Background and introduction

1. At its last two meetings the National Audit Committee has received presentations from the Chair of the Risk Management Board and a Regional Director on the management of risk in the LSC. The Committee has also considered the findings of the Internal Audit review of risk management undertaken in the third quarter of 2007/08. This review provided ‘restricted assurance’ over the LSC’s risk management processes. The Committee determined to report to National Council its concerns on the management of risk within the LSC.

Purpose

2. This paper informs National Council of the concerns of the Audit Committee on risk management within the LSC.

Recommendation

3. National Council is asked to comment on the concerns of the Audit Committee and request management response to the issues raised.

Key points/issues

4. The National Audit Committee has received regular updates on risk management within the LSC. These have been primarily through the Chief Internal Auditor’s Quarterly Reports. Because of the Committee’s ongoing concerns it has requested and received briefings at its last two meetings from the Chair of the Risk Management Board and a Regional Director on the management of risk nationally and regionally in the LSC. The Committee has also considered the findings of the 2007/08 Internal Audit review of risk management which provided ‘restricted
assurance’. The Committee notes that the Risk Management Board has accepted the conclusions of the report and provided management responses.

5 The Committee is concerned that consistent risk management and the reporting of risk and mitigation is not yet embedded across the LSC. National risks are identified through the Risk Management Board. Regional/Group risks are identified within each Region and Group. The Committee considered that there was poor communication between the Risk Management Board and Regions/Groups so that Regional/Group risks do not take account of identified National risks. Similarly the identification of National risks does not reflect risks emerging from Regions and Groups. The Committee considers that an improved process to join up the National and Regional/Group tiers of risk management is required. The Risk Management Board should be repositioned to act as the conduit between the National and regional tiers and to act as the filter in determining the key risks.

6 The Committee noted that Regional/Group Management Teams and Regional Audit Committees receive reports on risk management within their own areas of activity. However, the Committee is concerned that summary reports across the LSC are not considered at this level or with sufficient frequency by Management Group and National Council.

7 The Committee received a presentation on risks within one Region. The Region had identified 11 ‘high level risks’ of which five were red and six were amber. The Committee were concerned that the number of red risks is too high and that this diffuses effort from addressing the fundamental risks facing the LSC. If this position is replicated across each Region and National Office Group then it is likely that:

- The top three to five risks across the LSC are not being consistently defined and managed
- Some Regions and Groups may not have identified the top risks facing the LSC and are not managing these at all.

8 The Committee considers that the identification of a lower number of high level risks would facilitate a more robust and coherent set of mitigations that could be communicated more widely. As a precursor to this, the top three risks to the LSC should be identified and mitigating actions at National, Regional/Group level be summarised for Management Group and National Council.

9 The Committee considers Train to Gain to be one of the 2 or 3 top current risks to the LSC. The committee is concerned that while risks might be managed at an operational level, the risk to the LSC, at the highest level, around DIUS expansion of the scheme and its overall fitness for purpose had not been fully considered.

**Clearance**

10 The paper has been cleared by Bryan Gray, Chair of the National Audit Committee.

**Legal implications**

11 There are none.
Financial implications

There are none.

Paper creator: Bryan Gray