Report to the Audit & Governance Committee

Epping Forest District Council

Report Reference: AGC-030-2013/14
Date of meeting: 3 April 2014

Portfolio: **Finance and Technology**

Subject: **Effectiveness of the Arrangements for Risk Management**

Responsible Officer: **Bob Palmer** **(01992 564279)**

Democratic Services: **Gary Woodhall** **(01992 564470)**

Recommendations/Decisions Required:

(1) That Members consider the effectiveness of the arrangements for Risk Management.

Executive Summary:

The terms of reference for this committee include "To consider the effectiveness of the Council's Risk Management arrangements". This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required "To advise and make recommendations to the Cabinet on Risk Management and Insurance issues".

The internal audit of Risk Management for 2013/14 was completed in March and so will form part of the fourth quarter report to the June meeting of this Committee. However, Members may find it helpful in considering this report to know that the audit of this area concluded with a score of "Substantial Assurance".

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council's arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

<u>Previous Reviews</u>

1. The review of the effectiveness of the Council's arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved:

> *(1) That the Council's arrangements for Risk management be considered effective.*

Risk Management in Directorates

2. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

3. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. The RMG meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to the Corporate Governance Group. During 2013/14 meetings were held in May, August, December and February. The Director of Finance and ICT, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.

6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans.

7. The annual updating and approval of the terms of reference for the RMG was considered by the Finance and Performance Management Cabinet Committee on 20 March 2014 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 20 March also approved the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

8. As mentioned above, the RMG consider updates to the Corporate Risk Register and make recommendations to the Corporate Governance Group (which consists of the Chief Executive, the Monitoring Officer, the Deputy Monitoring Officer, the Director of Finance and ICT and the Chief Internal Auditor).

9. The Corporate Governance Group receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Corporate Governance Group is not aware of any other new risks for inclusion.

10. Finally, recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee.

Updates to the Risk Register

11. The first update for 2013/14 involved a major refresh of the Register. This followed requests from Members to make the Corporate Risk Register more accessible.

12. It was decided to take the process of streamlining forward by devoting the Management Board meeting on 15 May 2013 to a fresh consideration of corporate risks and how they are recorded and presented. This has resulted in the updated Corporate Risk Register which incorporates the following key changes:

(a) Use of a 4 x 4 matrix instead of 6 x 4;

(b) Stronger focus on key risks;

(c) Removal of tolerated risks; and

(d) New system of colour coding.

13. That meeting of Management Board worked through the Corporate Risk Register with the intention of providing a sharper focus on the key risks and ensuring that the risks were described and presented in a more accessible way. The Corporate Risk Register that was adopted by the March 2013 meeting of the Finance and Performance Management Cabinet Committee contained 26 risks, which were split with 16 above the tolerance line and 10 below the tolerance line. These risks have now been reduced to 6 and 2 new risks have been added to give a total of 8 key strategic risks. The risks are summarised below for ease of reference.

14. Risk 1 covers the Local Plan and related issues and brings together risks 3, 11 and 29 from the previous register. This risk was given the highest score of A1 (very high likelihood and major impact).

15. Risk 2 is a new risk that was created to capture the issues around the Council's strategic sites and their development. This risk was also been given the highest score of A1.

16. Risk 3 replaces the old risk 34 and covers the issues around Welfare Reform. This risk was given the score of A2 (very high likelihood and moderate impact).

17. Risk 4 consolidates the many threats to the Council's income and brings together risks 27, 30 and 35 from the previous register. This risk was given the score of B2 (high likelihood and moderate impact).

18. Risk 5 was the second new risk and was created to address the issues around Economic Development. This risk was also given the score of B2.

19. Risk 6 replaced the old risk 18 and covers issues around data and information use and security. This risk was given the score of C1 (medium likelihood and major impact).

20. Risk 7 replaced the old risk 8 and deals with business continuity management. This risk was given the score of C2 (medium likelihood and moderate impact).

21. Risk 8 replaced the old risk 22 and considers the issues to do with partnerships. This risk has been given the score of C3 (medium likelihood and minor impact).

22. Risks 1 to 5 are in the red area of the matrix and so are subject to monthly monitoring by Management Board. Risks 6 to 8 are in the amber area of the matrix and are therefore scheduled for quarterly monitoring by Management Board. The monitoring by Management Board was introduced as an additional process to enhance the control over action plans. The Risk Management Group and Corporate Governance Group continued their roles of evaluating existing and new risks on a quarterly basis, this role concentrates on the

description and scoring of risks. Previously the control of the action plan had been left to the nominated Director and Portfolio Holder.

23. Key points from the subsequent reviews by the Finance and Performance Management Cabinet Committee are given in the table below.

Date of Meeting	Updates Considered
19 September 2013	In view of the worsening financial outlook the score of the Finance risk was increased from B2 (high likelihood and moderate impact) to A1 (very high likelihood and major impact). Triggers and consequences were updated for the Local Plan to more fully reflect the risk.
20 January 2014	Following work with the Essex Safeguarding Children and Adults Boards and a greater awareness of the Council's duties under Section 11 of the Children Act, a new risk on Safeguarding was scored at B2 and added to the register. Work by the Data Protection Officer to improve awareness justified reducing the score for the Information/Data risk from C1 (medium likelihood and major impact) to C2 (medium likelihood and moderate impact).
20 March 2014	To date no interest has been expressed by outside bodies in running Council services so the scoring of the Partnership risk was reduced from C3 (medium likelihood and minor impact) to D3 (low likelihood and minor impact). The Finance risk was updated to specifically include the threat from old business rate appeals and the Business Continuity item was updated to include disruption arising from the Tour de France.

24. So Members can see the changes between the old and new format the current risk register is attached as Appendix 1 and the previous style as Appendix 2.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

None.

Impact Assessments:

Risk Management

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	No

What equality implications were identified through the Equality Impact Assessment process?

N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A