



**ESPO MANAGEMENT COMMITTEE – 7 MARCH 2013**

**AGENDA ITEM NO. 7**

**ANNUAL REVIEW OF ESPO'S ORGANISATIONAL APPROACH TO  
RISK MANAGEMENT AND GOVERNANCE**

**JOINT REPORT OF THE DIRECTOR, THE CONSORTIUM SECRETARY  
AND CONSORTIUM TREASURER**

**Purpose of Report**

1. This report is to provide an annual review of ESPO's approach to risk management and governance.

**Background**

2. The progress report of the Interim Director presented on 2 March 2012 included an updated Risk Management Statement.
3. This clarified the role of the Management Committee in the risk management process; paragraph 6 of Appendix 1 refers.

**Governance**

4. The Legal & Governance Work-stream have produced a final draft of the proposed Consortium Partnership Agreement and the Constitution. Both documents have been referred to the Management Committee for approval and appear elsewhere on the agenda for this meeting.
5. Appendix 1 sets out the bodies and individuals responsible for implementing ESPO's organisational approach to risk management and governance, including the role of the Management Committee, the Director, the Senior Management Team, Group Buyers and Senior Buyers.

**Risk**

6. The current ESPO Risk Management Statement has been reviewed and is attached at Appendix 1. There have been no material changes to this document since it was last presented to members.
7. The Corporate Risk Register is a working document and needs regular monitoring. The Corporate Risk Record is attached at Appendix 2, and an example of a Major Risk Record (MRR) is shown in Appendix 3. The key updates to the Corporate Risk Record are:
  - Financial Vetting

- Competition from other Public Sector Buying Organisation's
  - GPS pressure re rebate income
8. Members will be aware that on 25 June 2012, ESPO's Interim Director brought to their attention ESPO's collaboration with the Government Procurement Service (GPS). This had been identified as a major issue in relation to rebate income and members were advised that a Memorandum of Understanding was being prepared.
  9. A Memorandum of Understanding has now been signed. In addition, and of more significance, is the umbrella agreement now in place, which protects ESPO's rebate income streams from the negative consequences of ministerial change and/or central Government policy.
  10. The Corporate Risk Register is reviewed by SMT on a quarterly basis. Any increased risk, or new risk identified that could have a material impact on ESPO's business, will be reported to the Management Committee.

#### **Annual Review of Effectiveness**

11. The Management Committee is responsible for reviewing the effectiveness of internal control of the Organisation, based on information provided by the Director, the Consortium Treasurer and auditors.
12. The Director will prepare a report of his review of the effectiveness of the Organisation's internal control system within the Annual Statement of Accounts which is intended to be presented to the Management Committee for consideration and approval in June 2013.

#### **Resources Implications**

13. None

#### **Recommendation**

14. Members are asked to approve the Risk Management Strategy set out at Appendix 1 to this report.

#### **Equal Opportunities Implications**

15. None

#### **Risk Assessment**

16. This report and its appendices set out ESPO's approach to risk management.

#### **Officer to Contact**

Mr J Sinnott – Consortium Secretary (Tel: 0116 305 6000)  
 Mr B Roberts – Consortium Treasurer (Tel: 0116 305 7831)  
 Mr J Doherty - Director (Tel: 0116 265 7931)

**Appendices**

- Appendix 1 - Risk Management Statement
- Appendix 2 - ESPO Corporate Risk Register
- Appendix 3 - Example Major Risk Record

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