

# Accounts, Audit and Risk Committee

## Risk Management

22 June 2011

### Report of Corporate Strategy and Performance Manager

#### PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the last quarter of 2010/11 and highlight any emerging issues for consideration.

This report is public

#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

1. To review the quarter 4 Strategic, Corporate and Partnership Risk Register. (Appendix 1).
2. To review the proposed reporting timetable to the Executive and the Accounts Audit and Risk Committee 2011/2012 (paragraphs 1.8 and 1.9).
3. To note the outcomes of the risk management internal audit review (Appendix 2).

#### Executive Summary

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- 1.1 In advance of 2010/11 the Council undertook a fundamental review of its risks and the reporting requirements. This provided the opportunity to consider the underlying principles of the overall approach to managing risk. The review also resulted in a streamlined set of core strategic, corporate and partnership risks and the requirement that operational risks are monitored at the service level. These core risks are now monitored on a monthly basis.
- 1.2 In April 2010 the Council established a high level strategic risk register which integrated performance and risk reporting using Performance Plus, the Council's corporate performance management system. Risks are reviewed monthly and monitored by the Corporate Management Team. There is effective oversight by members through the Executive and the Accounts Audit and Risk Committee.

- 1.3 In the last quarter there was an internal audit review of risk management. As a result a moderate assurance was given with a small number of issues highlighted.

Appendix 2 sets out the reports and its findings. The management actions have been agreed and are in the process of being implemented. The findings from the report have also been presented to EMT.

- 1.4 The report sets out the following:

- The principles by which the Council manages risk (paragraph 1.5)
- The quarter 4 risk report review (paragraph 1.6 and appendix 1).
- The findings from the internal audit review of risk management (paragraph 1.7 and appendix 2)
- The revised risk register for 2011/12 (paragraph 1.8 and appendix 3).
- The proposed timetable for reporting risks to the Executive and the Accounts Audit and Risk Committee 2011/2012 (paragraph 1.9).
- An update on operational risk management (paragraph 1.10)

### **Proposals**

- 1.5 **Underlying Principles** the following principles continue to be used for the management of risk:

**Core Risks** These are the core set of risks that are recorded in the Council's Risk Register and are monitored and reported through the corporate Performance Management Framework. They are monitored by CMT on a monthly basis and by the Executive and Account, Audit and Risk Committee on a monthly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

**Net Risk** This is a measure of impact x likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in Net Risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

**Types of Risk** the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at the service and directorate level and not corporately through the performance management framework. Our definitions are as follows:

- **Strategic** risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- **Corporate** risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- **Partnership** risks to a partnership meeting its objectives or delivering agreed services/ projects.

- **Operational** risks specific to the delivery of individual services/service performance.

#### 1.6 Quarter 4 Strategic, Corporate and Partnerships Risk Review

Strategic, Corporate and Partnership are reviewed on a monthly basis and reported via the performance and risk management framework to the Executive on a quarterly basis. The contents of the Risk Register as a whole are reviewed at least annually to ensure its contents reflect current priorities and circumstances, as noted above this was undertaken by EMT in February 2011. In addition, the portfolio holder for performance and organisational change is briefed with regards to risk and performance on a monthly basis.

The next quarterly risk (quarter 4 – year end) review will be received by Executive at their meeting in July. The table below highlights where risks have remained constant, increased or decreased between quarters 3 and 4. Full details are attached at Appendix 2.

Changes	Risk name	Comments
Risk rating constant	STRAT01 Deprivation and Equalities	<ul style="list-style-type: none"> <li>• Risk reviewed, project issues and risk log also in place</li> </ul>
	STRAT02 Eco Town	<ul style="list-style-type: none"> <li>• NB. Govt plans to review national planning framework including Eco Town PPS. Local policy (LDF and shared vision must be robust and in place to ensure direction of projects</li> </ul>
	STRAT03 Local Development Framework	
	STRAT04 Economic and Social Changes	<ul style="list-style-type: none"> <li>• LSP supporting review of new economic development strategy</li> </ul>
	STRAT05 Horton Hospital	<ul style="list-style-type: none"> <li>• The council is continuing its support and community leadership role</li> </ul>
	STRAT06 The Natural Environment	<ul style="list-style-type: none"> <li>• Environment strategy on track, actions monitored through PMF</li> </ul>
	STRAT08 Financial Resources	<ul style="list-style-type: none"> <li>• MTFS under review work has commenced on 2012/13 budget</li> </ul>
	CORP01 Health and Safety	<ul style="list-style-type: none"> <li>• Risk reviewed no matters arising.</li> </ul>
	CORP04 Equalities Legislation	<ul style="list-style-type: none"> <li>• Risk remains heightened (as per last quarter) EQIA scheme reviewed.</li> </ul>
	CORP06 Civil Emergency	<ul style="list-style-type: none"> <li>• Risk reviewed no matters arising.</li> </ul>
	CORP07 Data Quality	<ul style="list-style-type: none"> <li>• Risk remains heightened (as per last quarter) DQ audit completed.</li> </ul>
	PART02 Local Strategic Partnership	<ul style="list-style-type: none"> <li>• Commitment to partnership reiterated at</li> </ul>

		last meeting. LSP adopting a horizon scanning view to pick up any issues.
	PART03 Community Safety Partnership	<ul style="list-style-type: none"> <li>Risk reviewed no matters arising.</li> </ul>
	PART04 Spatial Planning and Infrastructure Partnership	<ul style="list-style-type: none"> <li>Role of partnership under review given national policy change, local enterprise partnerships will be entered onto the</li> </ul>
Risk rating improved	STRAT07 Managing Change  CORP02 Capital Investments  CORP03 ICT Systems	<ul style="list-style-type: none"> <li>Effective controls in place updated and implemented. Register.</li> <li>MTFS under review (use of investment income)</li> <li>Successful test undertaken.</li> </ul>
Risk rating worsened	- none	-
Risk added in quarter	STRAT09 Shared Services	A net risk rating of 6 has been reported. Controls are in place
Risk removed - as of April 2011	CORP05 Job Evaluation PART01 Local Area Agreement	Risks are no longer relevant to the organisation.

## 1.7 Internal Audit Review of Risk Management

During the final quarter a review of the council's risk management systems and processes was undertaken by internal audit. A moderate assurance was given with a number of small issues highlighted.

Control Design		Operating Effectiveness	
Critical	0	Critical	0
High	0	High	0
Medium	1	Medium	1
Low	3	Low	2

A full copy of the findings is attached as appendix 2. Management responses have been agreed and where practicable have been actioned. Some responses will be undertaken as part of the shared management programme. EMT have been made aware of the findings and the performance and risk working group has now met, refocused its terms of reference and will progress any risk and performance issues.

## 1.8 Risk Register 2011/12

Following a full scale review of the Risk Register in 2009/10, the 2010/11 register contained 19 risks (8 Strategic, 7 Corporate and 4 Partnership). At their meeting in December 2010 the Accounts, Audit and Risk Committee requested that an additional strategic risk was added to the register regarding shared management with South Northants Council. This was done in January 2011 and the risk has been monitored on a monthly basis since.

At their meeting on 8 February 2011 the Extended Management Team

(comprising the Interim Chief Executive, Directors and Service Heads) undertook a full review of the risk register. A number of new risks were identified and a number of existing risks were recognised as requiring a review in the light of new government policy or changed circumstances. The risk of Corporate Fraud was also added to the register.

Appendix 3 provides an overview of the risk register for 2011/12. This register will provide the basis for risk management during 2011/12. At the time of drafting the report all risk had been reviewed. The Committee will receive a detailed update at their meeting in September 2011.

### **Ongoing Reporting Arrangements**

- 1.9 For 2011/12 the reporting of the Strategic, Corporate and Partnerships Risk Register will continue to be integrated into the quarterly performance report to the Executive, as set out below:

- 2010/11 Year end review 04 July 2011
- Quarter 1- 08 August 2011
- Quarter 2- 07 November 2011
- Quarter 3- TBC
- Quarter 4- TBC

It is also proposed that the performance of all the risks on the Strategic/Corporate/Partnerships Risk Register is reported to the Accounts, Audit and Risk Committee on a quarterly basis as outlined below:

- 2010/11 Quarter 1 and year end review 22 June 2011
- Quarter 1- 21 September 2011
- Quarter 2- 12 December 2011
- Quarter 3- TBC
- Quarter 4- TBC

### **Operational Risks**

- 1.10 Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level. However, managers are able to use the same performance and risk monitoring system as they do for strategic risks. As with service performance indicators, any issues arising from these operational risks may be escalated via the performance and risk reports to the Corporate Management Team. In the event of this occurring they would also be reported to the Executive and Accounts, Audit and Risk Committee in their quarterly reports. Operational risks are reviewed on a quarterly basis.
- 1.11 During February 2011 three operational risk training sessions were held to support staff to identify and add operational risks to the performance plus system. Operational risks have also been identified through the development of service plans for 2011/12. Between March and May service managers entered 41 new operational risks onto the register, including operational partnerships.

## **Conclusion**

- 1.12 Since 1 April 2010 a number of significant changes to the way risk is managed at the Council have been introduced. These changes were built on an already strong performance that has been recognised by the Audit Commission. By integrating risk and performance management, we have a clearer understanding of the risks which may prevent the Council achieving its strategic objectives and in improving the accountability to Members we have taken the management of risk to a higher stage of development.

During the final quarter of the year all risks on the strategic, corporate and partnership risk register have been monitored and reviewed. Some of the issues highlighted in quarter 3 remain in place (for example the increased risk of being challenged through equalities legislation and the increased significance of data quality in the light of the transparency agenda) and controls are in place to address these.

Looking forward into the next quarter the Council has fully reviewed and updated its risk register and improved management information is now available with regards to operational risks through the Performance Plus system.

## **Background Information**

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- 2.1 The Council has now adopted a single Performance and Risk Management Framework which integrates the reporting processes for performance and risk and embeds the Risk Strategy adopted by this Committee at its meeting on 13 December 2010.
- 2.2 From 1 April 2010 the Council has used Performance Plus to monitor the Council's high level risks (Strategic, Corporate and Partnership). This move allows an integrated approach to managing risk and organisational performance and rationalises the administration involved.
- 2.3 During 2011/12 Performance Plus will also be available for managers to use to store their operational risks. Monitoring of operational risk remains a departmental responsibility but where a risk needs to be escalated to the strategic risk register CMT will have the opportunity to do so as part of their monthly review of performance and risk.
- 2.4 As part of its corporate management role the Extended Management Team (EMT – comprised of service heads) reviewed the 2010/11 at their meeting on 8 February 2011. The changes have been reflected in the risk register for 2011/12.
- 2.5 The Council has also reviewed the 'ten governance risks' highlighted by CIPFA in their Audit Committee update paper (January 2011) and these issues have been reflected in the latest version of the risk register (Appendix 3). At the next meeting of the AARC these risks will be reviewed in more detail covering their status during the first quarter.

## **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 To review the quarter 4 risk report.
- 3.2 To note the findings of the Risk Management Audit.

The following options have been identified. The approach in the recommendations is believed to be the best way forward.

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|-------------------|---|
| <b>Option One</b> | To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive. |
| <b>Option Two</b> | To reject the current approach and proposals and report any concerns arising to the Executive.  |

## **Implications**

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|-------------------------|--|
| <b>Financial:</b>       | The Council has identified the impact of the current economic climate and financial pressures on the Council's ability to deliver its corporate priorities as a Strategic Risk. There is also a Corporate Risk arising from the Council's ability to fund its activities because of a reduction in investment income or income from other capital assets such as buildings.<br>Comments checked by Karen Curtin, Head of Finance, 01295 221551 |
| <b>Legal:</b>           | There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law.<br><br>Comments checked by Nigel Bell, Team Leader – Planning & Litigation / Interim Monitoring Officer, 01295 221687  |
| <b>Risk Management:</b> | The lead officer responsible for risk reporting is the author of this report.<br><br>Comments checked by Helen Hayes, Performance and Risk Officer, 01295 2211751  |

## **Wards Affected**

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All

## **Corporate Plan Themes**

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All

## Document Information

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Appendix No	Title
Appendix 1	Quarter 4 Risk Report
Appendix 2	Risk Management Audit Report
Appendix 3	Risk Register 2011/12
<b>Background Papers</b>	
1. Risk Management Strategy	
2. Executive Report 7 March 2011 Performance and Risk Management Framework	
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