

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK MANAGEMENT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform members of key issues arising from Risk Management work.
- 1.2 Regular reporting on Risk Management issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

- 2.1 Members receive regular reports throughout the year to update them on key risk management issues. This provides an important source of assurance on the adequacy of internal control and governance arrangements and provides supporting evidence for the approval of the Annual Accounts and Governance Statement. Regular updates are also recognised as good practice by professional bodies CIPFA (The Chartered Institute of Public Finance & Accountancy) and ALARM (Association of Local Authority Risk Managers).
- 2.2 An important exercise to review and update the council's strategic risk register has been completed since the last report to members on 30th June. The outcome of that work is reported separately elsewhere on this agenda.
- 2.3 A review of controls in place to manage all strategic risks will be reported to the Committee in January. Management of strategic risks is an ongoing process integrated in other management processes and recorded at Quarterly Performance Reviews and reported to the Strategic Risk Management Group (SRMG). Some examples of work undertaken to manage strategic risk are as follows:
 - **Strategic Risk 7** - One of the highest risks the council faces at the present time is managing the impact of government spending cuts implemented during 2010-2011. In addition to the regular suite of key budget update reports cabinet received an additional report in July on the impact of spending reduction on service delivery. The

report also recognised the need to begin preparatory work to enable the council to make further adjustments to budgets in response to future grant cuts predicted for 2011-2015. Recommendations were accepted and cabinet agreed amended revenue budget and capital spending and endorsed a vacancy freeze.

- **Strategic Risk 20** - Risk registers for all major projects are reviewed by SRMG on a rolling programme throughout the year.
- **Strategic Risks 1 & 12** - Another important risk for the council is the impact on service delivery of legislative change announced by government. Therefore cabinet also received a report on the Queen's speech 2010 which sets out the coalition government's legislative programme for the next year. The report provided the main provisions of the Bills and recommended further reports as the Bills are published and the consultation stage begins.
- **Strategic Risk 14** - Under the Flood and Water Management Act (FAWM) North Lincolnshire Council is a lead flood authority and must develop, maintain and apply a strategy for local flood risk in its area. The Safer and Stronger Communities Scrutiny Panel presented a report to cabinet 'Local Action taken to manage flood risk in North Lincolnshire' in February. An action plan in response to the report's recommendations in relation to local action taken to manage flood risk in North Lincolnshire was also reported to cabinet in June 2010 and reflects progress made by the multi agency North Lincolnshire Flood Forum.
- **Strategic Risk 19** – In July cabinet endorsed the Safeguarding Adults Strategy – Improving the Protection of Vulnerable People which is designed to help protect adults with disabilities or infirmity against physical, sexual, emotional or financial abuse.
- **Strategic Risk 14** - The adequacy of business continuity arrangements to manage the impact of emerging risks and potential emergencies are also reviewed by SRMG. For example the emergency plan to management the risk of potential fuel shortages was approved by SRMG on 2nd September
- **Strategic Risk 18** – The audit of accounts reported in external audit's Annual Governance Report provides the Audit Committee with assurance that the accounts present fairly the financial position of the council.

2.5 Outcomes of the CIPFA/ALARM risk management benchmarking work were expected to be available to report to members at this meeting. Unfortunately the benchmarking review meeting has been delayed and will now take place on 12th October. A further report will be presented to the committee in January.

3 OPTIONS FOR CONSIDERATION

- 3.1 The Committee should consider whether this update provides sufficient assurance on the adequacy of risk management arrangements detailed in this report. The Committee should ask questions about the contents of the report and seek clarification as necessary.
- 3.2 The Committee may consider that the report does not provide sufficient assurance on the adequacy of risk management arrangements detailed in this report or may seek further clarification.

4. ANALYSIS OF OPTIONS

- 4.1 This progress report updates Members on key internal control issues and complies with professional guidance available and is designed to provide this Committee with the assurance required. Members should ask sufficient questions to ensure adequate assurance is provided.
- 4.2 The option set out in paragraph 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively if adequate clarification is not provided.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY.IT)

- 5.1 Resources are met from Internal Audit and Risk Management budget.
- 5.2 Regular reviews of risk management arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. There are no staffing, property or IT implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

- 6.1 The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 6.2 The evaluation of the council's arrangements will help to promote good corporate governance. Risk management work, as a component of the council's internal control framework is a key source of assurance to support the Annual Governance Statement. The risk management framework addresses all key risks the council may face. It promotes appropriate action to manage risks to an appropriate level.

7. **OUTCOMES OF CONSULTATION**

- 7.1 The Strategic Risk Management Group is made up of representatives from all services and is therefore risk management outcomes are the result of a comprehensive consultation process.

8. **RECOMMENDATION**

- 8.1 The Audit Committee should consider the assurance provided by the Risk Management progress report on the adequacy of risk management arrangements detailed.

SERVICE DIRECTOR FINANCE

Pittwood House
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: Carol Andrews
Date: 01 September 2010

Background Papers used in the preparation of this report
Risk Management Strategy and Action Plan 2010-2011