

 FINANCE & AUDIT SCRUTINY 05 April 2016		Agenda Item No. 6
Title	Review of Finance Risk Register by Finance & Audit Scrutiny Committee	
For further information about this report please contact	Mike Snow Head of Finance Tel: 01926 456800 email: mike.snow@warwickdc.gov.uk or Richard Barr Audit & Risk Manager Tel: 01926 456815 email: richard.barr@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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	12 January 2016 – Finance & Audit Scrutiny Committee (last service risk register review)	
Background Papers	WDC risk management policy & guidelines	
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	N/A: no direct service implications	

Officer/Councillor Approval		
With regard to report approval all reports <i>must</i> be approved as follows		
Title	Date	Name
Chief Executive/Deputy Chief Executive		Chris Elliott/Andrew Jones
Head of Service	Co-author	Mike Snow
CMT		
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		As per S151 Officer
Portfolio Holder(s)		Clr Peter Whiting
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)		

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 1A 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 8, below).

4 **POLICY FRAMEWORK**

- 4.1 The Finance Risk Register is part of the Council's corporate risk management framework. The Register reflects the Council's corporate priorities and key strategic projects that are contained 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 **RISKS**

- 6.1 The risks are contained in the Service's Risk Register, set out as Appendix 1A.

7 **ALTERNATIVE OPTION(S) CONSIDERED**

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

8 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 8.1 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."

9 BACKGROUND

9.1 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.

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

9.3 Risk registers are in place for all significant risks facing service areas in the provision of their services. In addition to service risk registers for all service areas there is the Significant Business Risk Register that contains the organisation's corporate and strategic risks (the latest version of this being presented to the April Executive meeting).

10 **FINANCE SERVICE RISK REGISTER**

10.1 **Introduction**

- 10.1.1 The latest version of the Finance Risk Register is set out as Appendix 1 to this report. The register has been updated in the last few weeks.
- 10.1.2 Finance also maintains a summary table as a supplement to the Risk Register to manage their key risks more closely. This is set out as Appendix 1B.
- 10.1.3 The scoring criteria for the risk register are subjective 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.
- 10.1.4 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

10.2 **Overview of Finance Risk Management**

- 10.2.1 The Finance Risk Register is owned and managed by the Finance Portfolio Holder & the Finance Management Team. Risks are reviewed at 4-weekly Finance Management Team meetings and with the Portfolio Holder at quarterly meetings.
- 10.2.2 Amendments to existing risks are made to the register as appropriate and when any new risks are identified. Any changes to risks are shown on the matrix attached as Appendix 1B, allowing officers to track the history of the risk and the impact of mitigation.
- 10.2.3 The Risk Register includes the significant business risks across the service; some of these are common across the service and others, given the broad range of services, are specific to a particular part of the service. Sitting beneath this Risk Register are a series of detailed risk assessments within each part of the service that identify the day-to-day risks which exist within the service. In general terms these are health & safety risks relevant to the type of service being provided. There are also the Service Area Crisis Plan and Business Continuity Plans which address emergency situations.

10.3 **Finance Service Risks**

- 10.3.1 Finance is responsible for the provision of a wide range of services. The risk register (Appendix 1A) includes generic risks at the start of the document. These are divided in to various categories. Service-specific risks are then listed, relevant to the various sections of the service.
- 10.3.2 There are 33 risks contained in the Risk Register; 22 are service-specific risks and the remainder are generic risks. Details of the main risks are described in 10.3.3. The table in Appendix 1B summarises changes over the last six months.

10.3.3 The three main risks within the service are considered to be:

§ **Risk 1– Loss of IT.** As a financial service this would have major implications. In the short-term the issue could be managed without too much concern but would cause problems longer-term. An effective response to this is based on having sound business continuity plans and a lot of time has been invested corporately and within the service ensuring that these are in place.

§ **Risk 7 – Loss/shortage of staff.** Absences of key members of staff can cause problems in such a relatively small service. We have experienced this during the past year. Although interim staff can be acquired fairly readily there is inevitably a reduction in service, particularly in the short term. The main responses to this risk are up-to-date procedure manuals and effective business continuity plans.

§ **Risk 13 – Inaccurate medium term financial plans.** Although it is felt that the risk is well managed, and therefore the likelihood of occurrence is very low, the impact should the risk materialise makes this a high risk event overall. The provision of a 4-year financial settlement has lessened the risk.

It should be noted that corporate and strategic financial risks are not included on the Finance Risk Register. These are set out on the Significant Business Risk Register. The Finance Risk Register contains internal service-based risks.

10.4 **Review of Risk Register by Members**

10.4.1 It is proposed that Members should review the risk register set out as Appendix 1A, 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 Portfolio Holder and the Head of Finance on these aspects and assure themselves that their risk register is a robust document for managing the risks facing the service.