



Audit and Standards Committee Agenda

Wyre Borough Council
Date of Publication: 17 July 2023
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**Audit and Standards Committee meeting on Tuesday, 25 July 2023 at
6.00 pm in the Council Chamber - Civic Centre, Poulton-le-Fylde**

1. Apologies for absence

2. Declarations of interest

To receive any declarations of interest from any members of the Committee on any item on this agenda.

3. Confirmation of minutes

(Pages 3 - 10)

To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 20 June 2023.

4. Member training - Cyber security

5. Member training - Data Protection Act/GDPR

6. Member training - The role of the External Auditor

Presentation given by Deloitte, the external auditors.

7. Update the Council's Risk Management Policy

(Pages 11 - 32)

Report of the Corporate Director Resources (Section 151 Officer).

8. Time and date of the next meeting

Tuesday 26 September 2023 at 6pm in the Council Chamber.

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Audit and Standards Committee Minutes

The minutes of the Audit and Standards Committee meeting of Wyre Borough Council held on Tuesday, 20 June 2023 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

Audit and Standards Committee members present:

Councillors Ibison, Bolton, Duffy, Higgs, Jackson, Leigh, Rendell, Sorensen, A Walker and Wells

Absent- apologies received:

Councillors Minto and Stirzaker

Absent- apologies not received

None.

Other councillors present:

None.

Officers present:

Clare James, Corporate Director Resources and Section 151 Officer
Joanne Billington, Head of Governance and Business Support
Karen McLellan, Audit and Risk Manager (and Chief Internal Auditor)
Dawn Allen, Audit, Risk and Performance Lead
Jane Collier, Human Resources Manager and Deputy Monitoring Officer
Daphne Courtenage, Democratic Services Officer
Paul Hewitson, External Auditor (Deloitte)
Stuart Kenny, External Auditor (Deloitte)

Officers absent- apologies received:

None.

One member of the public attended the meeting.

1 Election of Chair 2023/24

The Democratic Services Officer opened the meeting and asked for nominations for Chair.

Councillor Rendell proposed and Councillor Higgs seconded Councillor Ibison.

Following a vote, it was resolved that Councillor John Ibison was elected as Chair of the Audit and Standards Committee for 2023/24.

2 Election of Vice-Chair 2023/24

Councillor Ibison proposed and Councillor Rendell seconded Councillor Ken Minto.

Councillor A Walker proposed and Councillor Duffy seconded Councillor Wells.

Following a vote, Councillor Minto, in his absence, was elected as Vice-Chair of Audit and Standards Committee for 2023/24.

Members had a discussion around the future potential of opposition Vice-Chairs and whether the procedure rules could include asking nominees to give reasons as to why they should be elected as Chair and Vice-Chair. It was agreed that this would be suggested to the Leader by the Chair.

3 Declarations of interest

None.

4 Confirmation of minutes

The minutes of the meeting of the Audit Committee held on the 28 February 2023 were approved as a correct record by those in attendance.

5 Review of Effectiveness of Internal Audit

The Corporate Director Resources (S151 Officer) submitted a report to aid the committee in undertaking its required annual review of the effectiveness of the system of Internal Audit.

The Audit and Risk Manager (Chief Internal Auditor (CIA)) introduced the report. She explained to members that the Accounts and Audit Regulations (2015) and the Public Sector Internal Audit Standards (PSIAS) (2013) required local authorities to carry out an annual review of the effectiveness of Internal Audit. The purpose of this was that her audit opinion which was to be discussed at the next item, could be relied upon as a key source of evidence in the Annual Governance Statement. The CIA told members that an application note published by the Chartered Institute of Public Finance Accountants (CIPFA) contained a checklist which was used during this review to assist in measuring the performance to these standards. The review itself, completed by the Audit Risk and Performance Lead, was included in the agenda pack and would be independently validated during their next external peer review in July 2023. However, the completed document had been scrutinised by herself, the Head of Governance and Business Support and the Section 151 Officer.

The CIA told members that following the review, she could confirm that the

council was compliant with best practice and the PSIAS and that there were only four areas which were highlighted as requiring attention.

She asked the committee to consider the results of the review.

The committee considered the evidence that the council had an effective internal audit function.

6 Internal Audit Annual Report 2022/23

The Corporate Director Resources (S151 Officer) submitted a report for the committee to consider the Internal Audit Annual Report for 2022/23 (1 April 2022 – 31 March 2023) and review the progress in relation to risk management activity.

The Audit and Risk Manager introduced the report. She explained that this report was produced to meet the requirements of the PSIAS and the Accounts and Audit Regulations (2015). The report set out the progress made and the work carried out in relation to internal audit and risk management in the year 2022/23. Based on the outcome of the work, it would allow her to make an overall opinion in relation to internal control, risk management and the governance processes across the council. This would then be used as a key piece of evidence in the completion of the Annual Governance Statement.

She highlighted to members that pages 87-107 of the agenda pack detailed the reports completed in house by the Audit Team during 2022/23. For some of the work completed, no reports were issued but an opinion on the controls in these areas was given for the purpose of the overall annual audit opinion. She told members that copies of these reports could be found on the Internal Audit page on the Councillor Portal for the new members of the committee.

She also brought to the attention of members all the other work undertaken during 2022/23 detailed on pages 108 - 113.

She explained to members that the internal control system was a key element to the report, which could be found at page 114 of the agenda pack. In accordance with the Accounts and Audit Regulations, she was required to form an opinion on the adequacy and effectiveness of the council's internal control environment, based on the work completed during 2022/23. Pages 115-116 explained the opinions given to each piece of work completed as well as a summary of her annual audit opinion. She told members that only one piece of work had been given a minimal opinion, which related to the Theatres, and a further three areas of work were given a limited opinion. She reassured members that work would continue on these areas until the opinion was improved. One piece of work was still in progress, and two pieces of work had not yet been started and would be included in the 2023/24 audit plan.

The CIA said that with the exception of the work on the theatres and the procurement breach which had occurred in 2022, there had only been one other significant issue raised in her opinion, which related to the delay of the I

sign-off of the 2020/21 and 2021/22 accounts.

Following all the work detailed in the report, it was her overall opinion that reasonable assurance could be given on the adequacy and effectiveness of the council's governance and risk management processes. This meant that generally, there was a sound system of internal control, governance and risk management and that controls were in place and were generally being applied consistently. Recommendations had been made and these would improve the control environment.

The Audit and Risk Manager summarised the risk management progress report. She said that it comprised of the management of the council's strategic, operational and ICT risks. A strategic risk workshop had taken place in January 2023 and was attended by the Corporate Management Team and the then-Chair of the committee; she added that the new Chair was expected to attend these future workshops. Risks preventing the achievement of the council's business plan objectives were identified and rated, and the results of the workshop were included within the agenda pack at page 119. A copy of the risk register could be found on the Councillor Portal.

Operational risk workshops were also held following the strategic risk workshop, with each service identifying new risks that could prevent the achievement of their service plan objectives. The risk registers were not provided as part of this report, but a copy can be found on the councillor portal.

The ICT risk register was also included in the agenda pack at page 123, and was reviewed quarterly, with the last review occurring on 2 May 2023. The next review was scheduled for 1 August 2023.

Councillors raised the following questions around:

- How often the risk registers were updated and uploaded onto the Councillor Portal;
- Whether the council operated server back-ups as a control for ICT risks;
- ICT/cybersecurity reserves;
- Whether cybersecurity was the council's biggest risk;
- Whether fines for data breaches were included as part of the reserves;

Officers responded to the questions raised by members.

It was explained that the risk registers were updated quarterly, with a six monthly exercise for the operational risks. Depending on the actions for each risk, they had key implementation dates and were monitored through the GRACE system.

In relation to the ICT risks, it was explained that regular back-ups were completed. The Corporate Director Resources added that a report had been published recently that focused on improving the off-site storage solution, in the event of a cyberattack. She also explained that the ICT reserve was not just for cybersecurity. However it was a comfort knowing there was a reserve

in place with an associated five year plan for how the council would spend it to keep pace with changing technology. In order to maintain a certain level within the reserve, a top-up was scheduled for year-end which would come to committee in the autumn. The Corporate Director Resources explained this was a key risk, and gave details to members of the last cyberattack ten years prior. It wasn't the biggest risk, but was one of the key risks and was on the strategic risk register.

In terms of providing for fines for data breaches, it was not typical for local authorities to do this, unless there was an ongoing case. The Information Commissioner's Office had recently acknowledged that fining local authorities could be seen as a punitive measure and may be considered a waste of public money and were actively moving away from this approach.

The committee considered the report.

7 Draft Annual Governance Statement 2022/23

The Corporate Director Resources submitted a report to the committee for them to approve the draft Annual Governance Statement (AGS) for 2022/23 for inclusion in the Annual Statement of Accounts following a review of the council's governance arrangements.

The Head of Governance and Business Support introduced the report. She explained to the committee that the council was required, through the Accounts and Audit Regulations, to publish a statement annually of how the council demonstrated its good governance framework, particularly in relation to the CIPFA guidance on good governance.

She gave an explanation as to how the AGS was put together and explained it was a statement on behalf of the organisation, pulled together by key officers of the organisation through the AGS workshop which took place at the end of the financial year. Officers would go through the CIPFA good governance notes and check which areas of the council complied with these and where they did not. She praised the work of the organisation in its transparency and honesty of what the council did not do well. The statement, for the benefit of the new committee members, was in draft form and would stay so until September 2023 and members were encouraged to review previous audit reports and documents held on the Councillor Portal to gain the assurances required prior to agreeing the final version in September. She read out two statements, from the outgoing Chief Executive and the outgoing Chair of the committee to give members assurances on the draft AGS 2022/23.

She pointed members to pages 138-150 of the agenda pack which set out the core principles and evidence of demonstrating core values. Any identified gaps would either be included in the report or the action plan. She made reference to the hard work of the Audit Team in implementing a new risk management system (GRACE) and also gave details of her evaluation of the assurances given by the Audit and Risk Manager on the effectiveness of

internal control. She also made comments on paragraphs nine, the “Value for Money Commentary” and ten, the “Significant Governance Issues Identified” section.

Members raised questions over the significant governance issues identified and the process by which members would receive and review this work.

The Head of Governance and Business Support explained to members that the draft AGS for 2020/21 and 2021/22 was still in draft form, as the Statement of Accounts had not yet been signed off. Another issue she wanted to draw members’ attention to within her report was the procurement breach experienced in 2022 which had been raised at committee previously. Members raised questions over this procurement breach and the controls in place to ensure this was not repeated.

Overall, she had no other significant governance issues needing referring to in her report. She told members that a supplementary action plan would be available in due course.

She said to members she would present the AGS to the Chief Executive and the Leader of the Council in July 2023; following this, the action plan would be published.

Following discussion, it was proposed by Councillor Rendell and seconded by Councillor Sorensen that the committee agree the recommendations at para 3.1 and 3.2 of the report. The committee resolved to formally approve the draft AGS, and resolved to grant delegated authority to the Section 151 Officer to make minor amendments and any changes requested by the external auditors.

8 Statement of Accounts (pre-audit training)

The Corporate Director Resources had circulated a recorded presentation, along with the slides and some guidance documents from CIPFA and Grant Thornton, for the committee to review prior to the meeting. It was circulated with the June committee meeting to allow members enough time to review the presentation and guidance documents before the meeting in September 2023 when they were expected to go through the accounts. She explained that at this meeting, the committee would go through a robust Q&A discussion format on the council’s finances and this would be directed through a pre-prepared Q&A pack circulated at the meeting. This was a format previously used and had received positive feedback, but it had been noted that a more interactive session was valued particularly for new committee members. This would occur at the September committee meeting with the Head of Finance in attendance.

She encouraged the committee to watch the recorded presentation prior to the meeting and review any of the accompanying documents they find useful.

9 Audit Progress 2020-21 and 2021-22 (including 2022-23 Audit Plan)

update)

Paul Hewitson and Stuart Kenny, the external auditors from Deloitte, were in attendance virtually at the meeting and presented the committee with the progress on the 2020/21 and 2021/22 audits and an update to the 2022/23 audit plan.

Paul Hewitson updated the committee on the three years' worth of audits currently open; this represented the remainder of the terms of appointment as the council's external auditors.

The 2020/21 audit was the oldest still open, but he reassured the committee that the work on this had significantly progressed and it had been agreed for a member of his team to be booked to commence the final bits of work in July 2023 with a view to conclude the work in September 2023.

The 2021/22 audit work had been commenced and though a lot still needed to be done, a team had been booked to begin this work between September and November 2023.

The 2022/23 audit plans were still in progress, as it was difficult to run two years' worth of account concurrently. It was likely this would commence in the new year, with an end goal of March 2024 but more details on this would be available once the previous accounts had been completed or progressed to completion.

He confirmed to the committee that there were no financial penalties for late filing for local authorities, and that this was a national problem for this sector. He himself had six other local authorities experiencing this issue of a lack of local government auditors in the sector.

The Chair thanked the external auditors for their attendance at the meeting.

10 Time and date of the next meeting

The next meeting of the Audit and Standards Committee would be held on Tuesday 25 July at 6pm in the Council Chamber.

The meeting started at 6.32 pm (following training held for the Committee) and finished at 7.44 pm.

Date of Publication: XXX

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Report of:	Meeting	Date
Clare James, Corporate Director Resources (Section 151 Officer)	Audit and Standards Committee	25 July 2023

UPDATE THE COUNCIL'S RISK MANAGEMENT POLICY

1. Purpose of report

- 1.1** To update the council's Risk Management Policy to reflect the ownership and responsibilities going forward for the council's risk management arrangements following Internal Audit's removal from this process.

2. Outcomes

- 2.1** Evidence that the council manages its significant business risks and recognises that effective risk management is integral to the council's corporate governance arrangements.
- 2.2** To allow Internal Audit's Annual opinion on the effectiveness of the council's risk management arrangements to be relied upon as a key source of assurance in the Annual Governance Statement.

3. Recommendation

- 3.1** That the Audit and Standards Committee reviews and approves the amended Risk Management Policy attached at Appendix 1.

4. Background

- 4.1** The Risk Management Policy is a key document, which identifies the council's approach to risk management and demonstrates how it's embedded across the council. The adoption of this amended policy will help the council to demonstrate the ownership and responsibilities for the embedding of risk management going forward.
- 4.2** In accordance with their terms of reference, the Audit and Standards Committee will review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This involves reviewing and approving any changes to policy, monitoring the progress of embedding risk management, reviewing the council's risk registers/reports and ensuring that actions are being taken where necessary to mitigate such risks.
- 4.3** The last annual review of the Risk Management Policy took place on 27 September 2022. However, it was considered appropriate to bring the next annual review forward to ensure the policy accurately reflects the current responsibilities and ownership arrangements for risk management.
- 4.4** The council's draft Annual Governance Statement for 2023/24, approved by the Committee on 20 June 2023, reported that the council's risk management and assurance framework appeared to be well embedded and supported across the organisation. It went on to state that following the purchase of a new risk management system (GRACE) in June 2021, the council's risk management process is now fully automated which has allowed Internal Audit to remove themselves from the management and administration of risk. This responsibility, which includes the annual review of the Policy, has now been transferred to the Head of Governance and Business Support (HOGBS).
- 4.5** This transfer of responsibility is seen as essential and the council has been working towards this since the removal of the Chief Internal Audit role from the HOGBS in 2021 to allow for greater independence. This will now allow the Internal Audit Team to carry out a review of the council's risk management arrangements going forward and give an 'independent opinion' on its effectiveness. However, given the Internal Audit Team report to the HOGBS, an external peer review with a neighbouring council is considered appropriate and will take place to validate the audit opinion later on in the year.

5. Key Issues and proposals

- 5.1** The amended Risk Management Policy is at Appendix 1. The key changes are reflected in section 8 which sets out individual roles and responsibilities across the organisation.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective risk management assist in good governance and probity of council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Jo Billington	01253 8877372	Joanne.billington@wyre.gov.uk	5 July 2023

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Risk Management Policy (amended July 2023)

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Risk Management Policy

Wyre Borough Council
Risk Management Policy V3.0
To be approved by Audit and Standards Committee – 25 July 2023

Contents

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- 2.0 Scope
- 3.0 Risk Management Objectives
- 4.0 Definitions
- 5.0 Risk Management Standards
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- 7.0 Risk Registers
- 8.0 Roles and Responsibilities
- 9.0 Embedding Risk Management
- 10.0 Risk Management and the Audit Process
- 11.0 Culture
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- 13.0 Summary

Appendix A - Checklist for Risk Identification

Appendix B - Measures of Likelihood and Impact / Severity

Appendix C - Risk Response Categories

Version control

	Description	Date
V0.1	Draft Risk Management Policy	14/10/21
V0.2	Draft Risk Management Policy to Audit Committee	16/11/21
V1.0	Approved by Audit Committee	16/11/21
V1.1	Review of Risk Management Policy	01/08/22
V1.2	Draft Risk Management Policy to Audit Committee	27/09/22
V2.0	Approved by Audit Committee	
V3.0	Draft Risk Management Policy to Audit and Standards Committee	25/07/23

1.0 Introduction

- 1.1 Risk is unavoidable and is part of life. As an organisation, we need to take risks to grow and develop. Risk management involves understanding, analysing and addressing risks to make sure that the organisation achieves its objectives. Successful risk management can make a council more flexible and responsive to new pressures and external demands. It allows an organisation to deliver services better and to meet the needs and expectations of its community in what is a fast changing and dynamic environment. The benefits of successful risk management include, improved service delivery, financial performance and robust corporate governance supporting the effective use of the council's resources, as well as improved decision making and budgeting, and enhanced communication between staff, elected members and partners.
- 1.2 This policy explains the council's approach to risk management and the framework that will operate to establish and drive an effective system not only to minimise risk but also to enable continuous improvement at every level of the organisation.
- 1.3 By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

2.0 Scope

- 2.1 This policy applies to all staff, Elected Members and all working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation and the effective management of risk is detailed within this policy.
- 2.2 This policy will be reviewed annually by the Head of Governance and Business Support to take account of changing legislation, government initiatives, best practice, changes to internal procedures and experience gained within the council.

3.0 Risk Management Objectives

- 3.1 The council has identified a number of key risk management objectives that need to be met to ensure a robust risk management framework is embedded across the council, namely:
- Adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
 - Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities;
 - Acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens, we use the lessons learnt to try to prevent it from happening again;
 - Develop leadership capacity and skills in identifying, understanding and managing the risks facing the council;
 - Integrate risk management into how we run council business. Robust risk management processes help us to achieve our core purpose, priorities and outcomes;
 - Support a culture of well-measured risk taking throughout the council's business. This includes setting risk ownership and accountabilities and

responding to risk in a balanced way, considering the level of risk, reward, impact and cost of control measures;

- Ensure that the council continues to meet any best practice requirements in relation to risk management; and
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

4.0 Definitions

4.1 Risk can be defined as;

“An uncertain event that, should it occur, will have an effect on the council’s objectives and/or reputation. It is the combination of the probability of an event (likelihood) and its effect (impact)”.

Risk management can be defined as;

“The systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.”

4.2 Risk management is applied at all levels of service delivery across the council. The council separates risk into two categories:

Strategic Risks – Risks that could have an effect on the successful achievement of the Council’s long term vision, business plan priorities and outcomes. These are risks that could potentially have a council-wide impact and/or risks that cannot be managed solely at a service level because higher level support/intervention is needed.

Operational (service) Risks – Risks that could have an effect on the successful achievement of the service or business plans/objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the business unit as a whole.

5.0 Risk Management Standards

5.1 A number of standards have been developed worldwide to help organisations implement risk management systematically and effectively. These standards seek to establish a common view on frameworks, processes and practice, and are generally set by recognised international standards bodies or by industry groups. Risk management is a fast-moving discipline and standards are regularly supplemented and updated.

5.2 Despite the publication of the global risk management standard in 2009; ISO 31000 (updated early 2018), the Institute of Risk Management (IRM) has decided to retain its support for the original ‘Risk Management Standard’ that was published in 2002 because it is a simple guide that outlines a practical and systematic approach to the management of risk.

5.3 The standard is not prescriptive i.e. a box ticking exercise or a certifiable process. Instead, the standard represents best practice against which organisations can measure themselves. The council has reviewed this policy against this standard.

6.0 Risk Management Approach

- 6.1 The purpose of the risk management approach outlined in this policy is to:
- Provide standard definitions and language to underpin the risk management process;
 - Ensure risks are identified and assessed consistently throughout the organisation through the clarification of key concepts;
 - Clarify roles and responsibilities for managing risk; and
 - Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

6.2 Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, e.g. council business plan, individual services plans, project briefs, partnership agreements etc.

6.3 To ensure consistency, the following four steps should be followed when identifying, evaluating, treating/mitigating and reviewing risks;

Step 1 – Identifying risk

6.4 Risk identification should be approached in a methodical way to ensure that all significant activities within the organisation have been identified and all risks flowing from these activities have been defined. The majority of risks will be identified as part of the routine service planning stages where barriers to specific business objectives can easily be recognised. All staff have a duty to report emerging risks to their heads of service or manager as and when they are identified. Risks can arise and be identified when the following events occur:

- the change of internal or external processes;
- officers/Elected Members leave and/or restructuring takes place;
- through procurement of a new supplier or asset;
- partners change or are re-structured;
- legislation is revised or introduced;
- the social and/or economic climate alters; or
- an incident occurs.

6.5 To help in the risk identification process a number of common risk assessment techniques/methods can be used, for example, questionnaires, checklists, workshops, brainstorming sessions, audits and inspection reports or flowcharts.

6.6 There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation. To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym '**PERFORMANCE**'. Examples of risks from each category are detailed in the Checklist for Risk Identification at **Appendix A**.

6.7 When describing risks, it helps to display the identified risk in a structured format to ensure a comprehensive risk identification, description and assessment process takes place.

- 6.8 Once identified, all risks are recorded in a 'Risk Register'. A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk. At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 2: Analysing and Evaluating risk

- 6.9 In order to analyse and evaluate risks, a thorough risk assessment needs to be undertaken. That is, a detailed analysis of the potential threats faced by the council which may prevent achievement of its objectives. Through consideration of the sources of the risk, possible consequences and the likelihood of those consequences occurring, it helps make decisions about the significance of risks and whether they should be accepted or treated.
- 6.10 To ensure that a consistent scoring mechanism is in place across the council, risks are assessed using agreed criteria for likelihood and impact and a score is calculated using the risk matrix e.g. High Likelihood (3) and High Impact (3) would result in a risk score of 9 – see **Appendix B**.
- 6.11 A "traffic light" approach is used to show high (red), medium (amber) and low (green) risks.

First Risk Score – Inherent (Gross) Risk Score

- 6.12 Following identification of the risk, a score for the gross likelihood and gross impact will be given to the risk as it currently stands, to ascertain the inherent (gross) risk score. The inherent risk score is the score given before any controls or actions are taken to alter the risk's impact or likelihood. This risk score is given to assist Internal Audit when pulling together the Risk Based Audit Plan. Those risks that have scored as 'red' risks will be the risks that Internal Audit will want to ensure are appropriately mitigated and will therefore take priority when the audit plan is produced.

Second Risk Score – Residual (Net) Risk Score

- 6.13 Risks are then re-scored to ascertain the residual (net) risk score. This is the score given when taking into consideration any controls already in place and/or any existing actions that are not operating effectively. To ensure resources are focused on the most significant risks, the council's approach is to focus on the risks that have scored as 'red' or 'amber' on the matrix. This may also be referred to as the council's risk appetite. The residual risk score will be the deciding factor as to whether further action is required in order to reduce the risk to within the council's 'risk appetite'. It is at this point that a risk response category is assigned by the risk owner to determine what, if any, action is to be taken e.g. reduce or accept the level of risk. (**See Appendix C for risk response categories.**)
- 6.14 Any risks that are NOT scored as a 'red' or 'amber' risk, will fall below the risk appetite and will be accepted and kept under review for any significant changes that may increase the risk score. Anything identified as a 'red' or 'amber' risk will take priority and the necessary actions will be taken to mitigate the risk.

Third Risk Score – Target Risk (Retained Risk) Score

- 6.15 If a risk requires further mitigating action in order to reduce the risk score to within a tolerable level, the risk owner needs to set a realistic target score, and develop an action plan which when implemented will reduce the risk to within the target risk score.

Step 3: Treatment and Action Planning

- 6.16 Actions, which will help to minimise the likelihood and/or impact of the risk occurring, are identified for each 'red' risk. A risk owner should be identified for each action.
- 6.17 Residual risks are prioritised by applying the same scoring criteria and matrix used for assessing the Inherent risk level (Step 2). It is the risk owner's responsibility to ensure that the agreed residual risk level for each risk is an accurate reflection of the likelihood and impact measures detailed in **Appendix B**. Where the severity of a risk is reduced, evidence of the mitigating action taken in the implementation of the activity being assessed should be retained.
- 6.18 Not all risks can be managed, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat. Risk may be managed in one, or a combination of, the following ways:
- **Terminate** - A decision is made not to take a risk;
 - **Tolerate** - A decision is taken to accept the risk;
 - **Transfer** - All or part of the risk is transferred through insurance or to a third party;
 - **Treat** - Further additional actions are implemented to reduce the risk; or
 - **Exploit** - Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

- 6.19 These actions are described in more detail in **Appendix C**.

- 6.20 The managed approach to risk should always be documented in the risk register, for example, after the first assessment of the risk, a decision may be made to 'transfer' the risk, therefore no further mitigating controls are required. This must be clearly stated in the register to evidence the effectiveness of the evaluation and scoring process. In another example, a decision may be made following the second assessment, that despite additional controls the residual risk is still too great and that a decision is made to avoid the risk entirely by stopping the activity. Again, this must be clearly documented.

Step 4 – Monitoring and Reporting

- 6.21 Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.
- 6.22 Regular reporting enables senior managers and Elected Members to be more fully aware of the extent of the risks and progression being made to manage them. Both strategic and operational risk workshops will be facilitated by Internal Audit on an annual basis.
- 6.23 The GRACE Risk Management system encourages risk owners to continually monitor and update identified risks through the automatic email reminder function.

The system automatically generates and sends an email every Monday morning to all officers that have overdue risk actions within their registers, requesting them to review and update them.

- 6.24 In addition, quarterly email notifications are sent to risk owners asking them to consider/add newly identified risks to the system and review current risks, scores and action plans.
- 6.25 Progress on high 'red' risks for both strategic and operational risk registers will be reported to the Audit and Standards Committee as required.

7.0 Risk Registers

- 7.1 The council's risk registers are held within the GRACE Risk Management system. The registers document the key risks and who is responsible for them. It also records the action plans created to help mitigate these risks.
- 7.2 To ensure that the risk registers are comprehensive and accurately reflect the levels of risk within the council, all relevant and available sources of information will be used in their compilation and review, namely:
- The council's Annual Governance Statement;
 - Internal Audit reports;
 - External Audit reports;
 - Committee reports/portfolio holder/officer delegation reports;
 - Risk Assessments;
 - Incident/accident reports;
 - Insurance claims and advice from the council's insurers
 - Complaints; and
 - Any relevant articles from risk management publications.
- 7.3 Whilst the Audit and Risk Team will oversee the facilitation of both strategic and operational risk registers within the GRACE system, identified risk owners will ultimately be responsible for monitoring and updating their risk scores and actions plans.
- 7.4 The GRACE system will automatically send risk owners a weekly email notification detailing overdue actions within their risk registers and a quarterly risk review notification to all risk owners. Internal Audit will monitor risk movements to ensure that risk/action owners are updating records as and when required and if audit intervention is required to improve control.
- 7.5 Managers are encouraged to amend risk scores or descriptions with the intention of maintaining a culture of openness. However, when carrying out an annual review of effectiveness, Internal Audit will review these amendments to ensure that actions taken e.g. increased or improved control, or another viable explanation e.g. the activity ceases altogether, has been recorded within the system to support the change.

8.0 Roles and Responsibilities

8.1 To ensure risk management is effectively implemented, all staff and Elected Members should have a level of understanding of the council's risk management approach and regard risk management as part of their responsibilities:

8.1.1 Employees

- Manage day to day risks and opportunities effectively and report risk management concerns to their Heads of Service/Mangers;
- Participate fully in risk workshops and action planning as appropriate and;
- Attend training and awareness sessions as appropriate.

8.1.2 Elected Members

- Support and promote an effective risk management culture and;
- Constructively review and scrutinise the risks involved in delivering the council's core purpose, priorities and outcomes.

NB. Some individuals and groups have specific leadership roles or responsibilities and these are identified below:

8.1.3 Cabinet

- Risk manage the council in delivering its core purpose, priorities and outcomes and;
- Consider and challenge the risks involved in making any 'key decisions'.

8.1.4 Audit and Standards Committee

- Provide independent assurance to the council on the overall adequacy of the risk management framework, including a review of proposed amendments to the Risk Management Policy;
- Review and challenge the content of risk registers;
- Where appropriate escalate operational risks for possible inclusion on the strategic risk register and;
- Approve and review recommendations and amendments to the Risk Management Policy.

8.1.5 Corporate Management Team

- Champion an effective council-wide risk management culture;
- Ensure Elected Members receive relevant risk information and;
- Be responsible for owning and managing corporate strategic risks.

8.1.6 Corporate Directors

- Risk manage their directorate in delivering the council's core purpose, priorities and outcomes;
- Constructively review and challenge the risks involved in decision making and;
- The Corporate Director Resources (Section 151 Officer) and the Head of Governance and Business Support, supported by the Audit and Risk Manager (Chief Internal Auditor), champion risk management. It is their responsibility to promote the adequate and proper consideration of risk management to senior managers and more widely within the council.

8.1.7 Heads of Service/Managers

- Responsible for the effective leadership and management of risk in their service areas to meet service objectives/outcomes in line with the council's risk management framework;
- With the appropriate risk owner, maintain the relevant risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach;
- Promptly escalate risks appropriately;
- Encourage staff to be open and honest in identifying risks and opportunities;
- Ensure the risk management process is an explicit part of transformation and all significant projects;
- Ensure that appropriate resources and importance are allocated to the process and;
- Provide assurance that the risks for which they are the risk owner are being effectively managed. This will be completed as part of the Annual Governance Statement review process.

8.1.8 Risk Owners

- Take ownership of the actions they are responsible for by either confirming the existence and effectiveness of existing actions or ensuring that any further actions are implemented.

8.1.9 Partners

- Where appropriate participate in the development of a joint partnership risk register;
- Actively manage risk within the partnership and;
- Report on risk management issues to partnership boards or equivalent.

8.1.10 Internal Audit

- Act as a centre of expertise, providing support and guidance as required;
- Collate risk information from the GRACE system and prepare reports as necessary to both the Corporate Management Team and the Audit and Standards Committee;
- Ensure the Internal Audit work plan is focused on the key risks facing the council;
- Provide assurance that risks are being effectively assessed and managed;

- During all relevant audits, challenge the content of risk registers and; Provide an independent opinion on the effectiveness of the council's risk management arrangements that can be used as a key source of evidence in both the annual opinion and the Annual Governance Statement.

8.1.11 Head of Governance and Business Support

- Design and facilitate the implementation of a risk management framework ensuring it meets the needs of the organisation;
- Carry out an annual review of the Risk Management Policy;
- Periodically arrange for the independent review of the council's risk management process, given their role in the management of the internal audit team. and

9.0 Embedding Risk Management

9.1 For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such, risks and the monitoring of associated actions should be considered as part of a number of the council's significant business processes, including:

- Corporate Decision Making – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports;
- Business/budget planning – this annual process includes updating the relevant risk registers to reflect current aims/outcomes;
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.);
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the council and/or the partnership's aims and objectives;
- Procurement – all risks and actions associated with a purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process;
- Contract Management – significant risks associated with all stages of contract management are identified and kept under review;
- Insurance – the council's Insurance Officer manages insurable risks and self-insurance arrangements and;
- Health and Safety – the council has specific policies and procedures to be followed in relation to health and safety risks.

10.0 Risk Management and the Audit Process

10.1 All agreed actions resulting from Internal Audit reviews will be added to the audit area of the GRACE risk management system (not within individual operational risk registers). The HOS or Service Manager of the audited area will be recorded as the action owner alongside the Auditor who carried out the review. This will ensure that

all actions are monitored and reviewed in the same way as the strategic and operational risks, through the receipt of weekly 'overdue' reminder notifications.

- 10.2 All audits receiving a 'Substantial' or 'Reasonable' assurance opinion will be informally followed-up. This means that action owners will be prompted through the automated email notification process to update the audit actions within GRACE and the Internal Audit Team will review GRACE to ensure that all outstanding actions are completed to a satisfactory level, but reliance will be placed on the action owner's update.
- 10.3 However, audits receiving a 'Limited' or 'Minimal/No' assurance opinion will be formally followed up six months after the original audit report was issued (a diary date will be added to the Auditor's Outlook calendar to prompt this). A review of the risk actions in GRACE will be undertaken, testing will be carried out as required and a follow-up report will be issued with a second audit assurance opinion. Again the GRACE system will prompt action owners to address their actions through the automated email notification process as and when risk actions become overdue.

11.0 Culture

- 11.1 The council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

12.0 Training and Awareness

- 12.1 Having documented a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide staff and Elected Members with the knowledge and skills necessary to enable them to manage risk effectively. A range of training methods to meet the needs of the organisation will be utilised. Furthermore, risk management information will be developed and will be made available on the intranet to ensure the council can apply a consistent approach when managing risk.

13.0 Summary

- 13.1 The adoption of this policy and the ongoing efforts to embed sound risk management principles into the council's 'fabric' will improve the way in which services are delivered. A solid, well-documented and comprehensive approach to risk management and its adoption into the decision making process is good practice, essential to good management and strengthens the council's governance framework.

Appendix A

Checklist for Risk Identification (PERFORMANCE)

Political

- ◆ Change in Government policy
- ◆ Member support/approval
- ◆ Political personalities
- ◆ New political arrangements

Economic

- ◆ Demographics
- ◆ Economic downturn - prosperity of local businesses/local communities

Regulatory

- ◆ Legislation and internal policies/regulations including: Health and Safety at Work Act, Data Protection, Freedom of Information, Human Rights, Equalities Act 2010 and Public Sector Equality Duty 2011, Employment Law, TUPE, Environmental legislation etc.
- ◆ Grant funding conditions / external funding
- ◆ Effects of the change in central government policies
- ◆ Exposure to regulators (auditors/inspectors)
- ◆ Legal challenges, legal powers, judicial reviews or public interest reports

Financial

- ◆ Budgetary pressures
- ◆ Loss of/reduction in income/funding
- ◆ Cost of living/inflation, interest rates, increase in energy costs
- ◆ Financial management arrangements
- ◆ Investment decisions, Sustainable economic growth
- ◆ Affordability models and financial checks
- ◆ Inadequate insurance cover
- ◆ System/procedure weaknesses that could lead to fraud

Opportunities/Outcomes

- ◆ Add value or improve customer experience/satisfaction
- ◆ Reduce waste and inefficiency
- ◆ Maximising independence for older people with disabilities
- ◆ Developing sustainable places and communities
- ◆ Protecting the community and making Wyre a safer place to live

Reputation

- ◆ Negative publicity (local and national), increase in complaints

Appendix A

Management

- ◆ Loss of key staff, recruitment and retention issues
- ◆ Training issues
- ◆ Lack of/or inadequate management support
- ◆ Poor communication/consultation
- ◆ Capacity issues - availability, sickness absence
- ◆ Emergency preparedness/Business continuity

Assets

- ◆ Property - land, buildings and equipment
- ◆ Information – security, retention, timeliness, accuracy, intellectual property rights
- ◆ ICT – integrity, cyber security, availability, e-government
- ◆ Environmental - landscape, countryside, historic environment, open space

New Partnerships/Projects/Contracts

- ◆ New initiatives, new ways of working, new policies and procedures
- ◆ New relationships – accountability issues/unclear roles and responsibilities
- ◆ Monitoring arrangements
- ◆ Managing change

Customers/Citizens

- ◆ Changing needs and expectations of customers - poor communication/consultation
- ◆ Poor quality/reduced service delivery - impact on vulnerable groups
- ◆ Crime and disorder, health inequalities, safeguarding issues

Environment

- ◆ Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions
- ◆ Impact of planning or transportation policies
- ◆ Climate change – hotter and drier summers, milder and wetter winters and more extreme events – heatwaves, flooding, storms etc.

Measures of Likelihood and Impact/Severity

Diagram 1

Likelihood	High	3	6	9
	Medium	2	4	6
	Low	1	2	3
		Low	Medium	High

Impact / Severity

Likelihood Measures

	Low	Medium	High
Probability	Less than 10% chance of circumstances arising	10% to 75% chance of circumstances arising	More than 75% chance of circumstances arising
Timescale	Is unlikely to occur	Possible in the next 1-3 years	Occurred in the past year or is very likely to occur in the next year

Impact / Severity Measures

	Low	Medium	High
People/Duty of Care	Low level of foreseeable minor injuries	Medium level of foreseeable minor injuries or low level of foreseeable serious injuries	High level of foreseeable severe long-term injuries or illness
Financial Impact	Up to £500k/Less than 5% over project budget	Up to £1 million/5 - 25% over project budget	Over £1 million/more than 25% over project budget
Legal Impact	Minor civil litigation	Major civil litigation and/or local/national public enquiry	Legal action by Section 151, Monitoring Officer, External Audit or government

Service Impact	Short term service disruption	Significant service failure but not directly affecting vulnerable groups	Serious service failure directly affecting vulnerable groups
Project Delivery	Minor delay to project	Significant delay to project	Project fails to deliver target impacting on the service performance/council's performance
Intervention Required	Intervention by Service Manager, Project Manager or equivalent	Intervention by Head of Service or equivalent	Intervention by the Corporate Management Team, Board or Council
Reputation Impact	Short term negative local media attention	Significant negative local media attention	Sustained negative local media attention and/or significant national media attention

Risk Response Categories

Categories	Description
Treat	Implement further additional action(s) to reduce the risk by minimising the likelihood of an event occurring (e.g. preventative action) and/or reducing the potential impact should the risk occur (e.g. business continuity plans). Further actions are recorded in the risk register and regularly monitored.
Tolerate	A decision is taken to accept the risk. Management and/or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more.
Transfer	Transfer all or part of the risk through insurance or to a third party e.g. contractor or partner, who is better able to manage the risk. Although responsibility can be transferred, in most cases accountability remains with the council, so this needs to be monitored.
Terminate	A decision is made to avoid a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.
Exploit	Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

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