

Non-Executive Report of the: Audit Committee 14 November 2019	
Report of: Neville Murton- Corporate Director	Classification: Unrestricted
Q2 Risk Management Update 2019/20	

Originating Officer(s)	Paul Rock – Head of Internal Audit, Fraud and Risk
Wards affected	All wards

Executive Summary

The report and appendices provide the Audit Committee with an update on risks on the Corporate Risk Register.

There are currently 14 corporate risks on the corporate risk register, of which four are red, five, are amber, four are yellow and one green RAG rated.

One new risk has been added since the last update in July. The Head of Internal Audit and Risk has also instigated a challenge to the Corporate and Directorate leadership to ensure risks (threats and opportunities) are accurately aligned to Council objectives.

The report enables the Audit Committee fulfil part of its functions as set out in the Committee's terms of reference item no. 8 – to review the Risk Management arrangements of the authority.

Recommendations:

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary.
2. Request risk owner(s) with risks requiring further scrutiny provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at its next meeting.
3. Ensure that an effective risk management framework is in place within the council and leading the council to be a risk mature, dynamic risk organisation.
4. Note that the Council has in place a formally approved risk

management strategy which is subject to annual review. The strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations in order to ensure opportunities are seized and delivered.

1. REASONS FOR THE DECISIONS

1.1 Risk Management reports are brought annually and quarterly to provide the Committee with an oversight of the authority’s processes to facilitate the identification and management of its significant business risks.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1

What is Risk Management	The following definition of risk has been adopted by the Council; “the effect of uncertainty on objectives”. Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. We define risk management as an uncertain event or set of events that, should it occur, will have a (positive or negative) effect on the achievement of our objectives.
How we manage risks	All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit by reducing their significance; either by reducing the level of impact, or making the risk less likely to happen. Over the last few years, the use of risk management as a tool in the public sector has gained strength as the appreciation of how risk management can be used as a technique for delivering an efficient and effective service to all its stakeholders. This is demonstrated in guidance issued by CIPFA / SOLACE, “Delivering Good Governance in Local Government”, which makes reference to the need for effective management of risks and suggest how authorities can use audit committees to support a framework for effective systems of internal control.
Risk management framework	The Council has developed a formal Risk Management framework and processes which are supported by the Risk Management and Audit team. This is part of the Council’s corporate governance process and contributes to its compliance with Financial Regulations and Procedures as well as the Accounts and Audit Regulations 2015. It is also a key part of the Council’s Annual Governance Statement which is approved by the Audit Committee in June each year.

Aims	<p>To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to;</p> <p>Implement and maintain a fluid process for the everyday management of risks relevant to our objective's, outcomes, services and assets;</p> <p>Improve the Council's risk management culture and transparent ownership of risks and issues; and</p> <p>Continue to meet the requirements of our external auditor and compliance providers.</p>
How are risk assessed	Assessment is made in terms of how likely a risk is to occur and what the consequences would be if they did.
Risk Classification	<p>Red (Severe) indicates that the risk is very significant and requires immediate and comprehensive management attention;</p> <p>Amber (Significant) indicates that the consequences of a risk materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan;</p> <p>Yellow (Material) indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning;</p> <p>Green (Low) indicates the likelihood and impact of the risk relatively unimportant.</p>
How we Manage Key risks	The Council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate reviews and updates the risks captured on their risk registers and add any new or emerging risks.
Process	<p>Each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner. New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Leadership Team meetings. Annually each Directorate is encouraged to undertake a full risk review in line with service and financial planning processes.</p> <p>Corporate risks are included within relevant Directorate and Divisional business plans and are also reported to Audit Committee. This reporting format ensures that the Council's risk management framework remains embedded and that reporting remains "live" across the organisation.</p>

	Further information on risk reporting can be found in the Council's risk management strategy.
Risk Champions group activities	The risk champions group at their monthly meetings examine and challenge risks on Corporate and Directorate risk registers. New and emerging risks are also considered.
New and emerging risks	Risks on the impact of a no deal agreement on leaving the European Union.
	At the 16 th October 2019 there are 440 identified active risks on the Council's risk register. They are 771 mitigating actions to treat the identified risks.

The table below is a breakdown of the number of corporate risks by directorate for quarter 2, 2019/20.

Directorate	Grand Total	4	9	12	15	16	25
		Manageable	Material	Significant	Significant	Severe	Severe
HAC	3	1	1	0	1	0	0
CCD	2	0	0	0	0	0	2
PD	3	0	1	0	2	0	0
GD	0	0	0	0	0	0	0
Resources	6	0	2	2	0	2	0
Total	14	1	4	2	3	2	2

Table 2. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate
CCD – Children's and Culture directorate
PD – Place Directorate
GD – Governance directorate
Resources – Resources directorate

The Council's strategic priorities detailed within the Corporate Strategy are as follows:

- **Priority 1: People are aspirational, independent and have equal access to opportunities.**

Outcome: People access a range of education, training, and employment opportunities.

Outcome: Children and young people are protected so they get the best start in life and can realise their potential.

Outcome: People access joined-up services when they need them and feel healthier and more independent.

Outcome: Inequality is reduced and people feel that they fairly share the benefits from growth.

- **Priority 2: A borough that our residents are proud of and love to live in.**

Outcome: People live in a borough that is clean and green.

Outcome: People live in good quality affordable homes and well – designed neighbourhoods.

Outcome: People feel safer in their neighbourhoods and anti-social behaviour is tackled.

Outcome: People feel they are part of a cohesive and vibrant community.

- **Priority 3: A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.**

Outcome: People say we are open and transparent putting residents at the heart of everything we do.

Outcome: People say we work together across boundaries in a strong and effective partnership to achieve the best outcomes for our residents.

Outcome: People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

Number of Risks associated with corporate Priorities	
People are aspirational, independent and have equal access to opportunities.	2
A borough that our residents are proud of and love to live in.	2
A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.	10
Total	14

4. EQUALITIES IMPLICATIONS

- 4.1 The primary objective of Equality Impact Assessments (EIAs) is to determine the differential impact of a proposed policy, service or business activity and obtain a profile of how it affects different community groups.
- 4.2 Identifying risks and measures that might be employed to mitigate adverse impact is a crucial part of the EIA process.
- 4.3 In order to facilitate mainstreaming of the monitoring and control of identified EIA risks as best practice, departments should include the identified risks and controls measures in the Corporate Risk Register.
- 4.4 Risk owners should be aware of equality implications when delivering the control measures.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 An ineffective audit committee could result in inadequate governance, risk and control arrangements remaining unchallenged, resulting in increased risks of fraud, waste or error and the potential for adverse criticism from the external auditor or other agencies. Full management of the Council's top risks (corporate risks) will allow for effective decisions to be made across the Council's business.
- 5.2 Risk management plays a key role in the civil contingencies bill. The Council has a responsibility to ensure it manages its risk effectively to reduce the risk of incidents affecting the safety of the community.
- 5.3 Environmental issues are at the forefront of decision making, this means that risk owners should only be agreeing to control measures that are environmentally friendly.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no specific financial implications arising from the recommendations within this report. General comments with regards the importance of effective risk management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The management of risk has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy efficiency and effectiveness. Therefore, the consideration of this report demonstrates the Council's compliance with its Best Value Duty.
- 7.2 The Council is also legally required to ensure that it has a sound system of internal control facilitating the effective exercise of the Council's functions. This includes arrangements for the management of risk and an effective

system of internal audit. This report also demonstrates compliance with these legal duties also.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports

NONE

Appendices

Appendix 1 – Corporate Risk Register

Appendix 2 – Risk Management Strategy 2015 – 2020

Appendix 3 – Corporate Risks detailed summary update

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report

NONE

Officer contact details for documents:

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