



AUDIT COMMITTEE – 17TH SEPTEMBER 2013

SUBJECT: RISK MANAGEMENT STRATEGY AND GUIDANCE

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To set out the key areas for improvement in risk management in the Council. Following reports to CMT, work has been undertaken to develop a Risk Strategy for the Council and associated guidance. This report outlines a Risk Management Strategy, guidance and associated training.
- 1.2 To address the one outstanding Proposal for Improvement in the Wales Audit Office Corporate Assessment relating to Risk. It is suggested by WAO that the Council has to “strengthen its risk management arrangements in the light of emerging challenges”.

2. SUMMARY

- 2.1 Risk Management has been identified as an area of Council activity that needs strengthening to demonstrate that the processes are appropriately embedded in decision making and that risks are actively managed.
- 2.2 Following discussions at CMT, a Council wide Risk Strategy has been established for consideration by the Audit Committee as part of its governance and assurance role. The strategy, if agreed, will be recommended to the cabinet for approval.
- 2.3 Associated guidance on how to implement the Strategy has also been developed to help both Members and staff understand how risk is used as an integral part of Council business.

3. LINKS TO STRATEGY

- 3.1 Risk Management is an integral foundation of Good Governance, and enables the Council to demonstrate that it is following due processes and making decisions in the full knowledge of the risks to the Council.
- 3.2 In addition, the Council has a duty to make arrangements to improve its services as part of the statutory requirements of the Local Government Measure 2009.

4. THE REPORT

- 4.1 A number of discussions have taken place at CMT regarding how risk is managed in the Authority. This has identified some high level gaps in the knowledge of the system and the guidance provided to both staff and members.

4.2 Current arrangements

The current arrangements are set out below:

- 4.2.1 **At Service Level** - All Service Improvement Plans contain risks that services identify could prevent them from achieving their objectives; these risks are monitored on a regular basis by PMU. The risk information is uploaded onto the Ffynnon system for further analysis and report generating, but is not consistent across all services as not all services complete a Service Improvement Plan.
- 4.2.2 **High Level** - The Authority maintains a Corporate Risk Register, which is monitored and updated by Corporate Management Team on a six monthly basis. The risks contained in this register are the Authority's main strategic risks. The risk update is then uploaded onto the Ffynnon system by PMU, in order to look at the trends of the risks over a number of periods and to monitor the progress made in terms of mitigating the risks.
- 4.2.3 **Improvement Objectives** – Delivery of the Council's Improvement Objectives similarly contain identified risks, which are monitored on a quarterly basis by PMU. The update is uploaded onto the Ffynnon system. The Council's Improvement Objectives, along with the risk updates are reported to Performance Management Scrutiny Committee every six months. Also a summary report on the progress of the Council's Improvement Objectives is tabled at Corporate Management Team and Policy and Resources Scrutiny Committee.
- 4.2.4 **Governance** – Each Head of Service completes an Annual Governance Statement (AGS), detailing the processes and procedures in place to show compliance with the council's governance arrangements. A whole statement is produced following a review of the council's governance arrangements and includes an action plan and risk assessment to address any significant governance risks which may have been identified.

From this, we have identified areas where we need to put improved arrangements in place. These are set out below:

- The Council does not have an overall Risk Strategy.
- Members should be receiving the Corporate risk register on a regular basis, at Cabinet, Audit Committee or Scrutiny.
- CMT need to review the Corporate Risk register on a regular basis (refer to para 4.2.2).
- Further guidance is needed on how risks are expected to move between the Corporate risk register and the Departmental risk registers and vice-versa.
- Better consistency is needed in the way risk is identified and scored.
- From a recent internal survey, completed in November 2012, 43% of officers were unaware of how their service contributes to the Corporate Risk Register. There is a two-way gap in the communicating of the corporate risks.
- The Corporate Risk Register should be strengthened by including specific statements on what is being done to mitigate the risk.
- There is a gap at Directorate level in capturing, monitoring and the management of service risks.
- Where Service Improvement Plans are not presented to Scrutiny elected members are currently not aware of the risk process or scrutinise service risks in any capacity.
- There is a gap in the current process, as the risks in the AGS do not always align with the risks in the Corporate Risk Register and the Authority's service improvement plans.

4.3 Proposed arrangements

- 4.3.1 There is now an urgent need to develop Risk Management to a level where both Members and Staff are confident in using the system, and it is operated on a consistent basis.

- 4.3.2 The first step is for Members to approve a Risk Strategy which covers the whole system of managing risk for the Council. A draft strategy has been developed as part of the Improving Governance Programme and builds on the system currently in place. This is attached at Appendix A.
- 4.3.3 Just having a risk strategy in place is not sufficient to ensure that risk management works effectively. Good quality risk registers that are consistently compiled, reviewed regularly and acted on are also fundamental to a successful system. A strong corporate risk register, owned and understood by Cabinet and CMT alike, is critical. Feeding into the Corporate risk register would be the Departmental risk registers. The Audit Committee would be the guardians of the risk management strategy and should satisfy itself that it is being adhered to.
- 4.3.4 Departmental risk registers should similarly be kept up to date and used in managing the business. They should be regularly scrutinised at Departmental management teams with a review to test whether any of the risks are sufficiently broad and serious to make them corporate risks. These registers would also be presented and reviewed at Scrutiny and could inform the Forward Work Programme.
- 4.3.5 A further integral part of any system is enabling users to understand the system and get the maximum benefit for the Council, through guidance and training. The current guidance has been reviewed and updated as part of the Improving Governance Programme, and a draft is attached to this report at Appendix B.
- 4.3.6 Training on all aspects of the system will be needed, through briefings, facilitated workshops etc in order to have a fully operational system in place in Autumn/Winter 2013. A timetable is being developed and will be brought to a subsequent Audit Committee for information.

5. EQUALITIES IMPLICATIONS

- 5.1 No Equalities Impact Assessment has been undertaken on this report, however the draft Risk Strategy and system will need a full Equalities Impact Assessment in order to ensure that the Council's governance arrangements fully consider these issues, as required by the statutory duties under existing Equalities and Welsh language legislation.
- 5.2 Equalities and Welsh language issues are included in all Service Improvement Plans to varying levels, echoing the comments already covered in 4.2.1 previously.
- 5.3 Local authorities in Wales however are facing, and have faced, an increasing number of complaints and legal challenges on failure to properly consider Equalities and Welsh language issues. Neighbouring authority case law already exists where the local authorities were challenged and lost the cases, with significant financial penalties attached.

6. FINANCIAL IMPLICATIONS

- 6.1 Training will be required for Members and Officers to ensure a thorough understanding. This is estimated at £5k-£10k funded from Risk Management funds.

7. PERSONNEL IMPLICATIONS

- 7.1 There are none.

8. CONSULTATIONS

- 8.1 Comments from consultees have been incorporated into this report.

9. RECOMMENDATIONS

9.1 The Committee is requested to:

- (1) Recommend to Cabinet the adoption of the Draft Risk Management Strategy and Draft Guidance by the Executive at its earliest appropriate meeting.
- (2) Include the receipt of regular updates of the Corporate Risk Register on Audit Committee's meeting agenda.
- (3) Recommend to Cabinet the Scrutiny arrangements detailed above for monitoring Risk Management.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To improve the Risk Management arrangements within the organisation and address a WAO proposal for improvement.

11. STATUTORY POWER

- 11.1 Local Government Measure 2009.

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Appendices:

Appendix A – Risk Management Strategy
Appendix B – Risk Management Guidance