

## ITEM NO: 11

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	CORPORATE REPORT TEMPLATE – REPORTING RISK		
<b>DATE OF DECISION:</b>	24 <sup>TH</sup> JANUARY 2008		
<b>REPORT OF:</b>	EXECUTIVE DIRECTOR OF RESOURCES		
<b>AUTHOR:</b>	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk	

### STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE.

### SUMMARY

The 'Risk Management Action Plan 2007-08', approved by the Audit Committee on 28<sup>th</sup> June 2007, included an action to 'Research whether / how other authorities have made explicit reference to risk within their standard report template'. The intention is to seek to further embed risk management within the decision making process of the Council.

This paper identifies, from the enquiries undertaken, the main approaches that local authorities have adopted in relation to this issue.

### RECOMMENDATIONS:

The Audit Committee is asked to:-

- (i) Consider the alternative approaches and options (Appendix 1) to making a more explicit reference to risk within committee reports; and
- (ii) Adopt Option 1 as the preferred approach.

### REASONS FOR REPORT RECOMMENDATIONS

1. It is evident from the enquiries undertaken that there is no standard 'good practice' approach to this issue. The risk management consultancy division of our insurers, Zurich Municipal, commented that 'A number of authorities are struggling with this at the moment and there really is no best practice way identified at present, each is doing it in a way that fits the way they work'.
2. The primary reasons for recommending that Option 1 is adopted are outlined in Appendix 1.
3. This report is presented to the Audit Committee in their capacity as the member body with responsibility for providing independent assurance to the Standards and Governance Committee on the adequacy of the risk

management framework and the internal control and reporting environment.

4. The Audit Committee is also responsible for providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

## **CONSULTATION**

5. Consultation was undertaken with other local authorities and public bodies via the Association of Local Authority Risk Managers ('ALARM') using the 'Q&A' facility on their website (although only a very limited response was received). ALARM is the national public sector forum for risk management in the UK.
6. Information was also sought from colleagues in neighbouring local authorities on their approach to this issue. In addition, an informal review of format of their committee reports (publically available via the internet) was also undertaken.
7. Both the Council's insurers (Zurich Municipal) and our appointed Insurance Broker (AON Risk Services) were approached for its advice.
8. The Solicitor to the Council was consulted in respect of advice on the process and implications of amending the corporate report template.
9. The issue was discussed during a meeting of the Council's Risk Management and Controls Assurance Group.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

10. See Appendix 1.

## **DETAIL**

11. The 'Key Line of Enquiry' within the Internal Control Section of the 'Comprehensive Performance Assessment' Use of Resources 2008 requires that 'Reports to support *strategic policy decisions* and *initiation documents for all major projects include a risk assessment*'.
12. It is accepted that officers already consider risk when developing and submitting committee reports. Primarily risks will be considered under the heading 'alternative options considered and rejected' although they may equally be considered under any of the other standard headings. During the course of recent risk management training sessions with members there was a consensus of opinion that, in many cases, it would helpful for committee reports to include a more explicit reference to the key risks attaching to the issue or proposal in question.
13. Enquires have confirmed that there is no consistent approach to 'reporting risk in committee reports'. A range of different approaches have been taken by other local authorities with varying degrees of success in terms of key

risks being reported. It is not therefore possible to simply apply a 'good practice template'.

14. In terms of major projects, the Council's 'Project Management Guidelines' recognise that one of the 'critical success factors' in relation to projects is to ensure that there is active management of risk. One of the key outputs from the development of the 'Project Initiation Document' ('PID') is a 'risk log' and associated risk assessment. The risk log is based on the identification of 'the barriers (risks) to successful delivery of the project'. The guidance and associated methodology applies to projects although it does recognise that 'the requirements can be scaled down in certain areas to ensure that they are not too onerous or unworkable for smaller projects'.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

15. None.

### **Revenue**

16. None.

### **Property**

17. No specific property implications have been identified in this report.

### **Other**

18. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

19. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

### **Other Legal Implications:**

20. None.

## **POLICY FRAMEWORK IMPLICATIONS**

21. None.

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Option Appraisal document
----	---------------------------

**Documents In Members' Rooms**

1.	None.
----	-------

**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the  
Access to Information  
Procedure Rules / Schedule  
12A allowing document to be  
Exempt/Confidential (if  
applicable)

1.	None.	
----	-------	--

**Background documents available for inspection at:** N/A

E-mail: [peter.rogers@southampton.gov.uk](mailto:peter.rogers@southampton.gov.uk)

---

**FORWARD PLAN No:** N/A

**KEY DECISION?** N/A

---

**WARDS/COMMUNITIES AFFECTED:**

NOT APPLICABLE

---