

REPORT TITLE ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS	
REPORT OF FINANCIAL ADVISER	
FOR SUBMISSION TO AUTHORITY MEETING	DATE 25 JUNE 2008
1. SUMMARY OF REPORT 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 an annual 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.	
2. RECOMMENDATIONS The Authority is requested to note the contents of this report and approve the changes to the risk register.	
Signed by the Financial Adviser:	
Date:	

3. Introduction

- 3.1 At its meeting on 27 June 2007 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. The Authority received a six-monthly review at its February meeting, noted the progress that had been made and agreed an updated risk register.

4. Annual Governance Statement 2007/08

- 4.1 Compliance with the Accounts and Audit Regulations 2003 as amended (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 is a new requirement for 2007/08 and replaces the previous requirement to include an Annual Statement of Internal Control in the Statement of Accounts. Although the new Statement is intended to recognise that governance has a broader coverage that embraces internal control, the scope and content of the Governance Statement is very similar to the former Internal Control Statement. The Authority's Governance Statement is included in the draft 2007/08 Statement of Accounts found elsewhere on this agenda.

5. Review of Risk Management

- 5.1 The risk register has been formally reviewed and updated to reflect developments and actions taken since January 2008 (Appendix A). Although there have been a number of developments which will all contribute towards the management of risk they do not materially alter the risk factor scores reported in January 2008. With the exception of risk no 4 – Procurement Process - no changes have been made to the risk factor scoring.
- 5.2 Members will be aware from the risk register that there is a 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.
- i) Over the past year the Authority, under the leadership of a new Procurement Director has established an in-house project team that will work with external consultants to implement the procurement strategy. As a consequence, work is currently underway to prepare an Outline

Business Case with a view to securing Government funding through the Private Finance Initiative (PFI).

- ii) The importance of the project has been further recognised by the Authority decision, as supported by constituent councils, to establish revenue and capital budgets in 2008/09 that should be sufficiently robust and flexible to underpin the requirements of the procurement processes 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.
- iii) The Authority is continuing to liaise and engage with senior officers and Members of partner authorities as work on the procurement project intensifies. Again, and quite apart from being best practice, this is also a key requirement of the PFI process. This will need to continue so that the NLJWS can be delivered in good time to meet the Government's statutory requirements.
- iv) The importance of the procurement decisions to come has been further recognised by the decision of all constituent councils to nominate senior councillors to the Authority for the new municipal year.
- v) Work by the constituent councils in their separate capacity as planning authorities to prepare a Joint Waste Development Plan Document for the NLWA area, now has real momentum. Although the Planners must operate independently of stakeholders (such as the Authority) this is also an important development which may assist the Authority in identifying and securing sites for its new waste facilities.
- vi) The North London Joint Waste Strategy has also been the subject of a Strategic Environmental Assessment (SEA) review. This has resulted in the preparation of a SEA Environmental Report that has been agreed by all partner authorities and issued for public consultation. Once adopted by all partners the Authority will meet one of the key criteria for securing PFI funding.
- vii) 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 project 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. In due course the Authority will also prepare a contracts risk register for the procurement project.

5.3 During the year Deloitte & Touche, the Authority's External Auditor, completed their work on the Authority's 2006/07 Statement of Accounts and the 2007 Best Value Performance Plan both of which obtained unqualified audit opinions. This work included a review of the Authority's systems of internal control and risk management arrangements and to this end the

Auditors were satisfied with the systems and checks and balances that the Authority has in place.

6. **THE WAY FORWARD**

6.1 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.

6.2 The attached risk register identifies the actions that will be undertaken in the coming period and these will be continuously monitored.

7. **COMMENTS OF THE LEGAL ADVISER**

7.1 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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Scoring mechanism as used in the 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.