

AUDIT COMMITTEE: 30 November 2015

RISK APPETITE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.2

Reason for this Report

1. To inform the Audit Committee about the work ongoing to develop of a corporate risk appetite.

Background

2. An Internal Audit report on risk management arrangements identified effective risk management structures and reporting, but recommended that the risk appetite of the Council is formally defined. This action was considered and agreed by the Risk Management Steering Group.
3. To assist in the development of a corporate risk appetite, a risk management briefing paper (Appendix A) has been prepared. This is to support the completion of a risk assessment task (Appendix B), by the Senior Management Team and the Risk Management Steering Group.
4. The task includes ten questions on the risk appetite in Cardiff Council, the answers to which will help inform the Cabinet on a wide range of key stakeholder views in setting a corporate risk appetite.

Issues

5. The Risk Management Policy, Strategy and Methodology outlines the importance of a risk appetite in identifying the level of risk the Council is prepared to tolerate before it takes protective action. Risk measurement and management tools are corporately available, but decision making could be further supported by a defined risk appetite position.
6. Through a risk spectrum, decisions on risk management could theoretically range from being 'risk averse', where avoidance of risk and uncertainty is a key organisational objective, to being 'hungry', where options are chosen which offer the potential for higher business rewards but greater inherent risk.

7. In the current economic climate, the Council is required to make decisions which contain increasing inherent risks. At a time when difficult decisions have to be made it is essential that risks are considered on a consistent basis across the Council.
8. The establishment of a formal risk appetite can support Officers and Members in the application of the existing risk management framework. It will support them in their decision making considerations and rationale, and help to provide a balance between consideration of opportunities for innovation and change and risk exposure.
9. The findings of the risk appetite task will be collated and analysed, and the Audit Committee may be asked for input prior to a position paper / recommendation being provided to Cabinet.

Reasons for Recommendations

10. The Audit Committee has responsibility to monitor and scrutinise the effective development and operation of the risk management arrangements within the Council.

Legal Implications

11. There are no direct implications arising from this report.

Financial Implications

12. There are no direct implications arising from this report.

Recommendations

13. The Audit Committee to note the risk appetite briefing.

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The following Appendices are attached:

Appendix A - Risk Appetite Briefing Paper
Appendix B - Risk Appetite Task

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