Audit Committee

30 November 2017

Risk Management Process Review

Report of John Hewitt, Corporate Director Resources

Purpose of the Report

1 To report the findings of a review the strategic risk management process to determine whether it is fit for purpose, and recommend options for the future reporting of risk.

Background

2 The strategic risk management process is the mechanism by which significant risks are escalated to Corporate Management Team (CMT) and Audit Committee. In addition to providing risk management assurance, it also enables CMT and Audit Committee to:

- have a good understanding of, and regularly review, the risks facing the Council and their likely implications for service delivery;
- challenge the analysis and evaluation of key risks;
- ensure that mitigating actions are implemented for key risks; and
- ensure that the Council learns lessons from risk events.

Current arrangements

3 The review process is co-ordinated by the Principal Risk and Governance Officer (PR&GO), and is designed to facilitate corporate oversight, consultation and constructive challenge. The process involves the risk owner (usually the head of service), the service grouping senior management team, Corporate Risk Management Group, CMT and Audit Committee. The publication of risk management reports to the Audit Committee provides assurance to Committee members, the general public and other stakeholders. Quarterly performance reports to Cabinet include a brief update on the management of key risks.

4 These arrangements are now well established, having existed broadly in this format since 2010. The process has gradually become more structured and formal, with various improvements being made over this period:-

- there is now a common report format across all service groupings;
- the PR&GO has regular, direct contact with each head of service and presents the quarterly risk update, in person, to each senior management team;
- operating efficiencies have been achieved following an upgrade to the risk management database; and
- formal arrangements for recording and monitoring emerging risks have been implemented.

Conclusions

8 Currently, a full review is undertaken by Services of their strategic risks four times per year, in line with the approved Risk Management Strategy. Ideally, these reviews would take place evenly throughout the year on a quarterly basis. However, due to the summer recess, this cannot be achieved. For example, the risk update reports for 2016/17 quarter 4 and 2017/18 quarter 1 were submitted to Audit Committee in successive months (June and July 2017), and due to this major overlap in services reviewing risks, there were no key changes to risks between both reports. As a result, there seems to be minimal benefit in terms of either assurance provided or best use of resources in continuing to provide these reports so close together.

By nature, strategic risks only tend to change over the medium to long term period. Therefore, we recommend an alternative option to the existing arrangements, with the dual aims of maintaining the provision of assurance to Audit Committee and making better use of resources in the services to improve value for money from the risk management function

Having considered a number of options, we believe that the only two viable options are detailed as follows:

Option 1

Maintain the status quo of four full reviews per year, reporting to Audit Committee in February, June, July and November

- <u>Benefits of this option</u>
  - More regular formal reporting of risk;
  - Longest interval between Audit Committee meetings is only 18 weeks.

- <u>Disadvantages of this option</u>
  - Three of the review periods overlap.

Option 2

Change to three full reviews per year, reporting to Audit Committee in February, July and November. To supplement this and thereby continue to regularly provide assurance to Audit Committee, we propose to meet formally with the chair and vice-chair between February and July, prior to the May Audit Committee meeting, to brief them on any emerging risk issues, and to respond to any risk issues raised by the committee members. A formal process for this will be established.

- Benefits of this option

  - Continues to provide assurance that strategic risks are being effectively managed within the risk management framework across the Council;
  - Better use of management resources and greater value-for-money;
  - Avoids Summer holidays, peak corporate governance work and financial year-end;
  - No overlap of review periods.

- Disadvantages of this option

  - Longest interval between Audit Committee meetings is 22 weeks (although there will be a meeting with the Chair and Vice-chair midway during this period).

Recommendations and reasons

10 Audit Committee is requested to approve Option 2.

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Appendix 1: Implications

Finance – None

Staffing – None

Risk – This report supports the delivery of the objectives of the Council's Risk Management Strategy.

Equality and Diversity/Public Sector Equality Duty – None

Accommodation – None

Crime and disorder – None

Human rights – None

Consultation – None

Procurement – None

Disability issues – None

Legal Implications – There are no direct implications but effective risk management helps to ensure compliance with legal and regulatory obligations.