



Leeds City Council

Risk Management Review

May 2006

AUDIT

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1. Executive Summary

1.1 Introduction

Risk management is a systematic method of identifying, analysing, prioritising, treating, monitoring and reporting the risks associated with an organisation's activities, so as to minimise threats and maximise opportunities. The Council has developed a risk management framework and is rolling this out across the organisation. We have reviewed the processes surrounding the roll out of risk management training, preparation of departmental risk registers and integration of risk management into service planning and delivery. We also considered the procedures for benchmarking the risk management arrangements against peer authorities.

1.2 Key Findings

The Council is embedding its risk management framework and during our review we identified a number of aspects of good practice such as:

- The Council has established a Risk Management Unit to co-ordinate the roll out of risk management arrangements.
- The Council has prepared a Corporate Risk Register and has started to use the Departmental Risk Registers to inform and update this document.
- The risk management training rolled out has been positively received by departmental managers and risk co-ordinators.
- Departments have taken forward their risk management arrangements in response to training and have prepared preliminary risk registers.
- The two departments selected for review (Development and Neighbourhoods & Housing) have developed protocols for reviewing their risk registers which are linked to departmental service planning and performance reporting frameworks.
- The Development Department maintains a detailed log of changes made to the risk register which ensures actions taken to address risks and the outcome of those actions are recorded.
- The Council has sought opportunities to benchmark its risk management arrangements against those of peer authorities and has used the information obtained to support further development.

The Development and Neighbourhoods & Housing Departments are two of the furthest ahead in rolling out the new arrangements. There is however, a need for further work in a number of areas including the need to fully complete the departmental risk registers and to integrate existing departmental risk assessment processes with the new risk management framework. Our key learning points are as follows:

1. Executive Summary *(continued)*

1.3 Key Learning Points

- The Council should introduce an explicit annual timetable for reviewing and updating the Corporate Risk Register.
- Departments should demonstrate a clear link between the new corporate risk management framework and their existing service level risk assessment arrangements.

1.4 Other Observations

- The Council should ensure that outstanding departmental risk registers are completed as a matter of priority.
- The Council consider the extent to which departments retain a detailed log of significant changes to the risk register. The Council is in the process of procuring risk management software to support this.
- Officers could collect feedback from risk management training sessions and use this to enhance future training programmes.
- Departmental Managers and Departmental Risk Co-ordinators should be encouraged to further cascade the training to front line and more junior staff to ensure it is being used consistently when populating departmental risk registers.
- Consideration should be given to how the intranet is used to help management further cascade knowledge through the organisation.

1.5 Way forward

We shall work with officers to constructively challenge the delivery of the action plans.

2. Introduction

Background

Risk management means analysing, evaluating, prioritising, treating, monitoring and reporting the risks associated with an organisation's activity so as to minimise threats and maximise opportunities. Embedding of risk management is an integral part of the internal control framework and is key to achieving aims and objectives. Risk management and wider internal control arrangements are an important part of the use of resources assessment.

Objectives and scope of the review

The scope of our review was to:

- Assess the progress made by departments in preparing, reviewing and updating their risk registers.
- Determine the consistency of approach to risk management between the Development and Neighbourhoods & Housing Departments.
- Review the procedures to ensure employees use risk management techniques to make informed decisions and ensure efficient service delivery;
- Review the Council's procedures for benchmarking its risk management arrangements against peer authorities.

Approach

Our approach was to:

- Review key documents such as the Risk Management Policy, Strategy and Toolkit.
- Review selected departmental risk registers.
- Interview key officers, including the Principal Risk Management Officer and the Corporate Risk Management Group Member and Departmental Risk Co-ordinator for selected departments.
- Compare with examples of good practice.

Acknowledgements

We would like to thank all those staff who have supported this review.

3. Preparation and Review of Departmental Risk Registers

Introduction

This section considers the preparation, review and updating of departmental risk registers to determine whether this is a consistent process which leads to the production of a comprehensive tailored document.

Background

Departmental risk registers are currently being developed and will set out:

- the risks and the consequences of risks;
- the existing controls in place to mitigate risk;
- the likelihood and impact of risks crystallising;
- the actions required to manage risk effectively;
- responsible officers.

Completeness of risk registers

The Council has established a Risk Management Unit to support departments. Draft risk registers were taken to the January meeting of the Corporate Risk Management Group for moderation and for use in informing and updating the Corporate Risk Register.

Significant progress has been made into the preparation of departmental risk registers but further work is needed to complete the documents. The departments selected for review found different areas of the process challenging: Neighbourhoods & Housing have not yet fully completed the controls sections; Development the risk ratings.

Recommendation 1

Whilst the process of reviewing departmental risk registers and moderating the probability and impact scores is ongoing, the Council should ensure that outstanding departmental risk registers are fully completed as a matter of priority. Departments should be encouraged to work with the Risk Management Unit to resolve their queries and complete the outstanding register sections.

Preparation and Review of Risk Registers (continued)

Updating risk registers

The Development Department maintains a log of changes to the risk register to justify and evidence the changes made. This good practice approach should be adopted Council wide. The Council is procuring risk management software to make it easier for departments to document the changes made to their risk registers.

Recommendation 2

The Council should ensure the swift purchase of risk management software to enable all departments to maintain a log of amendments to their risk register, including the reasons for the changes (i.e. actions taken to mitigate the risk).

4. Consistency of Departmental Risk Management Approach

Introduction

This section considers the roll out of risk management training across the Council and the consistency with which departments have taken forward their risk management arrangements following their training sessions.

Background

The Risk Management Unit was responsible for providing risk management training to departmental managers and to project groups across the Council. Managers were then expected to take the process forward by producing departmental risk registers and cascading this to other members of the department.

Risk Management Training

The departments selected for review gave very positive feedback with respect to the way in which the initial risk management workshops had been adapted to their needs. However, departments had not been asked to provide feedback on these workshops. We understand that the Risk Management Unit has now developed a reporting template which will be used to collate feedback from future training sessions.

Recommendation 3

The Council should ensure that the new template is used so that there is a record of feedback from training sessions to be used to inform the development of future workshops.

Departmental Development of the Risk Management Process

Departments have taken forward the risk management process by producing preliminary risk registers and developing formal protocols, linked into departmental service planning and performance reporting arrangements, for reviewing these risk registers. This is a positive step but the workability of the protocol will not be confirmed until the planning cycle for the next financial year is complete. The protocols may also need to be revised to ensure that the departmental timescales fit in with the timescales for reviewing and updating the Corporate Risk Register, which we understand have yet to be finalised.

Recommendation 4

The timescales for reviewing and updating the Corporate Risk Register should be finalised as a matter of priority. This will provide departments with a clear deadline to work to and help ensure that the review protocols are embedded more quickly.

5. Risk Management and Service Delivery

Introduction

This section considers the methods through which departments link the new risk management approach to service planning and delivery arrangements.

Background

An important aspect of embedding risk management arrangements is the use of risk management techniques in decision making and service delivery.

Risk Management and Service Delivery

Both the Neighborhoods & Housing and Development Departments were able to provide evidence of risk management techniques being used in service delivery. However, the link between the techniques used and the new risk management framework is unclear. This is partly because some of the risk assessment techniques in use pre-date the new corporate framework. In addition, the risk management training workshops have been rolled out at a management level whereas service delivery risk assessments involve staff of all levels. Therefore the new risk management arrangements have not yet been fully cascaded to other members of the department, as referred to on page 7.

To fully embed risk management in the Council, the link between the new risk management framework and existing risk assessment processes used in service planning and delivery needs to be strengthened.

Recommendation 5

Departments should cascade their own training programme for staff, with a view to linking existing service risk assessment processes to the new corporate framework. By developing and running such initiatives themselves, departments would demonstrate that they are capable of taking forward the risk management process independently and that it is embedded.

5. Benchmarking of Risk Management Arrangements

Introduction

This section considers the procedures for benchmarking risk management arrangements against peer authorities.

Background

The Council benchmarked its Risk Management Policy, Strategy and Toolkit against those developed by other members of the Core Cities Group. Our review considered the extent to which the Council has using benchmarking during the development of its wider risk management arrangements and the roll out of risk management training.

Benchmarking Arrangements

The Risk Management Unit ensures that it is an active participant in its benchmarking group. Group members are responsible for initiating reviews and the Council has set up two so far (development of the risk management policy and the establishment of the Risk Management Group). The Council has also completed a core cities benchmarking survey and officers have attended ALARM and IRM events to keep up to date with good practice.

Appendix 1 – Recommendations and Action Plan

***	<i>Significant residual risk</i>	**	<i>Some residual risk</i>	*	<i>Little residual risk</i>
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Ref	Recommendation	Priority	Management response	Responsibility and timescale
1	<p>Whilst the process of reviewing departmental risk registers and moderating the probability and impact scores is ongoing, the Council should ensure that outstanding departmental risk registers are fully completed as a matter of priority. Departments should be encouraged to work with the Risk Management Unit to resolve their queries and complete the outstanding register sections.</p>	**	<p>Agreed.</p> <p>The RMU highlighted the procurement of appropriate software as a priority to KPMG in its audit. However, it is essential that user requirements are effectively captured to ensure the application can be embedded in departments' risk management processes in the medium- to long-term.</p>	<p>Responsibility to lead on the procurement exercise including engaging appropriate staff for consultation throughout the process: Principal Risk Management Officer.</p> <p>At this date, the RMU is liaising with Corporate Procurement Unit and ICT Services to progress the procurement.</p> <p>Anticipated timescales: 2-3 months from now to procure the software then 1-2 months to test and roll it out.</p> <p>In addition, Corporate Risk Management Group will be agreeing the Council's user requirements and identifying staff to work with the RMU on the evaluation exercises at its next meeting on 16/5/06.</p>

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Ref	Recommendation	Priority	Management response	Responsibility and timescale
2	The Council should ensure the swift purchase of risk management software to enable all departments to maintain a log of amendments to their risk register, including the reasons for the changes (i.e. actions taken to mitigate the risk).	**	<p>Agreed.</p> <p>The RMU highlighted the procurement of appropriate software as a priority to KPMG in its audit. However, it is essential that user requirements are effectively captured to ensure the application can be embedded in departments' risk management processes in the medium- to long-term.</p>	<p>Responsibility to lead on the procurement exercise including engaging appropriate staff for consultation throughout the process: Principal Risk Management Officer.</p> <p>At this date, the RMU is liaising with Corporate Procurement Unit and ICT Services to progress the procurement.</p> <p>Anticipated timescales: 2-3 months from now to procure the software then 1-2 months to test and roll it out.</p> <p>In addition, Corporate Risk Management Group will be agreeing the Council's user requirements and identifying staff to work with the RMU on the evaluation exercises at its next meeting on 16/5/06</p>

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3	The Council should ensure that the new template is used so that there is a record of feedback from training sessions to be used to inform the development of future workshops.	*	<p>Agreed.</p> <p>However, page 7 of KPMG’s report does not reflect in full the discussion held between its auditor and the PRMO. The PRMO noted in this discussion that in 2005, a mandatory corporate training feedback form was issued for use in all internal training sessions. This did not meet the Unit’s needs and so verbal feedback was obtained from the RMU’s training sessions and this was used to enhance future sessions. A specific feedback form for risk management workshops was developed in summer 05 and has seen been in use.</p>	Already implemented.	
4	The timescales for reviewing and updating the Corporate Risk Register should be finalised as a matter of priority. This will provide departments with a clear deadline to work to and help ensure that the review protocols are embedded more quickly.	*	<p>Agreed.</p> <p>In March 2006, dates were agreed with Corporate Management Team (CMT) for it to conduct its quarterly review of the corporate risk register in July and October 2006. (The CMT schedule has not yet been drawn up for post-October.) These dates have been used to work back to draw up a timeline for departments to submit their reviewed departmental risk registers to the RMU each quarter for discussion by CRMG as to whether any of these departmental risks should be escalated to the corporate document. The timeline will be discussed at CRMG’s next meeting on 16/5/06.</p> <p>It is anticipated an annual report summarising the Council’s ‘very high’ (red) risks will be submitted to Executive Board following the July 06 CRMG and CMT review.</p>	<p>Already implemented for next 6 months. After this, ongoing.</p> <p>Principal Risk Management Officer: responsible for communicating ongoing quarterly review timescales to CRMG and submitting quarterly report to CMT for their review and annual report to Executive Board.</p> <p>Next CMT quarterly reviews: 18/7/06 and 17/10/06.</p>	

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Ref	Recommendation	Priority	Management response	Responsibility and timescale
5	<p>Departments should be encouraged to cascade their own training programmes for staff, with a view to linking existing service risk assessment processes to the new corporate framework. By developing and running such initiatives themselves, departments would demonstrate that they are capable of taking forward the risk management process independently and that it is embedded.</p>	**	<p>We recognise that, where possible, existing risk assessment processes should be aligned with the new corporate framework and, with the implementation of software, this process will be greatly facilitated at corporate, departmental, project and service level.</p> <p>However, in these initial stages of rolling out risk management, the RMU has focused on CMT and Departmental Management Teams (DMTs) in order to engage senior management who will then lead by example. Given the size of Leeds City Council, the pace of change (for example, the Children Act), and also that in many areas (such as service planning) there are no corporate templates that must be adhered to by all, it will take time to implement consistent risk management at an operational level. However, we are confident that with software, risk management processes will become more consistent throughout the organisation and that staff will then gain the knowledge and experience to develop their own training programmes with guidance from the RMU.</p>	<p>Principal Risk Management Officer: to continue to implement the Risk Management Framework across the Council.</p>