

AUDIT AND GOVERNANCE COMMITTEE

30 JUNE 2009

**RISK MANAGEMENT ANNUAL REPORT 2008/2009 AND POLICY STATEMENT
AND STRATEGY - REVIEW AND UPDATE**

Report of the Director of Financial Resources

1. Purpose of the Report

- 1.1 The report sets out those arrangements for the management of risk in place during 2008/2009, proposals for future improvement and development, and the outcome of a review and updating of the Risk Management Policy Statement and Strategy to reflect and respond to the latest understanding, importance and demands of Risk Management within all types of organisations. The Accounts and Audit Regulations 2003, as amended in 2006, require the Council to produce an Annual Governance Statement and the arrangements for managing risk are an integral part of the internal control framework supporting that statement.

2. Description of Decision

- 2.1 Audit and Governance Committee is requested to:
- note the Annual Report on the Corporate Risk Management arrangements in place during 2008/2009;
 - note the proposals for future improvement and development set out in Section 7 of the report;
 - note the Council's Risk Management Policy Statement and Strategy set out in Appendix 2;
 - agree that on the basis of these arrangements and the evidence of their effectiveness it can be concluded that arrangements for managing risk within the Council are sound.

3. Background

- 3.1 Risk Management is the systematic identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.

- 3.2 It enables the Authority to effectively manage strategic decision-making, service planning and delivery to safeguard the well being of its stakeholders and increase the likelihood of achieving objectives.
- 3.3 Effective risk management is an essential element of good management and a sound internal control system and therefore necessary if the Council is to be able to demonstrate that it has sound systems of Corporate Governance.

4. Current Position

- 4.1 The risk management process has five essential elements:

- Identification;
- Assessment;
- Response;
- Report;
- Review.

The structures and processes which are employed within the Authority to manage risk are described below.

- 4.2 The Cabinet Member with responsibility for Resources is the Member Champion for Risk Management. Under the Constitution the Chief Financial Officer (Director of Financial Resources) is responsible for the development, monitoring and review of the Council's Risk Management Policy, which is subject to Cabinet approval and shall be the Council's principal risk management advisor and co-ordinator.
- 4.3 The Deputy Director of Financial Resources manages the Risk Management and Insurance Section, which provides technical support, advice, guidance and training to Directorates and the Corporate Risk Management Group, as well as procuring appropriate insurance cover, necessary to provide the Council with appropriate protection against loss.
- 4.4 In order to ensure and demonstrate adequate and effective risk management arrangements, each Directorate is required to establish a cross divisional Risk Management Group chaired by a senior manager who also represents the Directorate on the Corporate Risk Management Group. Additionally each Directorate is required to produce a Risk Management Action Plan.
- 4.5 The Corporate Risk Management Group consists of the Chairs of Directorate Risk Management Groups and Officers with specialist knowledge and is chaired by the Deputy Director of Financial Resources. Also in attendance at

the group meetings are representatives from the Council's risk management advisors Marsh UK and Travelers, the Council's Insurer.

Corporate Risk Management Group – Role

- Develop and implement the agreed Policy and Strategy for the management of risk throughout the Council to include an annual review;
- Ensure the framework for the management of risk throughout the Council, including Partnerships, is effective;
- Ensure Risk Management is embedded in all corporate business processes;
- Provide an Annual Report to the Director of Financial Resources, Cabinet and the Audit and Governance Committee on the arrangements in place and activities undertaken. This will include proposals for future improvement and development and the outcome of the Annual Review of the Risk Management Policy Statement and Strategy;
- Production of the Corporate Risk Profile;
- Develop, monitor and review the Corporate Risk Profile including the associated actions;
- Report 6 monthly to the Director of Financial Resources, Chief Officers / Cabinet / Audit and Governance Committee in relation to the above;
- Receive quarterly reports from Directorate representatives on risk management activities and progress;
- Review, with Directorates, training needs and provide appropriate risk management training;
- Co ordinate corporate risk management activity;
- Assist in providing guidance on Partnership and Project risk management and that the risk management process specifically encompasses significant partnerships to provide the Council with appropriate assurances;
- Consider bids for utilisation of the Risk Management Fund;

- Ensure communication links with Directorates are effective.

An outline of the Council framework is included in Appendix 1.

5 Major Developments in 2008/2009

5.1 Risk Management Policy and Framework

The Risk Management Policy and Strategy were again reviewed by the Corporate Risk Management Group in March 2009 as part of an annual process, and the updated document containing amendments is attached in Appendix 2. The review took into account the recently issued guidance included in the British Standard - Risk Management 31100:2008.

5.2 Corporate Risk Profile

During 2008/2009 the Council, in conjunction with its external advisors, Marsh UK, undertook the process of producing a completely new Corporate Risk Profile. To ensure this is a 'live' up to date representative document confidential interviews were held by Marsh with an appropriate selection of the Council's Elected Members, Chief Executive, Directors / Chief Officers, Senior Officers and Chair of the Local Strategic Partnership. Marsh also reviewed the Council's key documents in producing a first draft of a new Profile. This document was robustly challenged at a two day workshop by the Corporate Risk Management Group. Marsh and the Council are currently agreeing and finalising the document which will be presented to the Executive Management Team, Cabinet and Audit and Governance Committee for consideration and approval in due course.

Additionally, a half yearly review on the previous profile was carried out by the Corporate Risk Management Group in September 2008. This resulted in two major new issues being recognised, the Sunderland Strategic Transport Corridor and the possible impacts of the current financial crisis. With the exception of those items the review confirmed that overall the vast majority of the outline nature of risks the Council faces remains relatively constant. However the evolving issues and risks within individual areas inevitably need to be reflected in amended or further actions to be undertaken. Reports on that review were made to Cabinet in January 2009 and the Audit and Governance Committee in March 2009.

5.3 **British Standard on Risk Management**

In October 2008 the British Standards Institute (BSI) published guidance on Risk Management (BS 31100:2008). Whilst the guidance is not statutory, the risk management systems and processes of the Council are already in broad alignment with this document. The accompanying Risk Management Policy and Strategy have been amended where necessary to reflect this guidance. The major changes were the inclusion in the Policy of defined risk management principles as detailed in the BSI document; references to both Governance and risk appetite and a basic outline of the risk management process.

5.4 **Embedding Risk Management**

Risk Management is included in its own right in:

- The Constitution
- The Sunderland Strategy
- The Corporate Improvement Plan
- The Medium Term Financial Strategy
- Service/Business Plans
- The Code of Corporate Governance
- The Code of Practice on Partnerships
- The Code of Practice on Procurement
- Project Guidance
- Reports to support key policy decisions
- Performance Management
- Policy Planning
- Financial Management and Planning.

The Council's risk management team have continued to provide various forms of formal training to over 100 staff (including Head Teachers and School Governors) during 2008/2009. Training has again been made available to Members.

The risk management site on the intranet has been updated to provide further advice and guidance and contact points for staff.

Three further editions of the magazine Risk Watch were produced to raise awareness and keep staff and Members informed of issues during the period with an emphasis on managing risks to improve opportunities.

Regular meetings continue to be held between central Risk Management and the Corporate Policy and Performance Improvement Team to ensure as far as possible risk management is utilised to support successful outcomes of the Council's plans.

Regular meetings are also held between Risk Management and Internal Audit. The Corporate Risk Profile now has a more enhanced role in audit planning.

5.4 Risk Registers

A continued consistent and quality approach to producing Directorate Risk Management Plans is now successfully embedded across the whole Council. These Plans reflect the risks identified in the Corporate Risk Profile as well as taking into account the risks that impact on Directorates' service plans. In certain areas this approach is also being utilised to produce plans at a Divisional level.

5.5 Project Risk Management

The Council has adopted the Prince 2 methodology for carrying out projects. There is a risk management element within this methodology and work has been undertaken to ensure that the process, as adopted and developed, aligns with the Council's approach to the categorisation, identification and management of risk.

Additionally the Council's risk management team have been closely involved with major projects e.g. Building Schools for the Future; Sunderland Strategic Transport Corridor and the South of Tyne and Wear Waste Management Project.

5.6 Project and Programme Office

The risk management team have worked closely with the Project and Programme Office (PPO) to develop a risk management framework, aligned to the Council's current approach to project management. The guidance issued by the PPO includes references to risk management and recommends the inclusion of the central risk management team in developing this element of projects. Additional further risk management support has been provided in relation to the Council's Business Improvement Programme and Community Leadership Programme.

5.7 Partnership Risk Management

The Council's risk management team was closely involved in the production of the risk management guidance element of the Code of Practice on Partnerships. The section has again contributed to a review of the Code and the latest version has recently been released.

Additionally during the course of the year work has been undertaken to assist in the production of risk registers for all significant partnerships the Council is involved in.

5.8 Risk Management in Schools

The section has continued to successfully work with schools in this area. The risk register and approach has been improved and expanded after consultation with Head Teachers / Governors and Council Services. The register now includes issues relating to extended schools and also the targets for schools highlighted in the 5 outcomes of the Every Child Matters Agenda. All schools have risk management plan in place.

The DCSF includes the Sunderland approach to Risk Management on the Teachernet website as an example of good practice.

Additionally CIPFA's Better Governance Forum now features our approach as good practice on its national website.

A member of the risk management team has presented on the Council's approach at a CIPFA Better Governance Forum national workshops during the year.

5.9 Joint Approach

The Council was previously instrumental in forming a Tyne and Wear Risk Management Group to allow appropriate officers to compare best practice and approaches to overall improve risk management and continues to support and attend this group.

5.10 Resources Available

Given the demands nationally on the council and within Directorates themselves, agreement was previously reached to provide additional resources to enable each Directorate to have a dedicated resource to provide

support, guidance and assistance on Risk Management as well as developing Council wide approaches to areas of risk.

This has now resulted in better quality Directorate Risk Management Plans, which are, where appropriate, now being taken to a Divisional level; a more concerted approach to Project and Partnership Risks, and a better understanding of the application and importance of Risk Management within the Council.

6. How Well Do We Manage Risk

- 6.1 The structure for managing risk within the Authority as outlined in Section 4 is now well understood and operated throughout the Council. The Corporate Risk Management Group and risk management team continue to monitor the progress made in implementing the recommendations in the Corporate Risk Profile and quality assure the production and content of the new Profile.
- 6.2 The developments in 2008/2009 outlined in Section 5 further assist in ensuring that the Council has an embedded system and culture in relation to managing risk.
- 6.3 The Risk Management Policy Statement and Strategy was reviewed by the Corporate Risk Management Group in March 2009 to ensure that an effective framework is in place to manage risk within the Council.
- 6.4 A completely new Corporate Risk Profile has been commissioned to ensure the major risks the Council faces now and going forward are identified and successfully managed.
- 6.5 The Council participates in a regional risk management benchmarking group comparing risk management approaches and practices in various areas and overall scored 93.39% of expected standards and processes (the highest score).
- 6.6 As a corollary of the above it is also pleasing to report that the Council has suffered no major service interruptions in 2008/2009 as a result of failing to identify or manage risk.
- 6.7 The achievements outlined in this report have ensured that Sunderland City Council is highly regarded in the field of public sector risk management by other local authorities, the Insurance Industry and Multi-National Brokers. As a result, the Council's profile in risk management is extremely high and requests are received from other public sector organisations for site visits and information on our practices and invitations to speak at Regional and National

Seminars. Additionally the head of this service is a member of CIPFA (Chartered Institute of Public Finance and Accountancy) national Better Governance Forum Risk Advisory Group.

6.8 External Views

During the year the Council gained the following external recognition.

- a) CPA Assessment – the Council was again awarded the top score of 4 for the Risk Management element of CPA (now 1 of only 2 Authorities to have achieved this since the inception of CPA).
- b) Alarm National Award Winner – Strategic Category – Creating a Safer City

7. Future Developments in 2009/2010 and onwards

- 7.1 The Corporate Risk Management Group will finalise and review the new Corporate Risk Profile. The Risk Management Policy Statement and Strategy will also continue to be reviewed annually.
- 7.2 The central risk management team will continue to work closely with Directorates to ensure that:
 - Their plans are effective and up to date;
 - Risk Registers are maintained and up to date for significant Partnerships;
 - They continue to support development of risk registers for other Partnerships;
 - They support Directorates in the development of risk registers as per Prince 2 methodology for Projects as appropriate and work closely with the Programme and Project Office.
- 7.3 The Risk Register and accompanying processes will continue to be developed. Specifically, a review of the options to automate processes using ICT will be undertaken in 2009/2010 including linking to the council's new Performance Management System.
- 7.4 The training programme will be refined as appropriate; the accompanying Manual updated, and continued to be rolled out across the Council in 2009/2010. The intranet site will continue to be updated.
- 7.5 Training on risk management principles and practice will again be made available to all Members and staff.

- 7.6 The Council will consider ways of assisting Community and Voluntary Groups in developing or improving upon their risk management practices as required.
- 7.7 The risk management team will continue to explore joint working with those responsible for risk management with our partners. Additionally the risk management team will prompt the consideration of expanding the current Tyne and Wear Group to cover a wider base, possibly at a City Region level, again to ensure efficient and effective joint working.
- 7.8 The central risk management team will support the Local Strategic Partnership in identifying and action planning to manage the risks related to achieving its objectives including the Local Area Agreement targets.
- 7.9 The Council will consider ways of trying to gauge the public's overall perceptions of the risks they face, the risks the Council as an organisation faces, and take these into account, where appropriate, in future risk profiling exercises.
- 7.10 The Council will continue to implement Risk Management BS 31100 including utilising a maturity model process to develop further the approach to risk management.
- 7.11 Following the release of the above BSI document on Risk Management it is expected that a similar International Standards Organisation (ISO) may be released later in the year and any necessary actions to comply with this standard also will be identified and implemented appropriately.

8. Reasons for the Decision

- 8.1 With regard to risk management the Audit and Governance Committee's role is to provide independent assurance of the adequacy of the risk management framework.
- 8.2 The report outlines these arrangements and the effectiveness of Risk Management within the authority and therefore assists in providing the Committee with the necessary reassurance in that role.

9. Alternative Options

9.1 There are no alternative options.

10. Conclusion

10.1 This report outlines the arrangements which exist for managing risk within the Authority, their effectiveness, and the steps which are being taken to ensure continuous improvement of the function and the minimisation of loss.

10.2 On the basis of these arrangements and the evidence of their effectiveness it can be concluded that arrangements for managing risk within the Council are sound.

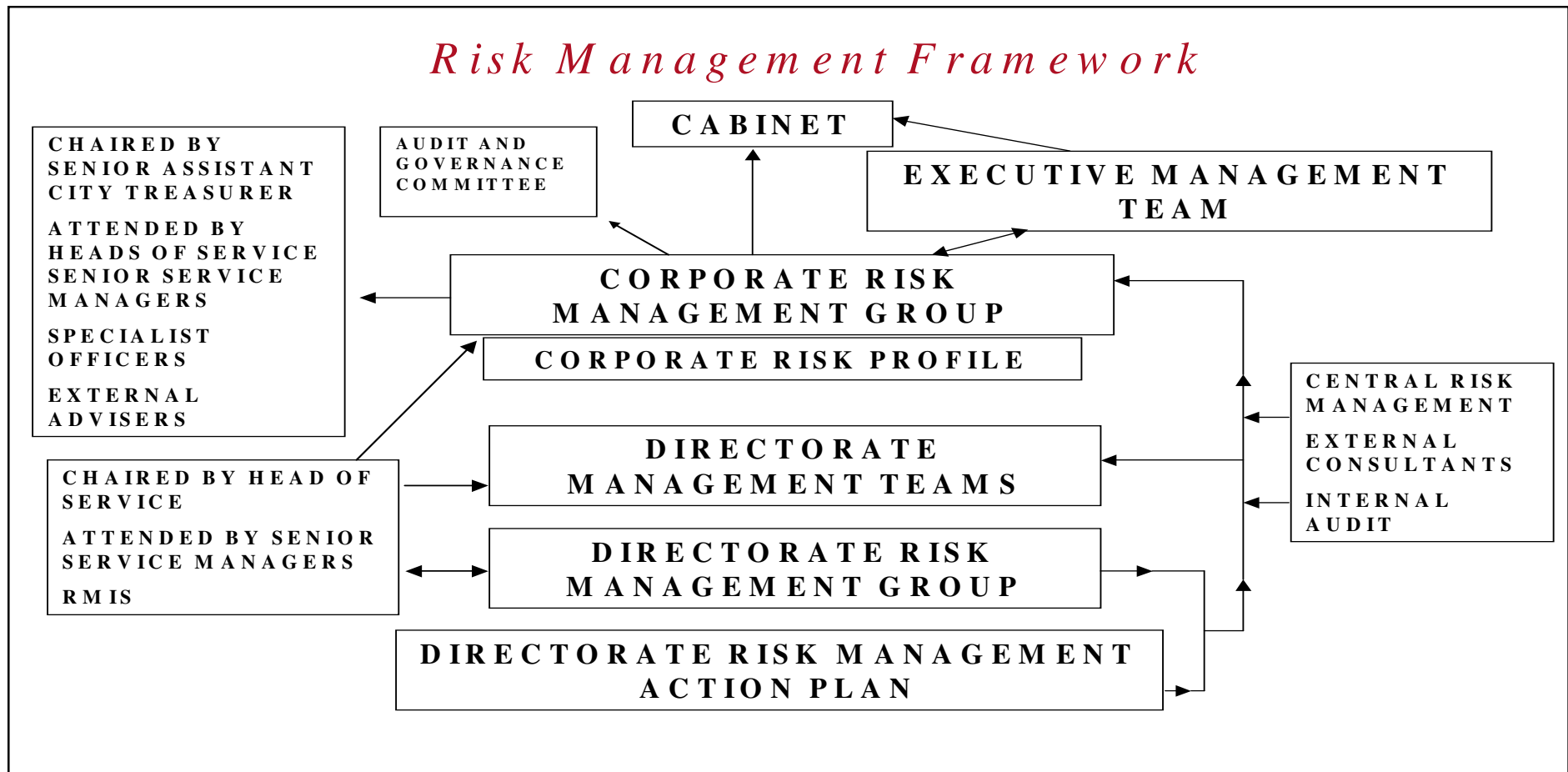
Background Papers

Audit and Governance Committee – June 2006 Risk Management Annual Report 2005/2006 and Policy Statement and Strategy – Review and Update

Audit and Governance Committee – May 2007 Risk Management Annual Report 2006/2007 and Policy Statement and Strategy – Review and Update

Audit and Governance Committee – May 2008 Risk Management Annual Report 2008/2009 and Policy Statement and Strategy – Review and Update

Appendix 1



RISK MANAGEMENT POLICY

'Sunderland City Council recognises that Risk Management is one of the principal elements of Corporate Governance and a key contributor to ensuring a sound internal control environment and a satisfactory Annual Governance Statement. Risk Management can be defined as the culture, process and structure that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives. The Council will establish and maintain a systematic framework and process for managing corporate; operational; programme; project and partnership risks which will be outcome focussed. This will include assessing risks for likelihood and impact, identifying and allocating responsibility for implementing mitigating controls and receiving assurances to ensure successful management of those risks and that they are complied with.

Risk Management will assist in providing secure and effective arrangements that identify and achieve successful local and national priority outcomes including:

- Meeting the needs of our community especially vulnerable people
- Minimising the harm to the public
- Reducing inequalities and discriminatory outcomes for all members of the community
- Working in partnership to identify and manage the risks facing our community
- Supporting the positive benefits of using innovative approaches to improve outcomes and better value for public money.

All members, employees, service providers, partners, and stakeholders are expected to play a positive role in embedding the culture, ethos and practice of effective Risk Management in all activities.'

The Council will review the Policy and Strategy annually and any variations from this Policy will have to be agreed by Cabinet.

The Objectives of the Risk Management Policy are to

- 1) Ensure that Risk Management assists in ensuring secure and effective arrangements that identify and achieve successful local and national priority objectives.
- 2) Embed Risk Management into the culture, ethos, policies and practices of the Council.
- 3) Ensure that the Council continues to meet all statutory and best practice requirements in relation to Risk Management.
- 4) Ensure that Risk Management continues to be a key and effective contributor to Corporate Governance and a satisfactory Annual Governance Statement.

- 5) Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk Management.
- 6) Ensure the Council successfully manages risks and opportunities at a corporate; operational; programme; project and partnership level.

Risk Management Principles

The risk management practices adopted within Sunderland are based on the following principles, which are included in BS - Risk Management 31100. The application of the principles will be regularly reviewed to reflect changing circumstances.

- **Risk management should be tailored**
The organisation should have an approach to risk management which is proportionate and scaled to address the internal and external circumstances in which it operates.
- **Risk management should take into account organisational culture, human factors and behaviour**
The organisation's risk management should recognise the capabilities, perceptions and intentions of external and internal people that might facilitate or obstruct achievement of the organisation's objectives.
- **Risk management should operate under a common language.**
The organisation should apply a common language when identifying, assessing and responding to risks and maintaining its risk management framework.
- **Risk management should be systematic and structured**
The approach to risk management should, where practicable, be consistently applied within the organisation. This helps ensure that the outputs are both reliable and comparable, and gives managers increased confidence to make effective decisions.
- **Risk management should be based on the best available information**
The inputs to the process of managing risk should be based on available information sources, such as experience, subject knowledge, expert judgment and projected forecasts. Managers should be aware of any limitations to the data or difference of opinion among experts.
- **Risk management should explicitly address uncertainty**
The organisation should use risk management to help clarify the nature of uncertainty affecting decisions and how it might be treated.
- **Risk management should be part of decision making**

Risk management should support informed decision making by helping to understand risks. This helps managers to choose the option that is most appropriate for the organisation in terms of its risk appetite and ability to manage the risks effectively.

- **Risk management should create and protect value**

The organisation should optimise risk management to contribute to the demonstrable achievement of objectives and maximise overall business and commercial benefits. It should support corporate governance, be integrated with management processes, provide assurance to stakeholders (and investors), and reflect legislative and compliance requirements.

- **Risk management should be transparent and inclusive**

Management and stakeholders should be actively involved in risk identification, assessment and response so that the organisation's risk management remains relevant and up-to-date. External organisations or other partners can play a valuable role in shaping and delivering risk management.

- **Risk management should be dynamic, iterative and responsive to change**

The organisation should ensure its risk management continually identifies and responds to changes affecting its operating environment by having an open, positive culture that encourages managers to disclose, discuss and respond to risk.

Risk Appetite

The Council will inevitably have a variable appetite to risk. Decisions will depend on the context, on the nature of the potential losses or gains, and the extent to which information regarding the risks is complete, reliable and relevant.

When considering threats, the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised. In this sense it is about comparing the cost (financial/impact on service delivery/reputation etc) of constraining the risk with the cost of the exposure should the exposure become a reality and finding an acceptable balance.

When considering opportunities the concept embraces consideration of how much the organization is prepared to actively put at risk in order to obtain the benefits of the opportunity. In this sense it is about comparing the value (financial/impact on service delivery/reputation etc) of potential benefits with the losses which might be incurred (some losses may be incurred with or without realising the benefits).

Governance

The Financial Procedure rules set out in the Council's Constitution state that the Director of Financial Resources shall maintain on behalf of the Council an adequate and effective system of internal audit of the accounting records and internal control systems. The Director of Financial Resources is responsible for the development, monitoring and review of the Council's risk management policy, which will be approved by Cabinet and shall be the Council's principal risk management adviser and co-coordinator.

The Cabinet Member with responsibility for Resources is the Member Champion for Risk Management.

The Accounts and Audit Regulations 2003, as amended in 2006, require the Council to produce an Annual Governance Statement and the arrangements for managing risk are an integral part of the internal control framework. Heads of Service are required to make statements as to the effectiveness of their systems for identifying profiling, controlling and managing all significant corporate and operational risks. This is confirmed by each Director/Chief Officer signing a Controls Assurance Statement.

An effective Governance structure is supported by a clearly defined, reporting process. Risk reporting includes:

At a strategic level, an annual review of the whole risk management framework and process is carried out and a report is prepared as to the effectiveness of the process. The findings are reported to the Cabinet and Audit and Governance Committee.

Directorates also report quarterly to the Corporate Risk Management Group on the effectiveness of their approach to Risk Management in the following areas

- Directorate Risk Management Action Plan
- Risk Management in Service Plans
- Partnerships
- Projects
- Training & Communication.

Roles and Responsibilities

Roles of Parties within the Council

Members

Members' role is to:-

- Ensure that an effective strategy is in place to manage risks throughout the Council;
- Be aware of the risk management implications of decisions;
- Approve a Member Champion.

The Member Champion's role is to, jointly with the Director of Financial Resources; embed risk management throughout the Council.

Cabinet

To receive:-

- An Annual Report on the progress of Risk Management within the Council;
- Reports relating to the Council's Corporate Risk Profile;
- Reports containing a risk analysis of the major issues which could impact on policy decisions.

Audit and Governance Committee

To provide independent assurance of the adequacy of Risk Management framework and the associated control environment within the Council.

Directors / Chief Officers

Directors / Chief Officers role is:-

- To agree jointly an effective framework for the management of risks and opportunities throughout the Council;
- To receive jointly reports on the Corporate Risk Profile;
- To ensure jointly and individually that the actions contained in the Corporate Risk Profile are completed including reporting as appropriate;
- To establish a Directorate Risk Management Group and identify a risk champion;
- To produce, implement and review a Directorate Risk Management Plan and report; progress quarterly to the Corporate Risk Management Group;
- To ensure that an effective framework is in place to manage risks faced by their Directorate;

- To ensure achievement of the Risk Management element of Corporate Governance;
- To ensure that reports to support strategic policy decisions and project initiation documents include a risk assessment including a sustainability impact appraisal.

Corporate Risk Management Group

The above group is made up of senior managers from all Directorates and oversees the Risk Management process throughout the Council. The group has responsibility for:-

- Developing and implementing the agreed Policy and Strategy for the management of risk throughout the Council to include an annual review;
- Ensuring the framework for managing risks throughout the Council including Partnerships is effective;
- Ensuring risk management is embedded in all business processes;
- Providing an annual report to the Director of Financial Resources, Cabinet and Audit and Governance Committee on Risk Management within the Council. This will include proposals for future improvement and development and the outcome of the Annual Review of the Risk Management Policy Statement and Strategy;
- The production of a Corporate Risk Profile;
- Developing, monitoring and reviewing the Corporate Risk Profile and associated actions;
- Providing a six monthly report to the Director of Financial Resources, Chief Officers, Cabinet and Audit and Governance Committee in relation to the above;
- Receiving quarterly reports from Directorate representatives on Risk Management activities and progress;
- Reviewing training needs and programmes in relation to Corporate Risk Management;
- Co-ordinating corporate risk management activity;
- Assisting in providing guidance on Partnership and Project risk management and ensuring that the process specifically encompasses significant partnerships to provide the Council with appropriate assurances;
- Considering bids for utilisation of risk management fund;
- Ensuring communication links with Directorates are effective.

Risk Management and Insurance Services

Risk Management and Insurance Services have responsibility for:-

- Spreading the ethos of Risk Management throughout the Council;
- Supporting the activities of the Corporate Risk Management Group;
- Assisting Directorates in identifying, analysing and controlling the risks that they encounter;

- Giving guidance to Directorates via their Risk Management Groups and providing support to assist in the formation and implementation of Directorate Risk Management Action Plans;
- Liaising with external Consultants and Risk Management organisations to maintain best practice within the Council;
- Providing training either “in house” or via external consultants to promote a proactive risk management culture throughout the Council;
- Reviewing Directorates Risk Management Plans and reporting progress to the Corporate Risk Management Group;
- Liaising with both internal and external audit.

Directorate Risk Management Groups

Directorate Risk Management Groups will:-

- Identify and analyse risks;
- Produce Risk Management Action Plans and introduce risk control measures;
- Monitor progress of the planned actions on a quarterly basis to ensure aims are achieved;
- Review accident / incident / claims statistics and confirm that any appropriate Risk Management Performance Indicators have been achieved;
- Report quarterly to their Director and Corporate Risk Management Group on progress of Risk Management Action Plans;
- Communicate the Risk Management process to all staff and make them aware of their responsibilities;
- Establish training needs.

Internal Audit Services

The role of internal audit within risk management is to provide an independent assessment of the effectiveness (or otherwise) of:-

- The robustness of corporate arrangements for risk management;
- The risk management function / section of the Authority;
- The implementation of corporate / departmental risk management arrangements;
- Internal controls across the Council’s services / systems.

Internal Audit Services has a clear remit to report upon the effectiveness of the Council’s control environment and therefore help managers in minimising risk levels.

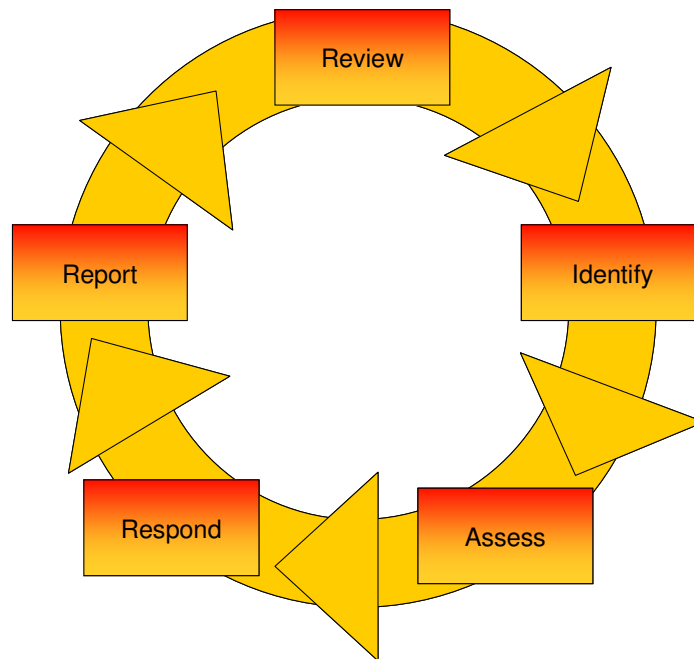
Internal Audit Services also provides advice and guidance on risk and control.

Employees

To understand their role in the risk management process with regard to:-

- Risk identification
- Risk analysis
- Risk control
- Risk management action plans
- Highlighting any risk management training needs
- Managing risk effectively in their job.

RISK MANAGEMENT PROCESS



The council's risk management process provides a systematic, effective, efficient and focussed way by which risks can be managed at different levels throughout the organisation. It should be a continuous undertaking as an integral part of decision making at each appropriate level and operated in accordance with the guidelines that are set out by the risk management framework.

The process as shown in the diagram above comprises the following steps

Risk identification

The process of identifying risk sources, events and their causes and potential consequences.

Risk assessment

The process of understanding the nature of the risks and their likelihood and impact

Risk response

The acceptance of a risk or action taken to address it

Risk reporting

The key outputs from the risk management process are communicated to the relevant management areas.

Risk review

To ensure output from the risk management process remains valid and reflects changes in the context.

RISK MANAGEMENT STRATEGY

Purpose

The purpose of the strategy is to outline how the Council will successfully deliver its Risk Management Policy. A positive approach to the management of risk is essential to enable the Council to take opportunities to improve the quality of life and improve services for all local people and ensure that risks to achieving our priority outcomes are successfully managed.

The Objectives of the Risk Management Policy are to

1. Ensure that Risk Management assists in ensuring secure and effective arrangements that identify and achieve successful local and national priority objectives.
2. Embed Risk Management into the culture, ethos, policies and practices of the Council.
3. Ensure that the Council continues to meet all statutory and best practice requirements in relation to Risk Management.
4. Ensure that Risk Management continues to be a key and effective contributor to Corporate Governance and a satisfactory Annual Governance Statement.
5. Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk Management.
6. Ensure the Council successfully manages risks and opportunities at a corporate; operational; programme; project and partnership level.

Achievement of Objectives

Objective 1

Ensure that Risk Management assists in ensuring secure and effective arrangements that identify and achieve successful local and national priority outcomes.

To achieve this, the Council will employ Risk Management processes to identify and manage the risks/barriers to achievement of its objectives and outcomes as stated in:-

- The Sunderland Strategy
- The Local Area Agreement
- The Corporate Improvement Plan
- Service/Business Plans

The Council will also:-

Ensure Risk Management will be an integral part at all stages of service / project planning;

Ensure Risk Management is integral to delivering the business of the Council;

Work closely and collaboratively with partners to achieve a joint successful approach to managing risks.

Objective 2

Embed Risk Management into the culture, ethos, policies and practices of the Council.

To achieve this Risk Management will be an integral part and included in its own right in the Council's documents and processes, including but not limited to:-

- Constitution
- Sunderland Strategy
- Corporate Improvement Plan
- Medium Term Financial Strategy
- Services/Business Planning
- Business Improvement Programme
- Community Leadership Programme
- Code of Corporate Governance
- Code of Practice on Partnerships
- Code of Practice on Procurement
- Project Guidance

- Reports to support key policy decisions
- Performance Management
- Policy Planning
- Financial Management and Planning

Objective 3

Ensure that the Council continues to meet all statutory and best practice guidance.

To achieve this objective the Council will:-

- Include as appropriate any national or best practice guidelines in relation to risk management within its framework and processes;
- Monitor changes/recommendations by appropriate relevant national organisations;
- Engage with any relevant local or national risk management forums to further identify improvement to the Council's framework and approach;
- Participate in relevant and appropriate benchmarking exercises.

Objective 4

Ensure that Risk Management continues to be a key and effective contributor to Corporate Governance and the Annual Governance Statement.

To achieve this objective:-

- The Risk Management framework, procedures and practices will be judged robust enough to satisfy the Corporate Governance Review Group, Cabinet; Audit and Governance Committee and Audit Commission that the authority's assurance statements properly reflect the risk environment;
- Heads of Service will be required to make statements as to the effectiveness of their systems for identifying profiling, controlling and managing all significant corporate and operational risks. This will be confirmed by each Director/Chief Officer signing a Controls Assurance Statement;
- Evidence will also be provided to the Group about the overall corporate position of Risk Management within the Council;
- The Corporate Risk Profile will be taken into account in internal audit planning.

Objective 5

Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk Management.

To achieve this objective the Council will provide an understanding to all parties concerned as to the principles, purpose and need for risk management and how to effectively practice this in their own areas. This will be carried out by:-

- Defining all parties' roles and responsibilities (RM Policy);
- Providing appropriate training to all staff and stakeholders;
- Providing appropriate professional advice and guidance to all parties;
- Induction courses;
- Awareness raising;
- Successful communications;
- Providing opportunities for shared learning.

Objective 6

Ensure the Council successfully manages risks and opportunities at a corporate; operational; programme; project and partnership level.

To achieve the above objective the Council will establish an effective framework for Risk Management. This will include:-

- The Corporate Risk Management Group to be responsible for the production of a Corporate Risk Profile, (in conjunction with advisors) and the ongoing review, monitoring and reporting of the Profile;
- Directors to ensure their responsibilities within the Corporate Risk Profile are successfully managed. A Directorate Risk Plan is to be produced which is subject to ongoing review, monitoring internally and reporting to the Corporate Risk Management Group;
- Where appropriate Divisional/Service area plans to be produced and monitored by the Departmental Management Team;

- Head Teachers and Governors to be responsible for ensuring schools have a process in place to identify and manage risks;
- Lead Officers in Partnerships to be responsible for producing appropriate Risk Profiles regarding the Council's risks and ensuring they are appropriately managed. (Guidance is provided within the Code of Practice on Partnerships). Lead Officers will also be responsible for ensuring the Partnership itself has a Risk Profile;
- Project Boards/Project Managers to be responsible for ensuring Risk Profiles are maintained and reported as per Council guidelines;
- An effective reporting system to ensure that the risks have been successfully identified and managed. This will include reporting to Cabinet; Audit and Governance Committee; Executive Management Team; Corporate Risk Management Group; Directors and Directorate / Departmental Management Teams.

Future Developments in 2009/2010 and onwards

The Corporate Risk Management Group will finalise and review the new Corporate Risk Profile. The Risk Management Policy Statement and Strategy will also continue to be reviewed annually.

The central risk management team will continue to work closely with Directorates to ensure that:

- i) Their plans are effective and up to date;
- ii) Risk Registers are maintained and up to date for significant Partnerships;
- iii) They continue to support development of risk registers for other Partnerships;
- iv) They support Directorates in the development of risk registers as per Prince 2 methodology for Projects as appropriate and work closely with the Programme and Project Office.

The Risk Register and accompanying processes will continue to be developed. Specifically, a review of the options to automate processes using ICT will be undertaken in 2009/2010 including linking to the council's new Performance Management system.

The training programme will be refined as appropriate; the accompanying Manual updated, and continued to be rolled out across the Council in 2009/2010. The intranet site will continue to be updated.

Training on risk management principles and practice will again be made available to all Members and staff.

The Council will consider ways of assisting Community and Voluntary Groups in developing or improving upon their risk management practices as required.

The risk management team will continue to explore joint working with those responsible for risk management within our Comprehensive Area Assessment partners. Additionally the risk management team would wish to consider expanding the current Tyne and Wear Group to cover a wider base, possibly at a City Region level, again to ensure efficient and effective joint working.

The central risk management team will support the Local Strategic Partnership in identifying and managing the risks related to achieving it's objectives including the Local Area Agreement targets.

The Council will consider ways of trying to gauge the public's overall perceptions of the risks they face, the risks the Council as an organisation faces and take these into account, where appropriate, in future risk profiling exercises.

The Council will continue to implement Risk Management BS 31100 including utilising a maturity model process to develop further the approach to risk management.

Following the release of the BSI document on Risk Management (BS 311000:2008) it is expected that a similar International Standards Organisation (ISO) may be released later in the year and any necessary actions to comply with this standard also will be identified and implemented appropriately.

