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|  FINANCE & AUDIT SCRUTINY 17th APRIL 2012 | | Agenda Item No. 5 |
| Title | Review of Finance Risk Register by Finance & Audit Scrutiny Committee | |
| For further information about this report please contact | Mike Snow Tel: (01926) 456815 E Mail: mike.snow@warwickdc.gov.uk | |
| Wards of the District directly affected | Not applicable | |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006? | No | |
| Date and meeting when issue was last considered and relevant minute number | 11 th January 2012 – Executive | |
| Background Papers | Finance risk register | |

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| Contrary to the policy framework: | No |
| Contrary to the budgetary framework: | No |
| Key Decision? | No |
| Included within the Forward Plan? (If yes include reference number) | No |
| Equality & Sustainability Impact Assessment Undertaken | No (N/A: no direct service implications) |

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| Officer/Councillor Approval | | |
| With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s). | | |
| Officer Approval | Date | Name |
| Chief Executive/Deputy Chief Executive | 23 Mar 2012 | Andrew Jones |
| Head of Service | 23 Mar 2012 | Mike Snow |
| CMT | | |
| Section 151 Officer | 23 Mar 2012 | Mike Snow |
| Monitoring Officer | | |
| Finance | 23 Mar 2012 | As S151 Officer |
| Portfolio Holder(s) | 23 Mar 2012 | Councillors Doody & Mobbs |
| Consultation & Community Engagement | | |
| None other than consultation with members and officers listed above. | | |
| Final Decision? | Yes | |
| Suggested next steps (if not final decision please set out below) | | |
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1 **SUMMARY**

- 1.1 This report sets out the process for the review by Finance & Audit Scrutiny Committee of the Finance Risk Register.

2 **RECOMMENDATIONS**

- 2.1 That Finance & Audit Scrutiny Committee should review the Finance Risk Register attached at Appendix 1 and make observations on it as appropriate.

3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 To enable members to fulfil their role in managing risk (see section 7, below).

4 **POLICY FRAMEWORK**

- 4.1 The Finance Risk Register reflects the council's corporate priorities and key strategic projects that are reflected in Fit for the Future.

5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.
- 5.2 The risk register sets out when the realisation of risks might have financial consequences. One of the criteria for severity is based on the financial impact.

6 **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

7 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 7.1 In its management paper "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;
- approve the council's policy on risk (including the degree to which the council is willing to accept risk);

- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness: and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the chief executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the chief executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility.”

7 **BACKGROUND**

7.1 Executive agreed on 11th January 2012 that:

- (a) Portfolio Holders should review their respective Service Risk Registers quarterly with their service area managers.
- (b) Portfolio Holder Statements should include each service’s top three risks.
- (c) Executive should note the process for the review by Finance & Audit Scrutiny Committee of service risk registers.
- (d) The relevant Portfolio Holders should attend the Finance & Audit Scrutiny Committee meetings at which their respective service risk registers are reviewed.

7.2 The full framework endorsed by Executive at that meeting is set out as Appendix 3.

8 **FINANCE RISK REGISTER**

8.1 The Finance Risk Register records all significant risks facing the Finance Service Area in the provision of its services. In addition to service risk registers there is the Significant Business Risk Register; the latest version of this being presented to the April Executive meeting. Also, there are risk registers for specific projects.

8.3 The Finance Risk Register is reviewed and updated quarterly by Finance’s Management Team comprising the Head of Finance together with the managers of the five divisions.

- 8.4 The latest version of the Finance Risk Register is set out as Appendix 1 to this report.
- 8.5 The scoring criteria for the risk register are judgemental and are based on an assessment of the likelihood of something occurring, and the impact that might have. Appendix 2 sets out the guidelines that are applied.
- 8.6 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top, right hand (north-east) corner of the matrix whilst the converse is true for those risks plotted towards the bottom, left hand (south-west) corner of the matrix. If the matrix was in colour, the latter risks would be within the area shaded red, whilst the latter set of risks would be within the area shaded green; the mid-range would be seen as yellow.
- 8.7 It is suggested that Members review the risk register set out as Appendix 1 confirming that risks have been appropriately identified and assessed and that appropriate measures are in place to manage the risks effectively. Members may wish to challenge the Finance Management Team on these aspects and assure themselves that the Finance Risk Register is a robust document for managing the risks facing the Finance Service Area.
- 8.8 Some risks may be regarded as "generic", i.e. they will impact upon all Service Areas, and so should appear on each Service Area's Risk Register. However, in these cases an individual Service will often take more of a lead in managing that risk, e.g. loss of accommodation or loss of ICT for which the lead Service Areas are Community Protection and Corporate and Community Services respectively. In addition, each Service Risk Register will detail the specific risk controls under its control.
- 8.9 The Finance Risk Register has been sorted by risk score, with the highest scoring risks appearing first.