

<b>REPORT TITLE</b> ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS	
<b>REPORT OF</b> FINANCIAL ADVISER	
<b>FOR SUBMISSION TO</b> AUTHORITY MEETING	<b>DATE</b> 11 FEBRUARY 2009
<b>1. SUMMARY OF REPORT</b>  This report comes to the Authority as the 'relevant body' under the Accounts and Audit Regulations 2003 with responsibility for risk management and governance arrangements.  The report provides a brief six-monthly review of the arrangements for dealing with matters of risk management within the Authority and highlights further action planned for the remainder of the year.	
<b>2. RECOMMENDATIONS</b>  The Authority is requested to note the contents of this report.	
Signed by the Financial Adviser: .....	
Date: .....	

### **3. Introduction**

- 3.1 At its meeting on 25 June 2008 the Authority considered an annual review of the risk management arrangements within the Authority. As a consequence, Members agreed the revisions that had been made to the risk register and noted the planned activity that would help strengthen the Authority's approach to managing risk particularly in relation to ensuring compliance with the Accounts and Audit Regulations 2003.
- 3.2 Compliance with the Accounts and Audit Regulations 2003 (the Regulations) is an important driver to ensure that the Authority adopts a robust approach to the identification and management of risk. The Regulations require the Authority to ensure that its financial management is adequate and effective and that it has a sound system of internal control that facilitates the effective exercise of its functions. This includes arrangements for the management of risk. The Regulations require the Authority to review at least annually the effectiveness of its systems of internal control and to include an annual Governance Statement within the Authority's published accounts. The latter will be reported to the Authority at its June Meeting. In recent years it has become the practice for the Authority to consider a six-monthly review at this time of the municipal year.

### **4. Review of Risk Management**

- 4.1 The risk register has been formally reviewed. Although there have been a number of developments which will all favourably contribute towards the management of risk they have not altered the risk factor scores previously reported and agreed by the Authority. Many actions are ongoing and a definitive revised position will be brought to Members in June as part of the annual review. The current risk register is attached at Appendix A.
- 4.2 Members will be aware from the risk register that there are number of inter-linked key risk areas dealing with the implementation of the North London Joint Waste Strategy (NLJWS), meeting the requirements of the Landfill Directive, the procurement process and support arrangements to the Authority. In October the Authority agreed its application to DEFRA with a view to securing Government funding through the Private Finance Initiative. The Authority's submission is currently being reviewed and a response is expected in the Spring.
- 4.3 The Authority is also proposing at today's meeting to establish revenue and capital budgets that should be sufficiently robust and flexible to underpin the requirements of the procurement process over the coming year. This is an important step for the Authority and demonstrates the ongoing commitment to meet the requirements of the Landfill Directive.
- 4.4 The Authority is continuing to liaise with individual boroughs at both an officer and Member level and this will need to continue to ensure that the NLJWS can be delivered in good time to meet the Government's statutory requirements. With this in mind Members agreed at the December meeting to

enhance the Governance and support arrangements to the Authority and this too has been accommodated in the proposed 2009/10 draft budget elsewhere on this agenda.

- 4.5 The North London Joint Waste Strategy has been the subject of a Strategic Environmental Assessment (SEA) review and the formal adoption process has been completed by all but one of the NLJWS partners. This is a key requirement of the PFI process.
- 4.6 The Authority has established a separate procurement risk register so that it will be able to track and accurately manage the identified risks associated with a large-scale procurement project. The first stage has been to prepare a Procurement Programme Risk Register. This is attached at Appendix B and dovetails with the Authority's overarching risk register which deals with all aspects of the Authority's broader risk profile. Further work will need to be undertaken to ensure that the two registers are interwoven.
- 4.7 Over the past six months, Deloitte & Touche, the Authority's External Auditor, completed their work on the Authority's 2007/08 Statement of Accounts and the 2007 Best Value Performance indicators both of which have obtained unqualified audit opinions.

## 5. **THE WAY FORWARD**

- 5.1 The intention is to build upon the current systems and controls by ensuring that they remain sufficiently robust to alert officers and Members to issues and problem areas. Integral to this will be the need to ensure that a risk aware culture remains embedded in the Authority's culture.
- 5.2 The attached risk register identifies the actions that will be undertaken in the coming period and these will be continuously monitored.

## 6. **COMMENTS OF THE LEGAL ADVISER**

- 6.1 The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

### **Local Government Act 1972 - Section 100 as amended**

Risk Register

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## Appendix A

### Scoring mechanism as used in the NLWA Overarching Risk Register to establish a risk score for each category of risk.

Using a simple 'risk matrix' is a standard industry method of achieving an overall measurement of risk. By taking account of the impact of the risk (the severity of the event) and the likelihood of it occurring, it is possible to produce an overall assessment using a score of 1 to 5 (e.g. major impact x almost certain is  $5 \times 5 = 25$ ).

Using this scoring, the full risk matrix is as follows:

LIKELIHOOD	Almost certain	5	10	15	20	25
	Very Likely	4	8	12	16	20
	Likely	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Very Unlikely	1	2	3	4	5
		Insignificant	Minor	Significant	Serious	Major
		IMPACT				

The scoring will need to take account of existing control measures that are in place and are operational in order to focus on what further action may be necessary. The controls will need to be evidenced to support your decision making.

On completion of the risk matrix, you will need to consider the appropriate action in relation to the risks identified.

- **Risk Factor 15 or greater**

You **must** take action to control risks scoring 15 or more and report them to your line manager for possible inclusion in the departmental or, depending on the scale of the risk, even corporate risk register.

- **Risk Factor 8 – 12**

You should consider what action to take in order to reduce risks in this category and this could include changing control procedures, considering insurance measures, or changes to working methods, etc.

- **Risk Factor 6 or under**

If the risk falls into this category there may be no need for immediate action, but keep them in mind, as they may escalate. If the potential solution is low cost and easy to achieve, it should be undertaken in any event.