

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**TUESDAY 27th MARCH 2007**

**Risk Management – Position Statement**

OPEN	
<b>COMMUNITY STRATEGY THEME</b>	
<b>CORPORATE THEME:</b>	Improving Corporacy & Performance
<b>KEY PRIORITY:</b>	Risk Management
<b>STRATEGY:</b>	Risk Management
<b>CABINET MEMBER:</b>	Councillor John-Paul Campion
<b>RESPONSIBLE OFFICER:</b>	Head of Financial Services
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<b>APPENDIX</b>	-

**1. PURPOSE OF REPORT**

To provide members with a position statement on Corporate Risk Management.

**2. RECOMMENDATION**

**The Audit Committee is asked to DECIDE:**

- (i) **The position statement on Corporate Risk Management be noted.**
- (ii) **An update of the work undertaken to progress Corporate Risk Management be reported back later in 2007.**

**3. BACKGROUND**

- 3.1 Council approved Terms of Reference for the Audit Committee in May 2006 to include Risk Management: “Monitor and evaluate the development and operation of risk management by the Council.”
- 3.2 These terms of reference were expanded by the Audit committee in September 2006 and approved by Council in November 2006 to include the following:

“To receive reports and make recommendations to Cabinet where appropriate on:

- Risk Management Policy, Strategy and its associated action plans
- Reports from officers on developments and enhancements to the risk Management process corporately
- Internal audit and External audit reports on risk Management matters as appropriate

3.3 There are many definitions of risk and risk management practices. They all focus on Risk Management as being an integral part of good governance recognising that it is not a new initiative but an increase in its transparency and structure is an important requirement.

3.4 CIPFA, the Chartered Institute of Public Finance & Accountancy have provided the following definitions:

**Risk:** the chance of something happening that will have an impact on objectives.

**Risk management:** the term applied to logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk management is about being ‘**risk aware**’ and not ‘**risk averse**’.

3.5 The benefits of embedding risk management into an organisation are considered to include:

- Improved management of resources
- Enhanced internal and external communications and reporting of risk and control information
- Increased responsiveness to internal and external change
- Increased likelihood of successful delivery of objectives

#### **4. KEY ISSUES**

4.1 Progress on Risk Management has been included within the CPA improvement plan, actions have been undertaken and reported to Cabinet Scrutiny most recently in December 2006.

4.2 In order to make further progress the Council last month approved as part of the budget proposals for 2007-8 funding for a Corporate Risk Officer post together with the responsibility for corporate risk management transferring to the Financial Services Division from April 2007.

**5. FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising from this report.

**6. LEGAL AND POLICY IMPLICATIONS**

6.1 The regulatory bodies of the main public sectors including CIPFA have issued guidance and requirements that make specific reference to the implementation of risk management. Reporting on the development and implementation has become a key part of the annual reporting requirements, in the form of a Statement on Internal Control.

6.2 The Accounts and Audit (Amendment) (England) Regulations 2006 Statutory instrument 564 require in Regulation 4 the following:

(1) The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which include **risk management** arrangements

(2) The relevant body shall conduct a review at least once in a year of the effectiveness of its system of **internal control**

(3) The findings of the review in (2) should be considered by a committee of the relevant body or by the members of the relevant body meeting as a whole and following that consideration shall approve a **Statement on Internal Control** prepared in accordance with proper practices in relation to internal control

(4) The statement to be included in the statement of accounts.

6.3 Council approved a Risk Management Policy in 2004 and a framework of operation was introduced. A cross divisional officer working group was formed to implement this framework together with systems and processes. This included the use of a computerised risk register system for corporate and divisional issues throughout the authority.

6.4 The Council has an approved Corporate Governance framework, which is subject to an annual review reported to Cabinet. As mentioned previously risk management is a part of good governance and is included within this review. The outcome of this review feeds directly into the Statement on Internal Control as mentioned in paragraph 6.2.

**7. RISK MANAGEMENT**

7.1 Risk Management is a standard heading on all committee papers to identify, manage and monitor any risk management issues arising in reports.

- 7.2 In order to manage risks the Council has implemented internal controls for use in systems and procedures to mitigate and manage the identified risks to a level acceptable to the Council.

**8. CONCLUSION**

- 8.1 Progress and actions have been reported to members on moving forward the corporate risk management process. The Council has identified the requirement for additional resources which have been provided for in the 2007-8 budget process.

**9. CONSULTEES**

- 9.1 Corporate Management Team

**10. Background Papers**

Executive – 8<sup>th</sup> January 2004 Risk Management Policy  
CIPFA It's a Risky Business: A practical guide to risk based auditing