

AUDIT COMMITTEE - 4 DECEMBER 2018

PART I - DELEGATED

6. REVIEW OF RISK MANAGEMENT ARRANGEMENTS (CED)

1 Summary

1.1 This report summarises the Council's risk management arrangements and includes details of how the new risk management strategy is being implemented.

2 Details

2.1 At its meeting on 27 September 2018, the Audit Committee agreed a revised Risk Management Strategy and this was subsequently approved by the Policy and Resources Committee on 5 November 2018. The strategy determines that the Audit Committee has the function to:

- Consider and review the Council's Risk Management Strategy
- Review quarterly the Council's budgetary and financial risks
- Review annually the Council's operational risk registers
- Attend risk management training as appropriate
- Monitor the effectiveness of the authority's risk management arrangements
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors
- Be satisfied the authority's Annual Governance Statement, including the assurance statement, properly reflect the risk environment and any actions required to improve it.

2.2 There are three classes of risks – Budgetary/Financial, Strategic and Operational. The budgetary/financial risks are owned by the Finance department and are reported to and reviewed by the Audit Committee quarterly. The strategic and operational risks are included in the risk registers in the relevant service plans, where they are managed and monitored by the relevant Head of Service. The process for identifying, treating and managing risks is included in the Risk Management Strategy.

2.3 Strategic Risks

2.3.1 The Policy and Resources Committee determines which of the Council's risks are "strategic", i.e. those that if they were to come about, would seriously prejudice the achievement of the objectives in the Strategic Plan. The current strategic risks are listed in the table below.

Strategic Risk	Service Plan
1) Failure to secure improvements to services	Community Partnerships
2) Failure to tell residents about improvements	Corporate Services
3) Failure to make progress on sustainability	Economic & Sustainable Development
4) Failure to engage the community in the Strategic Plan	Community Partnerships
5) Failure to achieve Community Safety targets	Community Partnerships

Strategic Risk	Service Plan
6) Failure to achieve the priorities of the Community Strategy through the LSP	Community partnerships
7) Failure to deliver the South Oxhey Initiative project to the desired outcomes and objectives	Property Services
8) The medium term financial position worsens	Finance

2.3.2 Officers are currently undertaking a review of the strategic risks and proposals for updating them will be submitted to the Policy and Resources Committee for consideration.

2.4 Operational risks

2.4.1 Each Head of Service is responsible for maintaining their own risk register, which is included in their Service Plan. The draft Service Plans that are being considered by service committees during November and December 2018 include risk registers using the old template and scoring system. These have now been converted to the new template and they will be included in the final Service Plans that will be considered by the service committees in March 2019. The Service Plans will be considered at the following committees:

Committee	Service Plan
Infrastructure, Housing & Economic Development Committee Draft – 20 November 2018 Final – 19 March 2019	<ul style="list-style-type: none"> • Economic & Sustainable Development • Housing Services • Regulatory Services (part)
Leisure, Environment & Community Committee Draft – 28 November 2018 Final – 13 March 2019	<ul style="list-style-type: none"> • Community Partnerships • Environmental Protection • Leisure & Landscapes • Regulatory Services (part)
Policy & Resources Committee Draft – 10 December 2018 Final – 11 March 2019	<ul style="list-style-type: none"> • Committee Services • Corporate Services • Customer Service Centre • Electoral Services • Finance • Legal Practice • Property Services • Revenues & Benefits

2.4.2 All Service Plan risk registers have the following four “corporate” risks:

- 1) Insufficient staff
- 2) Total failure of ICT systems
- 3) Loss of accommodation
- 4) Fraudulent activity

The remaining risks on each risk register are specific to each service/department.

2.4.3 An analysis of how each service/department has scored their corporate risks is attached at appendix 1. This enables a comparison between services to identify which areas have higher risks and are therefore potentially more vulnerable.

2.4.4 All of the operational risk registers will be published, in the new format, on the website following their consideration at the relevant committees in November/December 2018.

2.5 The objectives of the Council's Risk Management Strategy are to:

- Embed risk management into the culture of the council.
- Maintain a robust and responsive risk management process as part of its governance arrangements. Anticipate and respond to changing social, environmental, economic and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of and seek to continuously improve the capacity and capability of staff and partner organisations to manage risk.
- Encourage an open dialogue about risks that may affect outcomes and objectives.
- Encourage responsible risk taking in response to opportunities and challenges, based around a clearly articulated statement of risk appetite.

2.6 In order to monitor progress against these objectives, the following measures are being undertaken:

- All staff with responsibility for risk management are being trained to use the new scoring system and templates.
- The risk management section of the committee report and PID templates are being updated and staff are being trained on how to complete them.
- The e-learning module for risk management is being updated to reflect the new strategy and staff with responsibility for risk management will be required to complete the course.
- The completion and updating of operational risk registers will be monitored by the Officer Risk Management Group.

3 Options and Reasons for Recommendations

3.1 The Risk Management Strategy makes it the Audit Committee's role to advise on the effectiveness of the Council's risk management arrangements and to receive an annual progress report on the treatment of risks.

4 Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled Risk Management Strategy and was agreed on 5 November 2018.

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

5.1 None specific.

6 Recommendation

6.1 That the Audit Committee notes the Council's risk management arrangements and the Risk Registers for operational risks.

Report prepared by: Phil King, Data Protection Officer

Data Quality

Data sources:

Draft Service Plans 2019-2022 and Risk Management Strategy 2018

Data checked by:

Phil King, Data Protection Officer

Data rating:

1	Poor	
2	Sufficient	✓
3	High	

Background Papers

Draft Service Plans 2019-2022

Risk Management Strategy 2018

APPENDICES / ATTACHMENTS

Appendix 1 – Corporate Operational Risks comparisons.

APPENDIX 1

Residual risk scores for the Council's four Corporate Risks

Risk Register	01 – Insufficient staff			02 – Total failure of ICT			03 – Loss of accommodation			04 – Fraudulent activity		
	Likelihood	Impact	Score	Likelihood	Impact	Score	Likelihood	Impact	Score	Likelihood	Impact	Score
Committee Services	2	2	4	2	2	4	2	2	4	2	1	2
Community Partnerships	2	2	4	2	2	4	2	2	4	2	3	6
Corporate Services	2	2	4	2	2	4	2	2	4	1	2	2
Customer Services Centre	2	2	4	2	2	4	2	2	4	1	2	2
Economic & Sustainable Dev	2	2	4	2	1	2	2	1	2	1	2	2
Electoral Services	2	2	4	2	3	6	1	3	3	2	1	2
Environmental Protection	2	2	4	2	2	4	2	1	2	2	1	2
Finance	2	2	4	2	3	6	1	1	1	2	2	4
Housing Services	2	2	4	2	2	4	2	2	4	2	2	4
Legal Practice	2	1	2	2	2	4	2	2	4	1	2	2
Leisure & Landscapes	2	3	6	2	3	6	2	3	6	2	2	4
Property Services	3	2	6	2	2	4	2	2	4	1	2	2
Regulatory Services	3	2	6	3	2	6	2	2	4	2	2	4

Likelihood and impact classifications

		LIKELIHOOD			
IMPACT		1 Remote (≤5%)	2 Unlikely (6-20%)	3 Likely (21-79%)	4 Very Likely (≥80%)
4	Catastrophic	4 LOW	8 HIGH	12 VERY HIGH	16 VERY HIGH
3	Critical	3 LOW	6 MEDIUM	9 HIGH	12 VERY HIGH
2	Significant	2 LOW	4 LOW	6 MEDIUM	8 HIGH
1	Marginal	1 LOW	2 LOW	3 LOW	4 LOW

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	>£500k	Adverse national media coverage / many complaints	Litigation, claim or fine >£500k	Fatality of one or more clients or staff
3 Critical Impact	Major service disruption	£100k - £500k	Adverse local media coverage / several complaints	Litigation, claim or fine £100k - £500k	Serious injury, permanent disablement of one or more clients or staff
2 Significant Impact	Service disruption	£25k - £100k	Local public interest / some complaints	Litigation, claim or fine £25k - £100k	Major injury to an individual
1 Marginal Impact	Minor service disruption	<£25k	Isolated complaints	Litigation, claim or fine <£25k	Minor injury to less than 5 people