

Report of:	Meeting	Date	Item no.
Head of Finance (s151 Officer)	Audit Committee	19 June 2018	8

## ANNUAL REVIEW OF THE COUNCIL'S RISK MANAGEMENT POLICY

### 1. Purpose of report

- 1.1 To review the council's Risk Management Policy

### 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.

### 3. Recommendations

- 3.1 Members are asked to approve the 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 is embedded across the council. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may arise.
- 4.2 In accordance with their terms of reference the Audit Committee will review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This involves monitoring the risk progress of embedding risk management, reviewing the Council's risk registers and ensuring that actions are being taken where necessary to mitigate such risks.
- 4.3 The Audit Committee are also required to review the Risk Management

Policy on an annual basis with the last review being completed in March 2017.

## 5. Key Issues and proposals

- 5.1** The Risk Management Policy is at Appendix 1. There have been no significant changes since its last review in March 2017. The only changes have been to correct minor changes to the format and to reflect the current management structure.

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
data protection	x

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

### List of appendices

Appendix 1 – Risk Management Policy



## **Risk Management Policy**

**June 2018**

### **1.0 Introduction**

- 1.1** Risk is part of all our lives. As an organisation, we need to take risks to grow and develop. Risk Management involves understanding, analysing and addressing risks to make sure 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 services and to meet the needs and expectations of its community in what is a fast changing and dynamic environment.
- 1.2** The aim of the Risk Management Policy is to establish and operate an effective system not only to minimise risk but also to enable continuous improvement at every level of the organisation. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may.
- 1.3** The Council is committed to developing a robust approach to risk management and will take reasonable steps to ensure that it;
- ◆ Provides services of the highest quality and standards possible;
  - ◆ Provides a safe environment and facilities for staff and visitors;
  - ◆ Provides reasonable and safe working arrangements for staff e.g. hours and workloads;
  - ◆ Provides staff with adequate training and equipment to perform their duties;
  - ◆ Encourages and enables staff to improve their performance both individually and collectively; and
  - ◆ Is not financially or operationally compromised or disrupted.
- 1.4** In making this commitment the Council aims to;

- ◆ Identify activities that may cause loss, or cause the council to fail to deliver its objectives;
  - ◆ Measure the impact of potential loss on the council, its property, staff and customers;
- 
- ◆ Take reasonable steps to avoid, reduce and/or control the impact of potential loss;
  - ◆ Make efforts to share or transfer risk wherever possible;
  - ◆ Foster a culture of risk awareness that is reflected in all aspects of its work;
  - ◆ Develop a culture that encourages open reporting and learning from adverse events; and
  - ◆ Demonstrate continuous improvement, spreading learning across the council and meeting the changing needs of the community.
- 1.5** The policy applies to the council's elected Members and its Committees, the Corporate Management Team, staff and all working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation of a control assurance programme and the effective management of risk is detailed below.
- 2.0 Risk Evaluation**
- 2.1** The council uses Zurich Municipal's STORM methodology (Strategic and Tactical Organisational Risk Management); a structured, systematic methodology that identifies, evaluates, prioritises and manages opportunities and risk at strategic and operational levels.
- 2.2** The council's risk registers are held within spreadsheets and are accessible via the council's Intranet. The registers document the key risks and who is responsible for them. They also record the action plans created to help mitigate these risks.
- 2.3** Risk assessment is a formal requirement in the council's decision-making process. Prior to the submission of any committee report the report author must identify any risks associated with putting into place the recommendations or the risks associated with not doing so. Reports are considered by the Corporate Management Team and the cascade of information via team briefings ensures that the Head of Governance is aware of all decisions and can ensure that any associated risks are captured on risk registers.

- 2.4** The risk evaluation method details the level of risk that the council considers acceptable based on likelihood and impact, and ascribes management action to reduce significant risks.

### **3.0 Responsibilities**

#### ***Members***

- 3.1** Members are ultimately responsible for risk management because risks threaten the achievement of policy objectives. Failure to deliver services efficiently and high-level incidents and scandals often result in the public questioning the competency of those in charge. It often transpires that such failures and scandals could have been avoided if proper governance procedures had been operating effectively. Members must understand the strategic risks that the council faces and decide how these risks should be managed. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

- 3.2** Members must ensure that risk awareness and management are part of the culture of the Authority and as a minimum;

- ◆ Exercise leadership and take a “top down” approach;
- ◆ Support and monitor the Risk Management process;
- ◆ Request assurance as to the quality of data that supports the decision making process; and
- ◆ Form an opinion as to the adequacy of the risk assessment that has been performed.

- 3.3** The Accounts and Audit Regulations 2015 require the publication of an Annual Governance Statement with the council’s financial statements. This includes a review of the effectiveness of internal controls and documents the Council’s approach to risk management. This statement of assurance is a broad reflection of the whole governance of the Authority, identifying the measures that are needed to improve the control environment and is signed by the Leader of the Council and the Chief Executive.

#### ***Senior Officers***

- 3.4** The Chief Executive acts as the figurehead for implementing the risk management process by making a clear, public and personal commitment to making it work and by signing the Annual Governance Statement.
- 3.5** Implementation of the risk management process has been delegated to the Head of Governance who works closely with the Senior Auditor and the Corporate Management Team to ensure risk action plans are

implemented. Should the Head of Governance feel action is inadequate, then this would be reported to the Audit Committee for resolution.

- 3.6** The council's Corporate Management Team meets annually to review the council's strategic risks as identified on the council's strategic risk register, and identify any new risks that may prevent the council from achieving its long-term corporate objectives.
- 3.7** Service Directors and Heads of Service have responsibility for risk management within their own area of operations. They are best placed to understand the risks that are specific to their officers' day-to-day duties.
- 3.8** Service Directors and Heads of Service will;
- ◆ Fulfil their statutory and organisational obligations for the management of risk within the workplace;
  - ◆ Ensure that regular risk assessments are undertaken within their teams as directed by the Head of Governance;
  - ◆ Foster a culture of risk awareness in their teams;
  - ◆ Ensure that staff have access to the relevant policies, procedures and guidelines to facilitate safe practice and to minimise risk; and
  - ◆ Identify staff risk management awareness and other training for professional and personal development.

### ***Employees***

- 3.9** The council's employees have a duty to: -
- ◆ Consider the risks involved in what they do;
  - ◆ Be risk aware and observant, and bring potential risks to the attention of their line managers or to the Head of Governance, or report them through the council's formal accident/incident reporting mechanism;
  - ◆ Help to devise and implement processes to minimise risks to an agreed and acceptable level; and
  - ◆ Update risk action plans via the council's risk register spreadsheets.

### ***Head of Governance***

- 3.10** The council's Head of Governance has a duty to: -
- ◆ Develop the Risk Management Policy and keep it up to date;
  - ◆ Co-ordinate risk management and internal control activities;
  - ◆ Compile risk information and prepare reports for Audit Committee;
  - ◆ Develop a risk based internal audit plan;
  - ◆ Audit the risk process across the organisation;
  - ◆ Receive and provide assurance on the management of risk; and

- ◆ Report on the efficiency and effectiveness of internal controls.

## 4.0 Risk Registers

**4.1** The Audit and Risk Management Section will maintain both strategic and operational risk registers and record all significant risks. The registers are held in spreadsheets which can be viewed on the council's intranet and will be used to monitor risk movements.

- ◆ The strategic risk register will be reviewed **annually** by the Corporate Management Team via a risk workshop, and action plans will be updated **quarterly**.
- ◆ The operational risk register will be reviewed **annually** by Heads of Service or the relevant Service Director and action plans will be updated **every six months**.
- ◆ Amendments to risk scores (likelihood x impact) can only be actioned by the Audit and Risk Management Section after evidence of increased or improved control, or another viable explanation has been recorded e.g. the activity ceases altogether.

**4.2** To ensure that the risk registers are comprehensive and accurately reflect the levels of risk within the Authority, 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;
- ◆ Risk Assessments;
- ◆ Incident / Accident reports;
- ◆ Insurance Claims and advice from the council's Insurers;
- ◆ Complaints; and
- ◆ Any relevant articles from risk management publications.

## 5.0 STORM Methodology

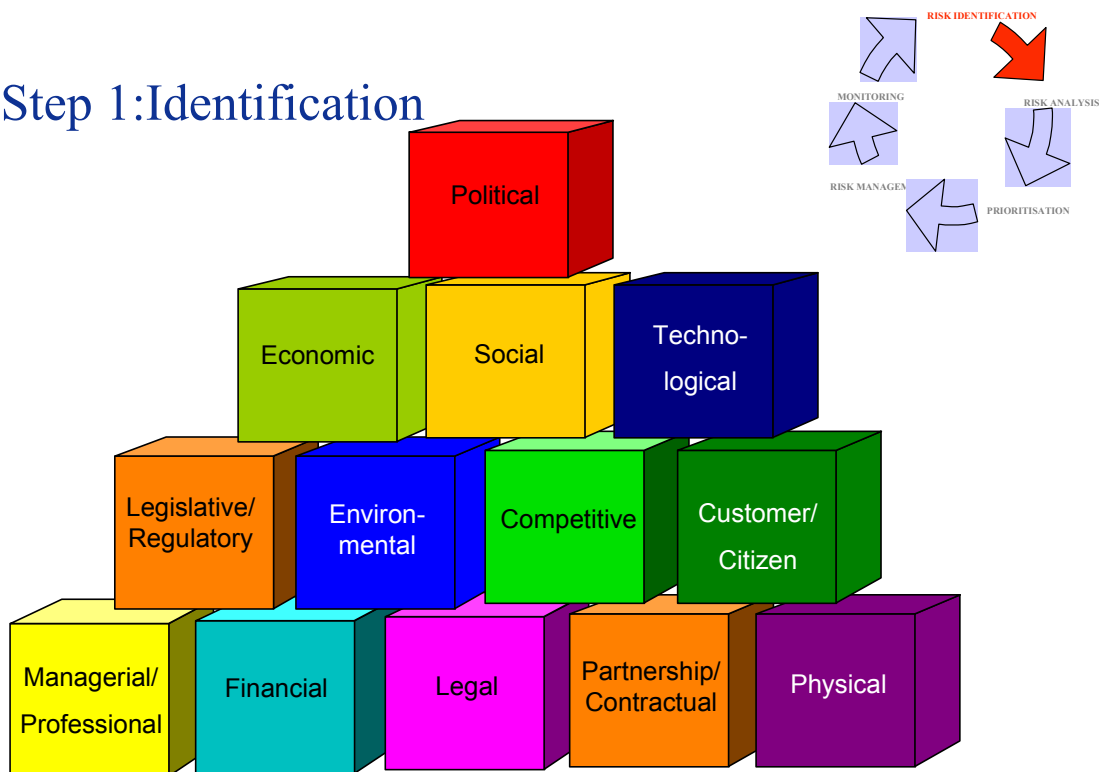
**5.1** The process has five main steps to follow; Risk Identification, Risk Analysis, Prioritisation, Risk Management and Monitoring.

- ◆ **Risk Identification**; Uses the table of risk categories to help identify all risks associated with the action or direction the council takes.

- ◆ Risk Analysis: The vulnerability, trigger and consequences are highlighted.
- ◆ Prioritisation: This scores the likelihood and impact or severity of the risk. The risk is then plotted on a graph called the Risk Profile. Action must be taken to control any risks that have been identified and profiled above the council's risk appetite.
- ◆ Action Planning: To manage “downwards” either the likelihood, the impact or both.
- ◆ Monitoring: The Audit Committee will monitor the progress of the strategic risk register plans via reports provided to their November meeting.

**5.2** Categories of risk to consider when using the STORM process to identify risk are illustrated in the diagram below.

## Step 1: Identification



**5.3** The quality of data must also be considered when evaluating risk. Data can be collected and used in any of the above areas. However if a decision is to be based on that data, or performance measured or judged



on it, then the source must be assured. The key elements of quality data are listed as follows.

- ◆ Accuracy
- ◆ Reliability
- ◆ Relevance
- ◆ Validated
- ◆ Timely, and
- ◆ Complete.

## **6.0 Risk Management Standards**

**6.1** Despite the publication of ISO 31000, the global risk management standard, the Institute of Risk Management (IRM) has decided to retain its support for the original risk management standard. This historic standard was formulated in 2002 by The Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Institute of Risk Management (IRM) and the Public Risk Management Association (ALARM). It is still being referred to as it is a simple and accessible guide that outlines a practical and systematic approach to the management of risk.

**6.2** 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 its risk management policy against this standard.

## **7.0 Summary**

**7.1** 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.