

CORPORATE RISK MANAGEMENT - QUARTER 1 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: **XX**

1. To update and inform the Audit Committee of the risk management position following the Risk Management Review - Quarter 1 2017/18.
2. The Audit Committee's Terms of Reference sets out their responsibility:
 - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
 - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

Background

3. Audit Committee receives an update of each Risk Management Review, and an opportunity to raise comments each financial quarter. The last Audit Committee review was on 20 June 2017, at which time the Risk Management Review - Quarter 4 2016.17, was presented.
4. There are two tiers of risk registers which make up the Quarterly Risk Management Review process. Each Directorate holds a Directorate Risk Register (DRR), and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The purpose of each tier of risk register is as follows.
 - The CRR records the main risks to the delivery of corporate objectives and priorities. It is used to identify, monitor and manage the key risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind.
 - The DRRs record the key risks that each Directorate needs to monitor and manage in order to effectively deliver their functions and discharge their responsibilities.
5. A systematic risk escalation process commenced in quarter 4 2016.17. Through this process, directorate and corporate risks are identified, reviewed, assessed and reported each quarter, with the extent of reporting and review based on the risk rating.
6. The risk escalation process is included in Appendix A for reference, whereby each Director is required to personally review all residual (current) risks rated as 'red/amber' and above and, at a minimum, to escalate all 'red' residual risks to Senior Management Team (SMT) for collective review.
7. An important principle is that the quarterly risk escalation arrangements set the minimum risk reporting requirements at each financial quarter end. Directors are responsible for escalating risks which require SMT awareness and discussion at any point. At times

when significant potential risks materialise quickly, Directors are responsible for expediting risk discussions in SMT without waiting for the next quarterly reporting cycle.

8. Once risks are escalated, SMT determine if any changes are required to the CRR and when the CRR is updated, the remaining escalated risks continue to be held on Directorate Risk Registers (DRR). These are reported to SMT each quarter, until they are approved for de-escalation.

Issues

9. Each Director has worked with their Risk Champions in undertaking the Quarter 1 Risk Management Review. The Risk Management Team has also liaised with both the Risk Champions and Senior Management and has provided advice and guidance on the measurement and reporting of risks.
10. Officers have followed up on the matters raised in the Audit Committee meeting in June 2017. Following which :
 - The Director of Education and Lifelong Learning has acknowledged concerns raised about the adequacy of the secondary school provision, and concerns about meeting the needs of children with autism and special educational needs. Management have confirmed that these matters were incorporated into the Directorate's Risk Management Review – Quarter 1, with risks being managed through the risk management regime.
 - The Director, Communities, Housing and Customer Services and the Assistant Director, Commercial Services, have confirmed their coordination of fire risk assessments of all Council owned residential and operational buildings. In their Risk Management - Quarter 1 Review, they confirmed that independent consultants have been engaged and at the point of the Risk Management - Quarter 1 Review, with only a small number of operational building tests still in progress, have found no Aluminium Composite Material (ACM) products or foam based insulation, within the Council's property portfolio.
11. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 1 are detailed as follows.

Directorate Risks

12. At the quarter 1 position, 369 risks were reported from DRRs. Of these, the 13 previously escalated risks and 13 newly escalated risks were discussed in SMT on 15 August 2017.
13. A review of the escalated risks by SMT determined that, of the previously escalated risks, 4 risks no longer required reporting to them. This decision was made as 1 risk rating (regarding ICT vendor prices) had reduced to the satisfaction of SMT, and 3 further ICT risks were combined into a reframed risk which was duly escalated to SMT. This resulted in the decision for 24 directorate risks to continue to be reported, for their monitoring and review to SMT.

Directorate	Resources	City Operations	Communities, Housing & CS	Economic Development	Education & LL	Social Services	Governance & LS
Directorate Risks	131	42	61	93	20	14	8
Risks Escalated to SMT c/f.	7	5	1 (shared)	5 (1 shared)	3	1	1

Corporate Risks

14. SMT collectively reviewed each escalated risk, in consideration of nature of each risk and the potential impact on the organisation and its corporate objectives. From this review it was agreed that each of the escalated risks should continue to be managed at the directorate level the accountability, management and reporting should continue at a directorate level, with no further additions to the CRR merited.
15. There were 25 corporate risks in place prior to the Quarter 1 Risk Management Review. The review resulted in a stable position being reported by SMT, with no changes made to the risk ratings and no risk additions or removals made to the CRR.
16. The Corporate Risk Map is included in Appendix B, with the CRR summary and detailed versions included in Appendix C and D respectively.

Reason for recommendation

17. To enable the Audit Committee to monitor risk management arrangements, and consider the Risk Management Review - Quarter 1 2017.18.

Legal Implications

18. 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

19. 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

20. Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given in the programming of its work.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

- Appendix A** - Risk Management Quarterly Review Process
- Appendix B** - Corporate Risk Map - Q1 2017/18 Position
- Appendix C** - Corporate Risk Register – Q1 2017/18 Summary
- Appendix D** - Corporate Risk Register – Q1 2017/18 Detailed