
RISK MANAGEMENT UPDATE AND DISCUSSION

1 SUMMARY

- 1.1 This report sets out options for consideration on how the Audit Committee can use the strategic risk register (SRR) and risk management to discharge its role. The Audit Committee is asked to review these options and agree a way forward which officers can develop in more detail for September. It also asks the Audit Committee to consider how it would like risk management to be reported to it in the future. There is also an update on risk management activity.

2 RECOMMENDATIONS

- 2.1 The Audit Committee are asked to consider and decide the action officers should take in relation to how the Audit Committee can use the SRR and risk management to support its work (see proposals at section 3.14), the next steps for September (section 3.15) and reporting on risk management to the Audit Committee (section 3.21).
- 2.2 The Audit Committee are asked to note the progress updates in the summary of risk management activity.

3 DETAIL

Background

- 3.1 The Council has been developing its approach to risk management over a number of years. A review of the risk management framework was undertaken in 2010. The Council is a member of the CIPFA/ALARM Benchmarking Club and this allows the Council to consider its progress and identify areas for improvement in risk management. Heads of service also complete annual risk assurance statements. A risk management action plan is developed each year to set out improvement actions for risk management. Operational risk registers have been in place for a number of years and are reviewed quarterly with results summarised in scorecards. Quarterly reports on risk management have been submitted to the Audit Committee. The SRR is overdue for a review.
- 3.2 Members of the Audit Committee at its development day on 22 February were asked to consider the role of the Audit Committee and risk management. In the report on the development day it is noted that "Participants were asked to consider the three key strategic risks facing the Council. Members cited the following risk areas: demographic pressures; inadequate infrastructure and economic challenges within a context of a substantial reduction in government grant over the next seven years. The Audit Committee agreed to focus on risk management, in the first instance on risks set out in the Strategic Risk

Register, their currency and their alignment with the Council's key objectives. The Audit Committee defined its key role as that of commissioning work from internal audit or wider management seeking assurance in regard to risk control measures; and through reviewing effectiveness of risk management systems including shared understanding of risk control."

- 3.3 Further to the above a report was submitted to the Audit Committee on 15 March which set out how the Audit Committee could take forward its role in risk management. The report recommended "It is proposed that in moving to a more risk focussed approach to the work of the Audit Committee that the following is adopted:
- For June Audit Committee – Complete review of SRR and agree overall approach to utilising the SRR to support the work of the Audit Committee.
 - For September Audit Committee – Develop and agree more detail of how this will work and the specific areas of audit interest.
 - For December Audit Committee – Use the SRR and understanding developed at June and September meetings to set framework/guidance for 2014-15 internal audit plan.
 - For March 2014 Audit Committee – Consider draft 2013-14 internal audit plan against SRR and whether it provides the Audit Committee with assurance that audit activity is targeted on the controls for key."

The Audit Committee And Risk Management

- 3.4 At the Audit Committee on 15 March it was agreed that a report be brought to the June meeting of the Audit Committee with details of the revised SRR and to stimulate a discussion on how the Audit Committee can best use the SRR to support its work.
- 3.5 The SRR is in the process of being revised. A draft has been developed by discussion with senior officers and was outlined at members seminar on 10 June. A revised draft will be submitted to the Council on 27 June. The Audit Committee has the opportunity to submit any comments it has on the SRR to the Council meeting on 27 June. A draft of the SRR will be issued separately and members of the Audit Committee are invited to consider the draft SRR.
- 3.6 The risk management update report to the Audit Committee on 15 March stated at section 3.4 "In targeting audit resources the Audit Committee will want to understand the risks facing the Council and the effectiveness of the controls related to these risks. This will provide the Audit Committee with information to reach a view on whether it has sufficient assurance that risk management is effective and also the overall effectiveness of the Council's management control system. The mantra is "Risk, Controls, Assurance".
- 3.7 Further at section 3.5 the risk management update to the 15 March Audit Committee stated "The SRR is a key tool in identifying the risks facing the Council. This should inform audit activity and should be kept under review. It was suggested that the SRR should be an item for consideration at each meeting of the Audit Committee not from the point of view of trying to manage

the risks on the SRR but to consider how it gets assurance on the adequacy of controls and overall control framework”.

- 3.8 The role of the Audit Committee is to gain assurance/be satisfied on the adequacy of the Council’s internal control system. Risk management is one aspect of the internal control system. The role of the Audit Committee is not to be responsible for managing risk but to test the adequacy of the arrangements in place to manage risks.
- 3.9 The Audit Committee will want to ensure that audit activity is planned in a way that is proportionate and risk based. This means the audit plan must take account of risk when it is being developed. The audit planning process should make clear how the strategic risks have been used to guide the audit plan. The Audit Committee may also wish to consider other risk factors in developing the audit plan such as findings from previous audits, financial materiality, operational risks and previous performance levels.
- 3.10 Internal Audit can be asked to review the system of risk management and report on areas for improvement in a similar way to that done on other aspects of the internal control system. There are days allowed in the internal audit plan this year and these could be retained for future years internal audit plans. As with other internal audit reports the findings from the review and proposed management action would be reported back to the Audit Committee.
- 3.11 The Audit Committee could review the SRR. This would allow the Audit Committee to consider and test the regularity and robustness of reviews of the SRR, the basis for the identification, inclusion and assessment of specific risks and action taken or planned in response to the risks. The Audit Committee could use the findings from this exercise to inform future internal audit plans or any revision to the current years internal audit plan.
- 3.12 Risk and risk management is not an isolated activity. Risk is present in all activities and aspects of the Council’s business. An element of each internal audit could be to specifically consider and report on the risk management arrangements for each business activity subject to audit. Each internal audit report would include a specific comment on risk management – a short summary, the key issues and any areas for improvement identified during the audit.
- 3.13 The Audit Committee receives a progress report on the current years internal audit plan each quarter. This has tended to focus upon progress with planned audits (are they on track, how many audit days have been used). This could be amended to include a comment on any material changes in the overall audit risk environment and as a result any recommendations to vary the internal audit plan proposed by the Chief Internal Auditor.
- 3.14 In considering how the Audit Committee can use the SRR to support its work earlier sections in this report outlined ways in which the Audit Committee can use the SRR and risk management in order to discharge its obligations. To assist the Audit Committee it is proposed that members of the Audit

Committee consider the following proposals:

- The internal audit plan should be risk based and the risk assessment should take account of the SRR but also findings from previous audits, financial materiality, operational risks and previous performance levels.
- A separate audit of risk management is included in the audit plan each year.
- The Audit Committee sets aside time at one meeting each year specifically to review the SRR and from that identify issues to be factored into internal audit planning.
- The format of internal audit reports is amended to specifically draw out any relevant comments, conclusions and action points in relation to risk management for the activity being audited.
- Quarterly reports on progress with the internal audit plan identify any material changes in the risk environment and as a consequence any proposed variations to the internal audit plan.

Next Steps For September

- 3.15 Following consideration by the Audit Committee officers will bring forward a more detailed report to the September meeting. This will set out in more detail proposals on how the direction given by the Audit Committee in relation to the above could work.

Summary Of Risk Management Activity

- 3.16 Over the last quarter apart from the review of the SRR which is underway and referred to above the focus has been on reporting the position on operational risk registers (ORRs) at the end of March 2013 and reviewing and updating the ORRs for 2013-14 financial year based on service plans and the outcome of the March 2013 review.
- 3.17 The annual risk assurance statements have been received from each service and these are being reviewed along with the review of ORRs and will also be considered in updating the risk management action plan.
- 3.18 The CIPFA Risk Benchmarking Survey is in the process of being completed and once the results are received they will be reported to the Audit Committee in September and will also be used to update the risk management action plan. The annual review of the risk management policy framework and guidance is also underway and the findings from this will be built into the risk management action plan with a summary of the issues included in the report for the September Audit Committee. These factors will also be used to updated the risk management action plan.
- 3.19 The risk management action plan is in the process of being updated as outlined above. A copy of the previous risk management action plan is attached for information.
- 3.20 Arrangements are being made with Zurich (the Councils insurers) to develop a training session for members on risk management. This will take place after

the recess which is later than planned as it had been intended to deliver this prior to the end of March.

Risk Management Reporting To Audit Committee

- 3.21 Over the last few years a quarterly report has been submitted to the Audit Committee on risk management activity. This has tended to focus on what has taken place in the last quarter and what activity is planned for the next quarter. Having regard to the rest of this report the Audit Committee might wish to consider the format and frequency of reporting on risk management going forward.

4 CONCLUSION

- 4.1 This report sets out a number of issues for the Audit Committee to consider in relation to its interest in risk management and how it can use the SRR to support the Audit Committee. A summary of risk management activity for the last quarter is also given.

5 IMPLICATIONS

- 5.1 Policy – None
- 5.2 Legal – None
- 5.3 Finance – None
- 5.4 Human Resources – None
- 5.5 Customer Service – None
- 5.6 Inequalities – None
- 5.7 Risk – Sets out proposals for the Audit Committee to consider in relation to its interest in risk management.

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RISK MANAGEMENT ACTION PLAN – AS AT 31 MARCH 2013

Theme	Management Activity	Improvement Areas	Specific Action Activity	Success Measures	Lead	Deadline	Status	Comment
Leadership & Management	Senior Management and Executive support & promote risk management	Information and decision making Escalation and reporting systems Accountability and management responsibility Leading risk management implementation	Formation of Strategic Risk Group Corporate Improvement Plan CG4	Maintain or Improve Assessed Level	SMT	31/3/13	Complete for 2012-13 but ongoing action.	Strategic Risk Group has been formed, terms of reference agreed and is scheduled to meet on a regular basis.
Policy & Strategy	Clear policies and strategies in place	Risk Management Policy	Review Policy, Framework and Guidance Corporate Improvement Plan CG7 Corporate Improvement Plan CG5	Maintain or Improve Assessed Level	Head of Strategic Finance	31/8/12	Complete	
People	People are equipped to manage risk	Culture Responsibility Skills and Guidance Communications	Develop and Deliver Training Programme Corporate Improvement Plan CG6	Maintain or Improve Assessed Level	Head of Strategic Finance	30/9/12	Off -Track	Discussion will take place will Insurance partners re options available to deliver RM training. Training to be delivered August /September 2013

Partnership & Resources	Effective arrangements for managing risk with partners	Partnerships Finance Tools	Develop Shared Risk Arrangements	Maintain or Improve Assessed Level	Head of Strategic Finance	30/9/12	Off Track	Discussions took place at Strategic Risk Group 31 January options for managing Shared Risk Arrangements. Being addressed through revised SRR and development of SOA.
Processes	Effective risk management	Links to business / service processes overview Risk identification and analysis Risk Response Risk Reporting and Review Investigation and root cause analysis Service continuity	Regularly Review ORR's and SRR's. Develop procedures for reporting risk movement	Maintain or Improve Assessed Level	Head of Strategic Finance	31/03/13	Complete for 2013-13.	Quarterly reviews and reporting is in place.

Risk Handling & Assurance	Risks are handled well and the organisation has assurance that risk management is assisting delivering successful outcomes and supports risk taking.	Risk Handling Assurance	Develop advanced annual Risk Assurance Statements	Maintain or Improve Assessed Level	Heads of Service	31/3/13	Complete f or 2012-13.	Annual Risk Assurance Statements issued and completed.
Outcomes & Delivery	Risk Managements contributes to achieving Outcomes	Risk Management contribution to overall performance Contribution to specific outcomes	Annual review	Maintain or Improve Assessed Level	Heads of Service	31/3/13	On -Track	Review delayed to April/June period. Now underway.