

RISK MANAGEMENT UPDATE

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1

Reason for Report

1. To inform the Audit Committee of the action being taken to improve the risk maturity of the Council in 2016/17.
2. The Terms of Reference of the Audit Committee requires members to 'monitor and scrutinise the effective development and operation of the risk management arrangements within the Council'.

Background

3. Building on existing arrangements it is vital that the Council now ensures that risk management is embedded in the governance of the Council. The embedding of risk management will assist in creating a culture where:
 - managers at all levels recognise that risk management is part of their job;
 - corporate business processes demonstrate clear consideration of the level of risk that the Council is prepared / not prepared to carry.
4. During the summer, officers from across the Council participated in a review of 'risk maturity'. This review identified that the Council has a number of the characteristics of a 'risk-defined' risk maturity level but also a number of those classified as 'risk aware'. The Risk Maturity Characteristics are recorded in Appendix A.
5. As a result, attention is now being given to ensuring that there are no gaps in risk management processes and systems whilst working towards effectively defining our Corporate Risk Appetite. This logical and structured approach to improving risk management now requires greater assurance over the assessment of risks, and the formal definition of a Corporate Risk Appetite.
6. Having a defined risk appetite will enable officers and members to understand the level of risk that can be accepted in decision making and those areas where further attention is required. This will reduce vulnerabilities and work towards the vision of embedding risk management in decision making and ensuring that it is a key part of organisational thinking.

Issues

7. In order to take forward the Council's Risk Management approach the following work needs to be delivered:
 - Record and report the Council's Corporate Risks on a 'Risk Map';
 - Validate the risk ratings in the Corporate Risk Register / Map;
 - Identify and define the Council's Corporate Risk Appetite.

Risk Mapping

8. A Corporate Risk Map (Appendix B) has been produced to present a clear picture of the current management of corporate risks at the quarter one position 2016/17.
9. The Corporate Risk Map was reported to the Senior Management Team (SMT) on 13th September 2016, at which time the usefulness of the approach was discussed.
10. The Corporate Risk Map records the position of the Director-assessed residual risks on the council's standard risk matrix template, in consideration of the likelihood and consequence of the risk event.
11. A second dimension has been added to the Corporate Risk Map, to connect the risk score and the risk appetite this represents. The alignment of residual risk to risk appetite is as follows:
 - Red risk represents 'Hungry' risk appetite;
 - Red / Amber risk represents 'Open' risk appetite;
 - Amber Green risk represents 'Cautious' risk appetite;
 - Green risk represents 'Minimalist' risk appetite;
 - Below Green represents 'Averse' risk appetite.

Validating Risk Ratings

12. In order to have a high degree of confidence over the positioning of residual risks on the Corporate Risk Map a process has been established to provide greater assurance of the residual risks on the Corporate Risk Register.
13. A work instruction and guidance toolkit has been produced by the Information Governance and Risk Team, and this will be issued to each Director prior to the mid-year 2016/17 update. This provides a systematic and methodical approach to reviewing risks, the effectiveness of their assessment and controls.
14. At the end of Quarter 2, Directors will be asked to reconsider their residual risk score using the risk management work instruction and guidance outlined above. This will provide greater assurance on the positioning of each risk on the Corporate Risk Map.

Risk Appetite

15. In Quarter 3 2016/17 the Information Governance and Risk Team will engage with each Director to help inform the development of a Corporate Risk Appetite for the Council.

16. The approach will involve use of scenario questions, to identify the level of risk that is considered acceptable in decision making, whilst also understanding the position of risks on the Corporate Risk Map and the Council's risk tolerance.

Legal Implications

17. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and consequently successful claims against the Council may be avoided altogether, or reduced.

Financial Implications

18. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

Recommendation

19. The Audit Committee should note the Risk Management update, the approach to developing a Corporate Risk Map and defining a Corporate Risk Appetite, and to use the report to inform their future Work Programme.

CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix A - Risk Maturity Characteristics

Appendix B – Corporate Risk Map – Quarter One Position (2016/17)