a good foundation for further developing risk management so that the areas for improvement identified during our review can be addressed.'

8.4 All recommendations have been discussed with the relevant officers and agreed where appropriate. Agreed actions, timescales and officers responsible for implementation are detailed in the action plan attached to the main report.

8.5 Below is a summary of some of the key developments on risk management as reported in a recent self-assessment:

- Risk management strategy/policy in place which was approved by Cabinet. To be reviewed towards the end of 2005/6.

- Corporate risks are identified annually and reported to Cabinet. Frequency of reporting will increase in 2005/06. Links to risks emerging from Finance and Performance Review (F&PR) meetings will be enhanced. These are all separately risk assessed with each sub-risk assessed in terms of impact and likelihood and mitigating controls identified.

- All committee reports have a mandatory section on Risk Management and all key projects require risk assessments. Committee reporting of risks works extremely well and has led to considerable improvement in the quality of decision taking,

- The process for making efficiency savings and budget reductions requires a risk assessment to be done on each item.

- The Borough Treasurer has introduced a mechanism to identify future financial risks and uncertainties which is incorporated into enhanced forward planning. Financial risks are reviewed at F&PR meetings.

- A dedicated Audit Committee has responsibility for monitoring Risk Management. The Chief Executive has presented reports on progress regularly to the former Audit and Resources Overview and Scrutiny Committee. The current Chairman is MIIA. The Cabinet member for Policy and Performance has responsibility for risk management.

- Risk assessments on major projects are consistently sound and comprehensive

- Annual review of risk management by either Internal or external audit. Policy and procedures will be reviewed in 2005/06.

- The Financial Regulations within the Constitution state that "Before entering into a partnership with another organisation that involves pooling some of the council's revenue and/or capital budgets, the Head of Service must undertake a risk assessment to ensure adequate controls are designed and embedded before finalising the partnership arrangements."

- All senior staff have received Risk Management training. It has been made clear at the Management Board and in the corporate policy that risk management is a management responsibility and that any requirements should be addressed through appraisals.

- Our policy makes it clear that the risk of missed opportunity is an essential element of the risk management process.

9 LIST OF BACKGROUND PAPERS

9.1 None

BS: JEL
BT: CM

London Borough of Barnet

Risk Management - Corporate Arrangements

July 2005

Contents

1   Executive Summary

Approach and Context

1.1   In accordance with our terms of reference, we have reviewed the overall risk management framework adopted by the London Borough of Barnet (the "Council") and undertaken a more detailed drill down review within the Education, Environment and Housing Services.

1.2   Our review of the overall risk management framework included:

- Evaluating the risk management strategy, policy and processes against good practice, including guidelines issued by CIPFA / Solace;

- Assessing the maturity of risk management based on the Risk Management Assessment Framework published by the Treasury; and

- Considering the arrangements in place for preparing the annual Statement on Internal Control.

1.3   Our review within the Education, Environment and Housing Services included an assessment of:

- The extent to which service managers had implemented the risk management strategy;

- The processes followed to identify, assess, manage and review & report on risks; and

- The extent to which risks linked through to key corporate and service objectives.

1.4   Detailed findings from our review within the Education, Environment and Housing Services have been issued as separate supplementary reports for each of the Services.

## Risk Management Maturity Assessment - Summary

1.5   Our assessment of the risk management maturity considered risk management capability and the effectiveness of risk management. Risk management capability was assessed in terms of:

- Leadership – whether senior management support and promote risk management;

- Strategy and policies – whether there a clear risk strategy and risk policies;

- People – whether people are equipped and supported to manage risk well;

- Risk management with partners – whether there are effective arrangements for managing risks with partners; and

- Processes – whether the Council's processes incorporate effective risk management.

1.6   The effectiveness of risk management was assessed based on:

- Risk handling – whether risks are handled well; and

- Risk management outcomes – whether risk management contributes to achieving outcomes.

1.7 A risk maturity score of between 1 and 5 for each component was based on the following criteria:

Risk Management Capability	Effectiveness of Risk Management
1. Awareness and understanding	1. No evidence
2. Implementation planned and in progress	2. Satisfactory
3. Implemented in all key areas	3. Good
4. Embedded and improving	4. Very good
5. Excellent capability established	5. Excellent

1.8 The graph below summarises our assessment of the maturity of the corporate arrangements.
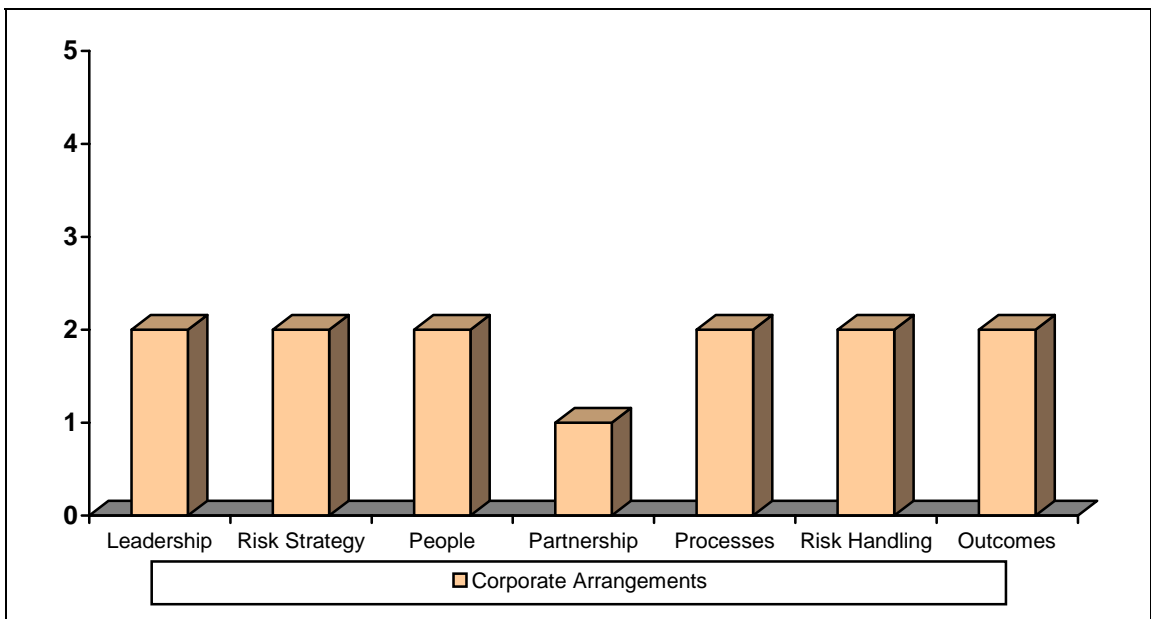
Summary of Key Findings – Good Practice Identified

1.9 Our review has highlighted a number of good practice points, including:

- A risk management strategy and risk management guidelines have been developed and approved by Cabinet;

- Key corporate risks have been identified enabling senior managers to have a good understanding of the key risks facing the organisation;

- Key corporate risks are included in Service risk matrices as appropriate;

- A lead member has been allocated responsibility for risk management (this has been allocated to the Cabinet portfolio holder for Performance, Partnerships and Best Value);

- All committee papers now include a section of the risk management implications of the paper; and

- Risk management forms part of existing planning and review processes. Heads of Service are challenged on their risk management processes through the quarterly Finance and Performance Review meetings (F&PR).

Summary of Key Findings – Significant Weaknesses and Areas for Improvement

1.10   The more significant weaknesses and areas for improvement include:

- Formal processes are not in place to incorporate key corporate risks identified as part of the F&PR challenge and review process into a corporate risk register and / or included in the key corporate risks updates given to Cabinet;

- Risk management forms a key part of the Statement on Internal Control (SIC) framework. The Chief Internal Auditor has taken over as the lead for preparing the SIC and he has set up a SIC group which will be taking forward the preparation of the annual SIC. At the time of writing this report, the SIC group has met once. From 2005/06 we understand that Heads of Service will be required to sign a "mini SIC". We will be giving a presentation on the requirements of a mini SIC in August 2005, however, the Council needs to ensure that there is a robust member led process for addressing issues raised in the SIC.

- The risk management guidelines identify the framework for the ownership of the different categories of risk. However the level of risk that Senior Managers are willing for the organisation to take (commonly referred to as the risk appetite) has not been formally agreed. The risk appetite typically defines criteria for acceptable or unacceptable levels at the various management levels within the organisation. This provides middle and lower level managers with clear guidance on which of the risks they have identified that need to be managed by themselves and which need to be referred to more senior managers;

- The likelihood and impact of key corporate risks occurring has not been formally assessed and key risks have not been prioritised for action. Formally assessing the likelihood and impact of risks and regularly updating these during the year assists with prioritising and re-prioritising the risks. This may enable more focused senior management review of the key risks as if the likelihood and impact assessment falls below the level of acceptable risk senior management may no longer need to monitor these risks closely;

- Risk management has not been included in the Council's managers' competency framework nor has it been included in all managers' job descriptions; and

- The Chief Internal Auditor has recently taken over as the lead officer for risk management. Whilst he may have the necessary skills to fulfil this role, we question whether the Director's Group will take the necessary ownership and accountability for risk management if Internal Audit is perceived to be the lead.

Key Recommendations

1.11   We have made a number of recommendations, including:

- The key corporate risks identified as part of preparing the Corporate Plan should be updated to include any key risks identified as part of the quarterly F&PR review process;

- Implement the recommendations about MCS, Internal control and taking forward the SIC, made in our 2004 Annual Audit and Inspection letter;

- The Directors' Group should formally define a corporate risk appetite;

- The likelihood of key corporate risks materialising and the impact should they materialise should be formally assessed and documented and then regularly updated during the year;

- Risk management should be included in the Council's managers' competency framework and incorporated it into all job descriptions and person specifications for management posts across the Council; and

- The appropriateness of the Chief Internal Auditor as the lead officer for risk management should be reconsidered.

Overall Conclusion

1.12   We believe that the current arrangements and processes form a good foundation for further developing risk management so that the areas for improvement identified during our review can be addressed.

Acknowledgements

1.13   We would like to thank the members of staff who have assisted us with our review and in particular Michael Bradley (Chief Internal Auditor), Shahin Farjami (Business Improvement Manager), Steve Presland (Head of Service – Environment), Kathy May (Business Performance), Sarah Harty (Acting Assistant Chief Executive Officer Resources and Performance) and Paul Shipway (Housing Strategy and Business Support Manager).

2   Approach and Context

Approach

2.1   During the course of our review we identified the corporate risk management arrangements and processes in place at the Council through discussions with the Chief Internal Auditor and Business Improvement Manager and review of relevant supporting documentation including the Corporate Plan and the Council's risk management strategy and guidelines.

2.2   We have undertaken an assessment of the risk management documentation against best practice, including guidelines issued by HM Treasury[1] and CIPFA / Solace.

2.3   We followed up the extent to which the recommendations made in the March 2004 Internal Audit Report on Risk Management had been implemented.

2.4   Based on the risk management processes and arrangements identified and the assessment of the Council's risk management strategy and guidelines we performed a risk management maturity assessment based on HM Treasury's Risk Management Assessment Framework[2]. Our assessment of the risk management maturity considered risk management capability and the effectiveness of risk management. Risk management capability was assessed in terms of:

- Leadership;
- Strategy and policies;
- People;
- Risk management with partners; and
- Processes.

2.5   The effectiveness of risk management was assessed based on:

- Risk handling; and
- Risk management outcomes.

2.6   A risk maturity score of between 1 and 5 for each component was based on the following criteria:

Risk Management Capability	Effectiveness of Risk Management
1. Awareness and understanding	1. No evidence
2. Implementation planned and in progress	2. Satisfactory
3. Implemented in all key areas	3. Good
4. Embedded and improving	4. Very good
5. Excellent capability established	5. Excellent

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[1] The Orange Book, Management of Risk – Principles and Concepts published in October 2004

[2] Risk Management Assessment Framework – A Toolkit for Departments published in December 2003

2.7   We assessed the risk management arrangements against the risk management criteria included in the CIPFA / Solace publication Corporate Governance in Local Government – A Keystone for Community Governance.

2.8   The arrangements in place for preparing the annual Statement on Internal Control (SIC) were established and assessed against expected practice.

Background

2.9   The Corporate Risk Management Group prepared a Risk Management Strategy and Risk Management Guidelines during 2003 (this group has now been disbanded as it was believed that its role in raising the awareness and profile of risk management has been achieved). The strategy and guidelines have been published on the intranet and are available to all staff.

2.10   Initially the Chief Executive took the lead for raising an awareness of risk management and ensuring that it had a high profile across the Council. The Chief Internal Auditor has recently taken over as the lead officer. The lead member for risk management is the Cabinet portfolio holder for Performance, Partnerships and Best Value. The Audit and Resources Overview and Scrutiny Committee have responsibility for monitoring the embedding of risk management.

2.11   Six key corporate risks for 2004-05 have been identified, agreed by Cabinet and included in the Corporate Plan 2004/5 – 2007/8. Updates on key corporate risks are provided to Cabinet during the year. Every Committee paper now has a section on risk management and the risk implications of the report which helps inform Members on the key risk issues.

2.12   The six key corporate risks were identified by the Directors' Group based on a list of the thirty highest risks highlighted by Internal Audit as part of their annual planning and risk assessment exercise. In addition to the key corporate risks, Services have been required to identify their key service risks as part of the process of preparing their Performance Management Plans (PMPs). Where relevant to that Service, the six key corporate risks have also been included in the risks identified in the PMPs.

2.13   The main forum for monitoring and challenging risk management within Services is through the Finance and Performance Review challenge meetings (F&PR). The F&PR meetings are led by the Chief Executive, a representative from the Corporate Performance Office, The Borough Treasurer and the Chief Internal Auditor and are attended by the relevant Head of Finance, Director and Head of Service. As part of the meeting the latest risk register will be considered and all high priority risks will be reviewed and discussed and mitigation actions assessed. A decision may be made to allocate additional resources to manage the risks if appropriate. F&PR meetings were initially held bi-monthly, but with the improved financial performance across the Council these are now being held quarterly. Risk management may also be considered during FirstStat sessions although this will be theme based rather than service based.

2.14   The Chief Internal Auditor has taken over as the lead for preparing the SIC and he has set up a SIC group which will be taking forward the preparation of the annual SIC. At the time of writing this report, the SIC group has met once. From 2005/06 Heads of Service will be required to sign a "mini SIC" but there has not been sufficient time to set up the process for 2004/05. RSM Robson Rhodes will be giving a presentation to Firstat on the requirements of a mini SIC in August 2005. The 2004/05 SIC will once again be formally signed by the Leader and the Chief Executive. The Chief Internal Auditor has identified the following sources of external and internal assurances:

- RSM Robson Rhodes as the external auditors;
- Other Statutory inspections carried out during the year;

- Internal management assurances through the Performance Management Plans;
- Internal Audit findings;
- The Directors Group and Management Board;
- Best Value Reviews; and
- Scrutiny Committees.

- Internal management assurances through the Performance Management Plans;
- Internal Audit findings;

3   Detailed Findings

3.1   The summary of our assessment of the maturity of the corporate arrangements based on the criteria described in paragraphs 2.4 to 2.6 above is given in the graph below:
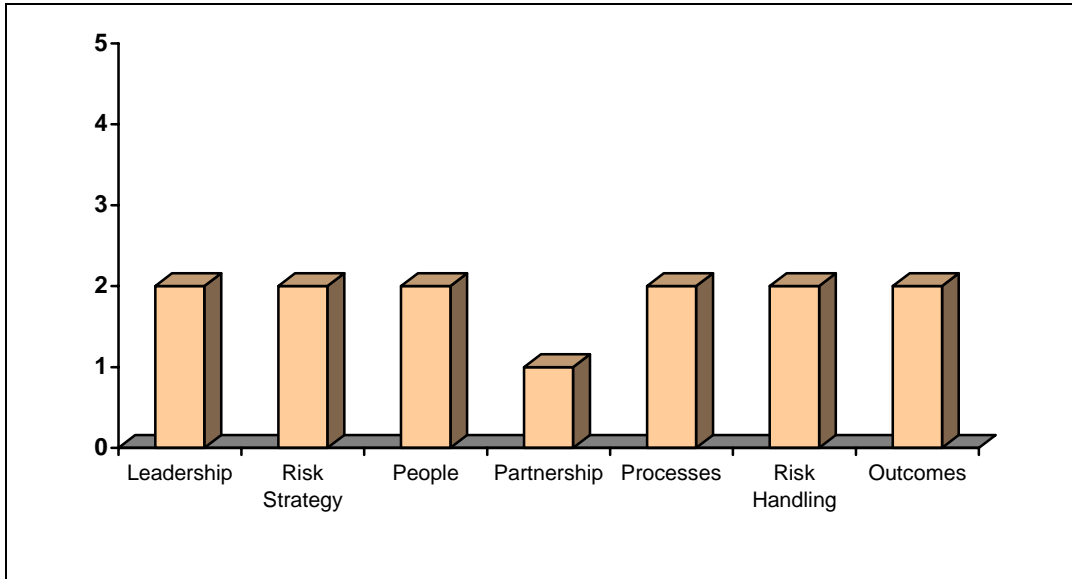
3.2   Table 1 below provides more detail on each of the components and levels of the assessment with full comments on the maturity assessment included in Appendix 2.

Table 1 – Maturity Assessment Criteria

1. Leadership - Do senior management support and promote risk management?				
Level 1: ☐	Level 2: √ Implementation planned & in progress	Level 3: ☐	Level 4: ☐	Level 5: ☐
Awareness & understanding		Implemented in all key areas	Embedded and improving	Excellent capability established
Top management are aware of need to manage uncertainty & risk and have made resources available to improve	Senior Managers take the lead to ensure that approaches for addressing risk are being developed and implemented	Senior Managers act as role models to apply risk management consistently and thoroughly across the organisation	Top down commitment with embedding and integrating risk management as routine business practice	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence.

2.	Risk Strategy and Policies - Is there a clear risk strategy and risk policies?			
Level 1: ☐ Awareness & understanding	Level 2: √ **Implementation Planned & in progress**	Level 3: ☐ Implemented in all key areas	Level 4: ☐ Embedded and improving	Level 5: ☐ Excellent capability established
The need for a risk strategy and related policies has been identified and accepted	**A risk management strategy & policies have been drawn up and communicated and are being acted upon**	Risk strategies & policies are communicated effectively and made to work through a framework of processes	A separate risk strategy and policies are not necessary; Risk handling is an inherent feature of all policies and strategy making processes	Risk management capability in strategy and policy making helps to drive the risk agenda and is reviewed. Role model status

3.	People - Are people equipped and supported to manage risk well?			
Level 1: ☐ Awareness & understanding	Level 2: √ **Implementation Planned & in progress**	Level 3: ☐ Implemented in all key areas	Level 4: ☐ Embedded and improving	Level 5: ☐ Excellent capability established
Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	**Subtle guidance is available and a training programme has been implemented to developed risk capability**	A core group of people have the skills & knowledge to manage risk effectively	People are encouraged and supported to be more innovative. Regular training is available for people to enhance their risk skills	All staff are empowered to be responsible for risk management and see it as an integrated part of the Departments business. They have a good record of innovation and well managed risk taking

4. Partnerships - Are there effective arrangements for managing risks with partners?

Level 1: √	Level 2:	Level 3:	Level 4:	Level 5:
Awareness & understanding	Implementation Planned & in progress	Implemented in all key areas	Embedded and improving	Excellent capability established
Key people are aware of areas of potential risk with partnerships and understand the need to agree approaches to manage these risks	Approaches for addressing risk with partners are being developed and implemented	Risk with partners is managed consistently for all key areas and across organisational boundaries	Sound governance arrangements established, partners & suppliers selected on basis of risk capability & compatibility	Excellent arrangements in place to identify and manage risks with all partners and to monitor and improve performance. Organisation regarded as role model

5. Processes - Do the organisation's processes incorporate effective risk management?

Level 1:	Level 2: √	Level 3:	Level 4:	Level 5:
Awareness & understanding	**Implementation Planned & in progress**	Implemented in all key areas	Embedded and improving	Excellent capability established
Some stand-alone risk processes have been identified	**Recommended risk management processes are being developed**	Risk management processes implemented in key areas. Risk capability self assessment tools used in some areas	Risk metrics are collected. Risk management standards applied in some areas	Management of risk & uncertainty is well integrated with all business processes. Best practice approaches are used and developed . Selected as a benchmark site by other organisations

6. Risk Handling - Are the risks handled well?				
Level 1: ☐ No evidence	Level 2: √ **Satisfactory**	Level 3: ☐ Good	Level 4: ☐ Very Good	Level 5: ☐ Excellent
No clear evidence that risk management is being effective	**Limited evidence that risk management is being effective in at least most relevant areas**	Clear evidence that risk management is being effective in all relevant areas	Very clear evidence that risk management is being very effective in all areas and leading to the production of very good results	Very clear evidence of excellent results due to risk management being highly effective in all areas and that improvement is being pursued

7. Outcomes - Does risk management contribute to achieve outcomes?				
Level 1: ☐ No evidence	Level 2: √ **Satisfactory**	Level 3: ☐ Good	Level 4: ☐ Very Good	Level 5: ☐ Excellent
No clear evidence of improved outcomes	**Limited evidence of improved outcomes performance consistent with improved risk management**	Clear evidence of significant improvements in outcome performance demonstrated by measures including, where relevant, stakeholders' perceptions	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement	Excellent evidence of markedly improved delivery of outcomes which compares favourably with other organisations employing best practice

3.3 Our follow-up of the implementation of recommendations made in the Internal Audit Report on Risk Management revealed that of the five recommendations made two were implemented, two had been partially addressed and one had not been addressed at all. Our detailed findings have been included in Appendix 3 below.

3.4 The assessment of the Council's risk management arrangements against the risk management criteria included in the CIPFA / Solace publication Corporate Governance in Local Government – A Keystone for Community Governance did not reveal any additional weaknesses that have not already been highlighted below.

3.5 The introduction of the mini SIC for 2005-6 is seen as an important step in raising the awareness that internal control is a responsibility of all managers' and should help embed the internal control framework

(including risk management) across the Council. When preparing the 2004-5 SIC, it is important that the SIC group identify all the significant weaknesses in internal control. We would expect the following to be considered:

- Any unresolved weaknesses raised in the 2003-4 SIC;
- Any significant frauds identified by the Corporate Anti-Fraud Team;
- Internal Audit's annual report and the impact of any " no assurance" assessments in respect of key financial systems
- External Audit reports issued during the year including the Annual Audit Letter, the results of the BVPI audit and grants certification, this report and other "adhoc project" reports.

We have already made a recommendation in our Annual Audit and Inspection letter 2004 about implementing a robust member led process for assessing the Council's progress in terms of addressing key SIC issues. The MCS project offers a clear opportunity to improve aspects of Internal Control which must not be squandered. Whilst the new systems in themselves offer opportunities for improved control the main aspect of the change will be to inculcate a culture whereby compliance with procedures and internal controls is regarded as mandatory. To this end the Council must ensure that it places sufficient focus on control arrangements and can via closer monitoring and review address SIC weaknesses which have arisen through the ineffective operation of historic systems of control in key areas such as payroll, debtors and creditors. In addition RSM Robson Rhodes will be giving a presentation on the SIC at one of the Firstat sessions and we will continue to monitor the preparation of the SIC as part of our Accounts Audit.

Good Practice Identified

3.6   A risk management strategy and risk management guidelines have been developed and approved by Cabinet. The strategy and guidelines have been published on the Council's intranet and are available to all staff. Staff interviewed as part of this review were familiar with the contents of the strategy and guidance (refer to the Acknowledgements in the Executive Summary for a list of officers interviewed).

3.7   The benefits of risk management, risk management roles and responsibilities are defined in the strategy, including the structures for gaining assurance on the management of risk.

3.8   The guidance includes a definition of risk and categories of risk (strategic, operational, staffing & culture, financial, and compliance), easy to understand steps for performing risk management and five acceptable responses to identified risks.

3.9   Key corporate risks have been identified enabling senior managers to have a good understanding of the key risks facing the organisation. Service risk matrices include key corporate risks as appropriate. The key corporate risk areas identified are:

- Strengthening financial management;
- Community care performance and financial management;
- Corporate performance inspections;
- Corporate asset strategy;
- OFSTED actions; and
- Payroll.

3.10   A register of financial risks, uncertainties and opportunities is in the process of being compiled.

3.11   Staff interviewed were generally aware of the importance of risk management, of the main risks facing the organisation as a whole and of the risks facing their Service.

3.12   A lead member has been allocated responsibility for risk management (this has been allocated to the Cabinet portfolio holder for Performance, Partnerships and Best Value). All committee papers now include a section of the risk management implications of the paper.

3.13   Risk management forms part of the existing planning and review processes and Heads of Service are challenged on their risk management processes through the quarterly F&PR meetings.

Weaknesses and / or Areas for Improvement Identified

Leadership
3.14   Since the initial corporate training provided about two years ago, no additional risk management training has been provided, and risk management training has not been included in the Corporate Learning and Development Programme which limits the ability of other managers to gain the necessary risk management skills.
3.15   Our review of the key corporate risks published in the Corporate Plan and the process for identifying these risks revealed that the likelihood and impact of key corporate risks occurring has not been formally assessed and that key risks have not been prioritised for action. Formally assessing the likelihood and impact of risks and regularly updating these during the year assists with prioritising and re-prioritising the risks. This may enable more focused senior management review of the key risks as if the likelihood and impact assessment falls below the level of acceptable risk (refer paragraph 3.16) senior management may no longer need to monitor these risks closely. We also noted that generic criteria for informing an assessment of the likelihood and impact of risks and the definition of what constitutes a "key" risk are not included in the risk management guidance.
3.16   The risk management guidelines identify the framework for the ownership of the different categories of risk. However the level of risk that Senior Managers are willing for the organisation to take (commonly referred to as the risk appetite) has not been formally agreed. The risk appetite typically defines criteria for acceptable or unacceptable levels at the various management levels within the organisation. This provides middle and lower level managers with clear guidance on which of the risks they have identified that need to be managed by themselves and which need to be referred to more senior managers. As an example, the Directors' Group may decide that: • all high priority risks need to be actively managed by the Directors Group with regular updates to Cabinet;   • medium priority risks can be managed by Heads of Service and their management teams with regular updates to Cabinet;   • low priority risks can simply be periodically reviewed by lower level managers to ensure that their significance has not changed.   In addition, the risk appetite will also assist managers in identifying risks which require additional mitigating action as all risks above the risk appetite will require active managing.
3.17   Senior Management support and reward for well-managed risk taking is not explicit. Our review did not highlight any evidence of an organisational culture whereby managers and staff felt empowered to take well-managed risks, are rewarded for taking well-managed risks and are confident that they will not be blamed for failure when risks have been well managed.
3.18   Risk management has not been included in the Council's managers' competency framework nor has it been included in all managers' job descriptions.

Risk strategy and guidelines

3.19 The risk management strategy and guidelines have not been reviewed since being approved by Cabinet in December 2003. An example of where the strategy is now outdated is that the strategy defines the responsibilities of the Corporate Risk Management Group but the Group has been disbanded.

3.20 The materialisation of certain risks may have an impact on emergency / business continuity planning arrangements. However no link is made in the strategy between risk management and business continuity / emergency planning and guidance has not been given on the need to consider contingency arrangements should risks occur.

3.21 Other areas where the risk management guidance could be improved include:

- the management of situations where significant risks materialise;
- the risk of fraud;
- assigning a monetary or other numerical value to a risk where practicable to emphasise the potential loss or missed opportunity which could occur if risks are not well managed; and
- a glossary of standard risk management terms.

Partnerships

3.22 Whilst reference is made in the risk management strategy to the responsibility of the Corporate Risk Management Group for providing guidance on partnerships, the Corporate Risk Management Group has been disbanded.

Processes

3.23 The Chief Internal Auditor has recently taken over as the lead officer for risk management. Whilst he may have the necessary skills to fulfil this role, we question whether the Director's Group will take the necessary ownership and accountability for risk management if Internal Audit is perceived to be the lead. In addition, Internal Audit will no longer be able to effectively fulfil its role in providing the Council with assurance on the effectiveness of the risk management arrangements as they are no longer independent of the risk management arrangements. The importance of Internal Audit being independent of the activities it audits is contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the "CIPFA Code") which sets the minimum standards that Internal Audit should meet. Should the Chief Internal Auditor remain as the lead officer for risk management, the Council will have to accept that RSM Robson Rhodes as their external auditors will perform the only independent review of its risk management arrangements. This may have an impact on the overall external audit fee.

3.24 Key corporate risks were identified by the Directors' Group from a list of key risks provided by Internal Audit as part of their annual planning and risk assessment process and not by directly considering the risks to achieving the Council's priorities and key objectives. The main purpose of risk management is to ensure that key risks to the Council's objectives have been identified and are being managed. By not directly considering the Council's priorities and key objectives there is a possibility that not all key risks have been identified.

3.25 A review of Cabinet minutes revealed that only one update on all key corporate risks had been presented to Cabinet during 2004/5. Whilst it is acknowledged that two of the papers presented to Cabinet in June and November 2004 provided Cabinet with updates on the Strengthening financial management and OFSTED actions corporate risks, it is unlikely that only one full update on all key

	corporate risks will keep Cabinet adequately informed of progress in managing the risks.
3.26	Formal processes are not in place to incorporate key corporate risks identified as part of the F&PR challenge and review process into a corporate risk register and / or included in the key corporate risks updates given to Cabinet.
3.27	
Risk Handling and Outcomes	
3.28	During our review we were unable to obtain specific evidence of improved decision and policy making, better handling of cross cutting issues, improved planning and target setting, improved management of risks to the public or improved achievement of business objectives as a result of risk management.

3.29   Recommendations to address these weaknesses and areas for improvement have been included in the management action plan in Appendix 1.

4   Conclusion

4.1   We believe that the current arrangements and processes form a good foundation for further developing risk management so that the areas for development identified during our review can be addressed.

Appendix 1: Corporate Arrangements Management Action Plan

Priority Legend:

1   Fundamental Control

2   Expected Control

3   Best Practice Control

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.26	1. The key corporate risks identified as part of preparing the Corporate Plan should be updated to include any key risks identified as part of the quarterly F&PR review process.	1	Agreed. This would have occurred in 2004/5 via Chief Executive action but a more systematic process will be put in place. This is likely to include monitoring by Directors' Group and more frequent reports to Cabinet. *Additionally, the audit report does not mention the register of financial risks, uncertainties and opportunities that is in the process of being compiled (possibly because the BT was not interviewed)*	CPO/ A O'Brien	Ongoing

Appendix 1: Corporate Arrangements Management Action Plan

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.16	2. The Directors' Group should formally define a corporate risk appetite.	1	This needs further discussion. A complex organisation such as LBB cannot have one global appetite for risk. Different services, sub-services and projects will necessarily be more or less risk tolerant / averse than others.		
Paragraph 3.18 & Appendix 6 (3.2 & 3.4)	3. Risk management should be included in the Council's managers' competency framework and incorporated it into all job descriptions and person specifications for management posts across the council.	1	Not agreed. We are content that the guidelines and strategy have been adequately publicised and disseminated. We do intend to ensure that where mitigating actions to key ongoing risks are identified that these are added to relevant job descriptions.		
Paragraph 3.15	4. The likelihood of key corporate risks materialising and the impact should they materialise should be formally assessed and documented and then regularly updated during the year.	1	This is already in place. Each identified key corporate risk has a separate risk assessment prepared which is monitored by Directors' Group and Cabinet. The frequency of this monitoring will increase in 2005-6. Also, the May Management Board considered corporate risks which meant chief officers had considered corporate risk issues twice during the 2004/5 municipal year.	CPO/ A O'Brien	Ongoing

Appendix 1: Corporate Arrangements Management Action Plan

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.5	5. When preparing the 2004-5 SIC, it is important that the SIC group identify all the significant weaknesses in internal control. We would expect the following to be considered: • Any unresolved weaknesses raised in the 2003-4 SIC; • Any significant frauds identified by the Corporate Anti-Fraud Team; • Internal Audit's annual report and any significant areas of "no assurance"; • External Audit reports issued during the year including the Annual Audit Letter, the results of the BVPI audit and grants certification, this report and other "adhoc project" reports. • Implement the recommendation about taking forward the SIC made in our 2004 Annual Audit and Inspection letter. • Implement the recommendations about MCS and Internal control made in our 2004 Annual Audit and Inspection letter.	1	Agreed and in place – the format for the SIC and prior to that the SIFC have previously adopted this structure, largely mirroring CIPFA guidance. All bullet points are being addressed in the preparation of the 2004-5 SIC	BT/ Chief Internal Auditor	October 2005

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.15	6. Generic guidance on criteria to consider when assessing the impact and likelihood of risks as high, medium or low should be developed. These criteria may include factors such as: • A financial impact of x% of budget; or • Introduction of special measures; or • A significant impact of not achieving a corporate priority; or • Criticism in the national media; and • Is more than x% likely to occur in the next year.	2	This appears confused and confusing. Needs further discussion		
Paragraph 3.23 & Appendix 6 (3.2)	7. The appropriateness of the Chief Internal Auditor as the lead officer for risk management should be reconsidered.	2	Agreed. This will be reviewed at Management Board.	AOB	By end July 2005
Paragraph 3.24	8. The Council's priorities and key objectives should be the reference point for identifying key corporate risks.	2	*Agreed. (suggest remove second sentence of recommendation.)*	CPO/ A O'Brien	Ongoing
Paragraph 3.25	9. At least six monthly and preferably quarterly updates on key corporate risks should be presented to Cabinet.	2	Agreed.	CIA	Ongoing

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.20	10. Guidance on the need to consider emergency / business continuity planning as part of considering the mitigating actions required to manage a risk should be issued.	2	Agreed. This will be considered when the strategy and guidelines are formally reviewed.	Borough Solicitor/ Director of Resources	Ongoing
Paragraph 3.14 & Appendix 6 (3.5)	11. Risk management training should form part of the Corporate Learning and Development Programme so that managers who require this training can attend.	3	*Not agreed. The appraisal process will identify those individuals who require further development in this area.*		
Paragraph 3.17	12. The risk management strategy and / or guidelines should be more explicit in encouraging well managed risk taking where it has good potential to realise sustainable improvements.	3	Covered under risk appetite section.		
Paragraph 3.19	13. The lead officer for risk management should ensure that the risk management strategy and guidelines are reviewed on an annual basis.	3	*Agreed. However, not convinced this is a priority 1 recommendation. The strategy and guidelines are only c18 months old and it is accepted that Risk Management is still a developing function.*	Lead officer for risk management	4th quarter 2005/6
Paragraph 3.21	14. The risk management guidelines should be updated to include: • Advice on the management of situations where significant risks materialise; • Assigning monetary or other numerical value to risk where practicable; • A glossary of standard risk management terms;	3	*Not accepted*		

Appendix 1: Corporate Arrangements Management Action Plan

Reference	Recommendation	Priority	Management Response	Responsibility	Timescale
Paragraph 3.28	15. As part of implementing the mini SIC process, a review of the effectiveness of risk management should be performed to assess whether risk management has resulted in improved: • Decision and policy making; • Handling of cross cutting issues; • Planning and target setting; • Management of risks to the public; • Achievement of business objectives.	3	*Not agreed.* *The costs of undertaking a comprehensive study on this would outweigh any added value.* *Also, this is the fundamental reason for doing Risk assessment. Why priority 3?* *Risk sections in committee papers show that decision and policy making have been improved as a result.*		

Appendix 2: Maturity Assessment – Corporate Arrangements

1. Leadership				
Do senior management support and promote risk management?				
Level 1: ☐	**Level 2:** √	Level 3: ☐	Level 4: ☐	Level 5: ☐
Awareness & understanding	**Implementation Planned & in progress**	Implemented in all key areas	Embedded and improving	Excellent capability established
Top management are aware of need to manage uncertainty & risk and have made resources available to improve	**Senior Managers take the lead to ensure that approaches for addressing risk are being developed and implemented**	Senior Managers act as role models to apply risk management consistently and thoroughly across the organisation	Top down commitment with embedding and integrating risk management as routine business practice	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence. Leaders invited to speak at conferences about their success

Comments on the Maturity Assessment:

The Chief Executive initially took the lead on establishing and rolling out the risk management strategy and guidance. Heads of Service responsibility for identifying assessing and managing the risks in their area has been defined in the risk management strategy. All committee reports contain a section on the risk management implications of the report. Our review of risk management across three services and discussions with key officers however confirmed that risk management has not yet been fully implemented consistently and thoroughly throughout the organisation.

Strengths:

– Key corporate risks have been identified enabling senior managers to have a good understanding of the key risks facing the organisation.

– Mitigating actions have been identified for key risks.

Weaknesses:

– The likelihood of key corporate risks occurring has not been formally assessed.

– Key risks are not prioritised for action.

– A corporate risk appetite has not been defined.

— Senior Management support and reward for well-managed risk taking is not explicit.

— Risk management has not been included in the Council's managers' competency framework.

— Risk management training has not been included in the Corporate Learning and Development Programme

2. Risk Strategy and Policies

Is there a clear risk strategy and risk policies?

Level 1: ☐	Level 2: √	Level 3: ☐	Level 4: ☐	Level 5: ☐
Awareness & understanding	**Implementation Planned & in progress**	Implemented in all key areas	Embedded and improving	Excellent capability established
The need for a risk strategy and related policies has been identified and accepted	**A risk management strategy & policies have been drawn up and communicated and are being acted upon**	Risk strategies & policies are communicated effectively and made to work through a framework of processes	A separate risk strategy and policies are not necessary; Risk handling is an inherent feature of all policies and strategy making processes	Risk management capability in strategy and policy making helps to drive the risk agenda and is reviewed. Role model status

Comments on the Maturity Assessment:

A risk management strategy and guidance have been developed. However whilst these contain some good practice areas a number of weaknesses have been identified. Discussions with key risk management officers and a review of risk management in three services confirmed that the strategy and guidance has not yet been implemented in all key areas.

Strengths:

— A risk management strategy and risk management guidelines have been developed and approved by Cabinet.

— The strategy and guidelines have been published on the Council's intranet and is available to all staff. All staff interviewed as part of this review were familiar with the contents of the strategy and guidance.

— The benefits of risk management are included in the risk management strategy.

— The guidance includes easy to understand steps for performing risk management.

— A risk definition and categories of risk are contained in the guidance.

— Five acceptable responses to identified risks are defined in the guidance.

— Risk management roles and responsibilities are defined in the strategy, including the structures for gaining

assurance on the management of risk.

Weaknesses:

– The risk management strategy and guidelines have not been reviewed since being approved by Cabinet in December 2003. The strategy defines the responsibilities of the Corporate Risk Management Group but the Group has been disbanded.

– The strategy and / or guidelines could be more explicit in encouraging well managed risk taking where it has good potential to realise sustainable improvements

– Criteria for informing an assessment of the likelihood and impact of risks and the definition of what constitutes a "key" risk are not included in the guidance.

– Guidance on the management of situations where significant risks materialise is not provided.

– The guidance does not include a glossary of standard risk management terms.

– No guidance is given on the level of risk that is acceptable (commonly referred to as risk appetite).

– No link is made in the strategy between risk management and business continuity / emergency planning.

– Specific reference to the risk of fraud has not been made in the guidance.

– There is no guidance on considering assigning a monetary or other numerical value is not put to risks where practicable to emphasise the potential loss or missed opportunity which could occur if risks are not well managed.

3. People

Are people equipped and supported to manage risk well?

Level 1: ☐	Level 2: √	Level 3: ☐	Level 4: ☐	Level 5: ☐
Awareness & understanding	**Implementation Planned & in progress**	Implemented in all key areas	Embedded and improving	Excellent capability established
Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	**Subtle guidance is available and a training programme has been implemented to developed risk capability**	A core group of people have the skills & knowledge to manage risk effectively	People are encouraged and supported to be more innovative. Regular training is available for people to enhance their risk skills	All staff are empowered to be responsible for risk management and see it as an integrated part of the Departments business. They have a good record of innovation and well managed risk taking

Comments on the Maturity Assessment:

The formation of the Corporate Risk Management Group has led to a core group of officers who have the skills and knowledge to manage risk which can now be transferred to their management teams, however we can not conclude that this has been implemented in all core areas.

Strengths:

– Staff interviewed were aware of the importance of risk management, of the main risks facing the organisation as a whole and of the risks facing their Service.

– Staff have access to risk management guidance and staff interviewed were aware of the guidance.

Weaknesses:

– Our review did not highlight any evidence of an organisational culture whereby managers and staff felt empowered to take well-managed risks, are rewarded for taking well-managed risks and are confident that they will not be blamed for failure when risks have been well managed.

– Risk management has not been included in all managers' job descriptions.

– Ongoing risk management training is not included in the Corporate Learning and Development Programme.

4. Partnerships
Are there effective arrangements for managing risks with partners?

√ Level 1: Awareness & understanding	Level 2: Implementation Planned & in progress	Level 3: Implemented in all key areas	Level 4: Embedded and improving	Level 5: Excellent capability established
Key people are aware of areas of potential risk with partnerships and understand the need to agree approaches to manage these risks	Approaches for addressing risk with partners are being developed and implemented	Risk with partners is managed consistently for all key areas and across organisational boundaries	Sound governance arrangements established, partners & suppliers selected on basis of risk capability & compatibility	Excellent arrangements in place to identify and manage risks with all partners and to monitor and improve performance. Organisation regarded as role model

Comments on the Maturity Assessment:

A more detailed assessment of arrangements for managing risks with partners has been undertaken in the Services reviewed. Limited corporate guidance of risk management with partners is available.

Strengths:

Weaknesses:

– Whilst reference is made in the risk management strategy to the responsibility of the Corporate Risk Management Group for providing guidance on partnerships, the Corporate Risk Management Group has been disbanded.

5. Processes

Do the organisation's processes incorporate effective risk management?

Level 1:	Level 2:	Level 3:	Level 4:	Level 5:
Awareness & understanding	**Implementation Planned & in progress**	Implemented in all key areas	Embedded and improving	Excellent capability established
Some stand-alone risk processes have been identified	**Recommended risk management processes are being developed**	Risk management processes implemented in key areas. Risk capability self assessment tools used in some areas	Risk metrics are collected. Risk management standards applied in some areas	Management of risk & uncertainty is well integrated with all business processes. Best practice approaches are used and developed . Selected as a benchmark site by other organisations

Comments on the Maturity Assessment:

The basic risk management processes have been implemented in all areas reviewed, however a number of weaknesses in the processes have been identified. Self-assessment tools are not used in any of the areas reviewed.

Strengths:

– A lead member has been allocated responsibility for risk management (this has been allocated to the Cabinet portfolio holder for Performance, Partnerships and Best Value).

– All committee papers now include a section on risk management implications.

– Service risk matrices include key corporate risks as appropriate.

– Heads of Service are challenged on their risk management processes through the quarterly Finance and Performance Review meetings (F&PR).

– Risk management forms part of existing planning and review processes.

– Internal Audit are responsible for examining and reporting on the adequacy and effectiveness of the Council's risk management arrangements.

Weaknesses:

– The Chief Internal Auditor being the lead officer for Risk Management results in an impairment of Internal Audit's independence.

– A review of Cabinet minutes for 2004/5 revealed that only one full update on key corporate risks had been presented to Cabinet.

─ Key corporate risks were identified by the Directors' Group from a list of key risks identified by Internal Audit as part of their annual planning and risk assessment process and not by directly considering the risks to achieving the Council's priorities and key objectives.

─ Since the initial corporate training provided two years ago, no additional risk management training has been provided.

─ Formal processes are not in place to incorporate key corporate risks identified as part of the F&PR process into a corporate risk register and / or included in the key corporate risks updates given to Cabinet.

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6.   Risk Handling

Are the risks handled well?

Level 1: ☐	Level 2: √	Level 3: ☐	Level 4: ☐	Level 5: ☐
No evidence	**Satisfactory**	Good	Very Good	Excellent
No clear evidence that risk management is being effective	**Limited evidence that risk management is being effective in at least most relevant areas**	Clear evidence that risk management is being effective in all relevant areas	Very clear evidence that risk management is being very effective in all areas and leading to the production of very good results	Very clear evidence of excellent results due to risk management being highly effective in all areas and that improvement is being pursued

Comments on the Maturity Assessment:

Review of the Finance and Performance Review minutes and discussions with officers with responsibility for risk management revealed that risk management is not yet effective in most areas.

Strengths:

─ The Finance and Performance Review Meetings are used as a forum for challenging the effectiveness of risk management across the organisation.

Weaknesses:

─ During our review we were unable to obtain specific evidence that risk management has resulted in improved decision and policy making, better handling of cross cutting issues, improved planning and target setting or improved management of risks to the public.

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7.   Outcomes

Does risk management contribute to achieve outcomes?

Level 1:	Level 2: √	Level 3:	Level 4:	Level 5:
	Satisfactory			

Appendix 2: Maturity Assessment – Corporate Arrangements

No evidence	**Satisfactory**	Good	Very Good	Excellent
No clear evidence of improved outcomes	**Limited evidence of improved outcomes performance consistent with improved risk management**	Clear evidence of significant improvements in outcome performance demonstrated by measures including, where relevant, stakeholders' perceptions	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement	Excellent evidence of markedly improved delivery of outcomes which compares favourably with other organisations employing best practice

Comments on the Maturity Assessment:

Risk management is still relatively new to a number of areas and it may still be a while until there is clear evidence of risk management contributing towards improved outcomes. There has been some improvement in the Council's financial position since the introduction of the Finance and Performance Review meetings which could be attributed to risk management.

Strengths:

– There has been some improvement in the Council's financial position since the introduction of the Finance and Performance Review meetings which could be attributed to risk management.

Weaknesses:

– During our review we were not able to obtain any evidence of improved achievement of business objectives as a result of risk management or of improved management of risks to the public.

Appendix 3 – Follow-up of Internal Audit Report on Risk Management

Original Finding / Recommendation (and reference to the Internal Audit Report)	Original Management Response
3.2 **Monitoring and reviewing** 3.2.1 The current situation is that services have responsibility for risk management. However, there is no central control. Therefore there is a risk of inconsistencies and non-compliance with Council guidelines. 3.2.2 A central monitoring and review process should be put in place to ensure that risk registers are completed by all services and submitted to an officer in the services designated with the responsibility for risk management. The risk forms (register) should be collated and reviewed centrally to ensure that risks identified are effectively managed. This may be achieved by appointing a Corporate Risk Manager (see 3.4).	*Services are responsible for a variety of things that are not directly related to the provision of services, e.g. financial budget management, management of their staff, health and safety, contract monitoring etc. At one level, risk management is just one more skill that managers are expected to have in this modern age. It is acknowledged that some local authorities have responded to this new agenda by appointing a Risk Manager, but it is debateable how widespread this is and there is mixed pattern on where this post reports – some authorities, for example, see this as an extension of internal audit.* *Appointing a single Risk Manager would be an easy response to the audit recommendation, but there is a danger of this person being drowned in monitoring and not doing anything proactive in taking forward risk management within the authority. Appointing a larger team cannot be justified as a sufficiently high priority at this time, given the council's resource position.* *For the time being I consider it sufficient for risk management progress to be monitored at the bi-monthly Finance & Performance Review*

meetings. I also consider that internal audit has a role to play in commenting on the progress with risk management in service areas, in the same way as I would expect it to comment on the quality of devolved budget management, contract monitoring etc.

Risk management should be incorporated into all job descriptions and person specifications for management posts across the council. It should also be added to the staff induction process and be added to the list of topics that form part of managers' appraisals. I will issue corporate instructions on these aspects.

Follow-up Findings	Additional Recommendations
The Chief Internal Auditor has recently taken over as the lead officer for risk management. Internal Audit has an important role in providing the Council with assurance on the effectiveness of the Council's risk management arrangements, and having the Chief Internal Auditor as the lead officer for risk management could impair the independence and objectivity this assurance. The Chief Internal Auditor being the lead officer for risk management is also in breach of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the "CIPFA Code"), which states that "Internal Audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations. Internal auditors should have no operational responsibilities". Risk Management has been added to the Finance & Performance Review meetings agendas and Service Managers are required to submit copies of their most recent risk registers. To verify whether risk management has been incorporated into all job descriptions	The appropriateness of the Chief Internal Auditor as the lead officer for risk management should be reconsidered (refer to recommendation 7in the management action plan). Risk management should be incorporated into all job descriptions and person specifications for management posts across the council (refer to recommendation 3 in the management action plan). Risk management should be formally recognised as a manager's competency by including it in the Council's managers' competency framework (refer to recommendation 3 in the management action plan).

and person specifications for management posts, we reviewed the job description and person specification for the recently advertised post for Head of Strategic Development (a post where we would expect risk management to be an important component). Risk management was not included in the job description nor the person specification. In addition, we reviewed the Council's managers' competency framework.

Original Finding / Recommendation (and reference to the Internal Audit Report)	Original Management Response
3.3 **Risk registers** 3.3.1 Senior officers responsible for up-dating the risk registers should report to senior management on a regular basis to ensure that risks are effectively managed and documented. The questionnaire exercise revealed most other London boroughs have service risk registers in place (see Appendix A).	*Consideration will be given to extending the internal guidance on this point.*
Follow-up Findings	**Additional Recommendations**
Service risk registers were in place for all the services reviewed, although the quality and completeness of the registers varied. Service risks are reported to and challenged by the Finance & Performance Review forum.	None.

Original Finding / Recommendation (and reference to the Internal Audit Report)	Original Management Response
3.4 **Roles and responsibilities** 3.4.1 The Council should consider appointing a Corporate Risk Manager to ensure that risk management is effectively embedded in the organisation, for	*See no. 3.2 above.*

example carrying out the review and monitoring process identified above (3.2). The questionnaire exercise supported this issue in that a high number of other London boroughs have a corporate risk manager (see Appendix A).

3.4.2   Roles and responsibilities of senior officers involved in risk management should be clearly detailed in their job descriptions. Also senior officers' job descriptions should require risk management as a core competency.

Follow-up Findings	Additional Recommendations
Refer to follow up findings for 3.2 above.	Refer to recommendations for 3.2 above.

Original Finding / Recommendation (and reference to the Internal Audit Report)	Original Management Response
3.5 Training 3.5.1 A regular programme of training and education of officers and members should be undertaken to ensure that the culture is willing and accepts risk management. This again could be the role of a corporate risk manager.	*The risk management strategy and guidelines have only recently been core briefed across the council. Following on from this and comments made at 3.2, I would expect training requirements to be identified at managers appraisals.*

Follow-up Findings	Additional Recommendations
Our review confirmed that no additional training has been delivered since the initial corporate training delivered as part of rolling out the risk management strategy. Whilst there was general consensus amongst the officers that we interviewed as part of our review that senior managers had the necessary skills and understanding of risk management, the availability of a training programme for line managers would be useful in assisting in further embedding risk management at across the organisation.	Risk management training should form part of the Corporate Learning and Development Programme so that managers who require this training can attend (refer to recommendation **Error! Reference source not found.** in the management action plan).

Appendix 3 – Follow-up of Internal Audit Report on Risk Management

Original Finding / Recommendation (and reference to the Internal Audit Report)	Original Management Response
3.6 **Forums and communication** 3.6.1 The Council have raised the profile of risk management in that there is a section on risk management in all committee reports and service performance management plans. However, this should be further improved by making risk management a standing agenda item in other areas, for example regarding review meetings, strategy reviews, budget approval meetings, performance reviews and project planning.	*This is being addressed by making risk management a standard agenda item at Finance & Performance Review meetings.*
Follow-up Findings	**Additional Recommendations**
Risk Management is now a standing item on the Finance & Performance Review (F&PR) meeting agendas. F&PR are held on a quarterly basis with the next round of F&PR meetings scheduled for June / July 2005.	None.