

REPORT TITLE	
HALF-YEARLY REVIEW OF RISK MANAGEMENT ARRANGEMENTS	
REPORT OF	
FINANCIAL ADVISER	
FOR SUBMISSION TO	DATE
AUTHORITY MEETING	6 FEBRUARY 2008
1. SUMMARY OF REPORT	
<p>This report comes to the Authority as the 'relevant body' under the Accounts and Audit Regulations 2003 with responsibility for risk management arrangements.</p> <p>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.</p>	
2. RECOMMENDATIONS	
<p>The Authority is requested to note the contents of this report and approve the changes to the risk register.</p>	
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.
- 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 Statement on Internal Control within the Authority's published accounts. The latter will be reported to the Authority at its June Meeting. However, in the interim, this report provides a six-month review of progress since the annual review in June.

4. REVIEW OF RISK MANAGEMENT

- 4.1 The risk register has been formally reviewed and updated to reflect developments and actions taken since June 2007 (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 June 2007 and therefore no changes have been made to these.
- 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. Work is currently underway to prepare an Outline Business Case with a view to securing Government funding through the Private Finance Initiative. 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 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. The Authority is continuing to liaise with partner authorities at both at 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.
- 4.3 Work by the constituent boroughs 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.

- 4.4 The in-house procurement team that will be working with the external consultants has now been determined and steps are being taken to fill these posts.
- 4.5 The External Auditors have completed their work on the Authority's 2006/07 Statement of Accounts and the 2007 Best Value Performance Plan both of which have 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.

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 is embedded in the Authority's culture.
- 5.2 The Authority is about to embark on a major procurement exercise and therefore understanding and managing risk will be of paramount importance. As a result it has been concluded that there is a need to establish a separate risk and more detailed register that will be able to track and accurately manage the identified risks associated with a large-scale procurement project. With this in mind a workshop with key Authority officers and external consultants will be meeting on 2 February 2008 to identify and allocate key risks to the procurement project. The intention will be to produce an over-arching risk register and to report this to the Authority at a future meeting.
- 5.3 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 on 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.