
MANAGEMENT BOARD

Risk Management Update

Paper from the Head of the Office of the Chief Executive (and SRO of the Risk Management Programme)

Purpose of Paper

1. This paper updates the Management Board on the programme to embed risk management across the House Service and also on the initial findings of this year's review of the system of risk management by Internal Audit.

Action for the Board

2. The Board is asked to:
 - a. note the initial findings of the Internal Audit review (para 5);
 - b. agree to the closure of the Risk Programme Board (para 7);
 - c. note the proposed next steps for the Corporate Risk Management Team (CRMT) (para 8);
 - d. note the proposed timetable for response to the final Internal Audit report (para 9).

Consultation

3. The Risk Programme Board have been consulted regularly about the progress of risk management and agree with the aim in para 7 of moving to formal programme closure.

Update on the Risk Management Programme

Background

4. The Management Board agreed in June 2011 that the existing risk project board be re-established as a programme board to provide oversight to CRMT in implementing the management actions from the 2010/11 Internal Audit review. The overall aim of the programme board was to provide direction and support to the CRMT up until March 2012, with the intention of winding up the programme

(the deadline agreed by the Management Board) and giving a close-down report to the Management Board after the next Internal Audit review of the risk management process.

Internal Audit Report Initial Findings

5. The annual Internal Audit review of risk management, by the Director of Internal Audit, has now taken place and a draft report issued to the Audit Sponsor (the Head of the Office of the Chief Executive) in April 2012 for discussion to agree factual accuracy and implications of the findings. A final report is yet to be issued. The Board will be pleased to note that the draft report acknowledges the significant progress made during 2011/12 in developing and embedding the system of risk management in the House, reflected in the assurance opinions of “substantial” on the design of the risk management system and “moderate” on the operating effectiveness of the system and controls in place. The draft report notes a “step change” in assurance levels since the last Internal Audit in April 2011. This is a positive outcome and reflects the hard work undertaken by the CRMT, with the Programme Manager and the Programme Board, to ensure it delivers and embeds a system of risk management system which adds value to and is appropriate for the House Service.
6. The draft Internal Audit report does however reiterate criticisms. It raises concerns that the real benefits of the system - namely the systematic review and challenge of how risks are being mitigated - is limited, and the links between decision-making and risk outcome have yet to be fully embedded. The draft report finds little evidence to show that managers are using risk management to inform decision-making and resource allocation. The report also notes some disparity between the reporting of risks and the reporting of performance. These issues will need to be taken forward once the final report and appropriate management action plans are agreed. The final report is expected later this month.
7. **In light of the progress made, the Board is asked to approve the formal closure of the Risk Programme board in line with the timetable agreed by the Board in June 2011.** Any management actions arising from the 2011/12 Internal Audit review will be taken forward as business as usual by the CRMT

and the Head of the OCE. The team will continue to use a project methodology to maintain momentum, but subject to the Board's approval, a closure report will be issued to and agreed with the Risk Programme Board, after which the board will formally be disbanded. The SRO of the programme would like to record his thanks to members of the Programme Board for their support and challenge.

Next Steps for the CRMT

8. To maintain the impetus gained by the programme, the CRMT will continue to use a project methodology to add rigor to our "BAU" activities, reporting to the Head of the Office of the Chief Executive as appropriate. The CRMT will use the findings of the Internal Audit report to focus on improving the operating effectiveness of the risk system and controls in place, to ensure that:
 - a. the right risks across the House service have been identified and properly assessed with appropriate control frameworks in place to manage those risks;
 - b. all areas of the business comply with the risk template by July 2012;
 - c. the two specialist areas of risk management (business continuity and health and safety) continue to work closely with the CRMT to ensure an appropriate flow of information between the various risk facilitators;
 - d. Project and Programme Risks are assessed consistently - this will involve further close working with the Portfolio Office;
 - e. work continues on improving relationships with colleagues in the House of Lords and PICT;
 - f. the escalation of red risks is working. The CRMT are aware that no red risks are being escalated up the Single Platform risk management model for review by the Management Board;
 - g. staff are using the risk management process to manage from a 'risk perspective' and that risk registers are routinely being used and key risks discussed at, for instance, team meetings. This emphasis on managing from a 'risk perspective' will be re-enforced by the new training module designed by the CRMT and our training partner (Maven training) to help middle and senior managers make critical links between the risks they manage and the business objectives they are trying to achieve. We have

already had a positive response to this course and it is expected that all senior managers will attend.

9. A full response and management action plan will be developed once the final Internal Audit report is available. This will be shared with the Management Board at its July meeting and, subject to the Board's approval, reported to the Audit Committee in October 2012. The Audit Committee will also have sight of the final report on risk management in June but without the full management response and agreed action plan.

Matthew Hamlyn

May 2012