

Audit Committee

Item No.....

Report title:	Risk Management Annual Report 2016-17
Date of meeting:	15 June 2017
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact	
<p>The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, as set out in its Terms of Reference, which is part of the Council's Constitution. There are Risk Management controls in place within the Council as per the Financial Regulations (part 4.3, of part 7.7) of the Council's Constitution.</p>	

Executive summary

Norfolk County Council ensures that risks to the delivery of its objectives are appropriately managed in accordance with the Council's Risk Management Framework in order to fulfil the Financial Regulations, as set out in the Council's Constitution (part 4.3, of part 7.7). The policy and framework of procedures will comply with the Accounts and Audit (England) Regulations 2015 (Part 2, Internal Control 3(c)) and the Public Sector Internal Audit Standards.

The Audit Committee is recommended to:

Consider and comment on these key messages from the Annual Risk Management 2016-17 Report (Appendix A):

- The overall opinion on the effectiveness of risk management for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 7 of the report)
- In November 2016, the annual CIPFA (Chartered Institute of Public Finance and Accountancy) Risk Management Benchmarking Club exercise was carried out, and the Council was assessed against other Local Authorities on its' risk management capabilities. A summary of the Benchmarking Club exercise can be found at Appendix 1 of Appendix A of this report.
- The permanent position of Risk Management Officer was ratified by the Council in September 2016, and the current Risk Management Officer was appointed to this role in October 2016.
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The current Risk Management Policy is being refreshed, with a Risk Management Strategy to be developed from this in 2017/18.

1. Proposal (or options)

- 1.1 The recommendation is covered in the Executive Summary above.

2. Evidence

- 2.1 The Chief Internal Auditor's Annual Risk Management report 2016-17 is presented at **Appendix A**. The CIPFA Risk Management Benchmarking Club Exercise report (Appendix 1 of Appendix A of this report) provides an assessment of the Council's performance.

3. Financial Implications

- 3.1 In 2016/17, the Risk Management Function has been delivered within the budget allocated for the year. There are no financial implications for the Risk Management Function for 2016/17.
- 3.2 Looking ahead to 2017/18, one of the four themes for development is Commerciality, looking at how the Risk Management Function could potentially increase its commerciality to generate income for the County Council. This is referenced at part 6 of the report in Appendix A.

4. Issues, risks and innovation

- 4.1 Looking ahead to 2017/18, there are four themes for development as part of business as usual. These are;

- Strategy into Action / Accountability
- Commerciality / Business like
- Data Analytics / Evidence Based
- Collaboration / Influencing

Further details can be found at part 6 of the report in Appendix A.

- 4.2 There are no implications with respect to:

- Other resource implications (staff, property)
- Legal implications
- Equality
- Human rights implications
- Environmental implications
- Health and safety issues.

5. Background

- 5.1 This report has been completed with input from officers including Risk Coordinators within each of the Council's Departments.

6. Officer Contact

- 6.1 If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

Officer Name: Adrian Thompson - Chief Internal Auditor

Telephone Number: 01603 222784

Email address: adrian.thompson@norfolk.gov.uk

Officer Name: Thomas Osborne – Risk Management Officer

Telephone Number: 01603 222780

Email address: thomas.osborne@norfolk.gov.uk



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**Risk Management Annual Report
2016 – 2017**

**Chief Internal Auditor
Norfolk Audit Services**

**Norfolk Audit Services
Risk Management Annual Report 2016-17**

Contents

1	Introduction
2	The Council's Priorities
3	Key Messages and Risk Management Opinion
4	Our Outputs – Risk Management Work
5	Developments of the Risk Management Function for 2016/17
6	Developments of the Risk Management Function for 2017/18
7	Further Information
8	Acknowledgements
Appx 1	Risk Management Benchmarking Club Summary 2016-17

Norfolk Audit Services
Annual Risk Management Report 2016-17

1. Introduction

- 1.1 In line with Internal Audit standards, the mission of the Corporate Risk Management Function is to enhance and protect organisational value by providing objective risk management assurance, advice, and insight. The Function aims to:
- Understand the organisation
 - Know its position and role in the assurance regime
 - Be a catalyst for improvement of Risk Management
 - Add value to the organisational objectives
 - Be forward looking
- 1.2 This annual Risk Management report helps the Audit Committee to assess the performance of Risk Management over the year and informs the Managing Director and Executive Directors, clients and staff of how we add value through the Risk Management Function. This report also supports the Council's Annual Governance Statement 2016-17 with an assurance on the Council's arrangements for the management of risk. The report brings together and adds to, the quarterly Risk Management reports to the Audit Committee and includes:
- An acceptable opinion - (see part 3)
 - Key Messages (see part 3)
 - Our outputs - the work we carried out, performance and the difference we made in 2016-17 (see part 4)
 - Developments in the Service in 2016/17 (see part 5) and planned development areas for 2017/18 (see part 6)
 - Other relevant information (see part 7).

2 The Council's Priorities

- 2.1 The Risk Management Function's work has contributed to the Council's priorities during 2016-17, being:

Excellence in Education

Real Jobs

Improved Infrastructure

Supporting Vulnerable People

Norfolk Audit Services
Annual Risk Management Report 2016-17

- 2.2 Through managing the corporate risks to achieving the Council's priorities and objectives, the Risk Management Function has ensured that the priorities above continue to be supported. Threats to achieving these priorities are documented in the corporate risk register, and are regularly managed, and reported quarterly at Committee level. Mitigations to manage the risks to the priorities are managed by risk owners and reviewers, and independently scrutinised by the Risk Management Officer.

3 Key Messages and Risk Management Opinion

- 3.1 The key messages from the Risk Management work in 2016-17 are:
- The Council's system of Risk Management during 2016-17 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. These requirements state that "a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk".
 - The Risk Management Function has operated within the approved budget for 2016/17. Cost control is operating through cash budgets for training and staffing resource during the year.
 - The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval.
 - Sound is taken to mean that adequate governance, reporting, and assurance structures are in place to manage the risks to the Council's objectives. This has been determined from the results of the Benchmarking Club, looking at evidence based performance results against other councils.

4 Our Outputs – Risk Management Work

- 4.1 The Risk Management Function has delivered a number of outputs in 2016/17, including;
- delivery of quarterly Risk Management reports for committees;
 - co-delivering a Performance and Risk Management training workshop in July 2016 for Members of the Communities Committee.
 - the introduction of a 'Risks Around the Council' and 'Key Dates Timeline' summary, ahead of the Policy and Resources, and Audit Committees for officers, managers and directors involved in Risk Management reporting.
- 4.2 The Risk Management Function has delivered quarterly Risk Management reports for Committees, covering corporate risks, reported and presented to both the Audit, and Policy and Resources Committees.

Norfolk Audit Services
Annual Risk Management Report 2016-17

- 4.3 The Risk Management Function has also been active in risk reporting at departmental level at the Community and Environmental Services Committees, and has delivered quarterly reports to the Communities, and Environment, Development, and Transport Committees.
- 4.4 In July 2016, the Risk Management Function co-delivered a training workshop with the Business Intelligence and Performance Function, for Members of the Communities Committee. This clarified the Risk Management policy and procedures, and confirmed that the risks being managed were the risks that Members recognised as needing to be managed.
- 4.5 Risk Management reporting has been developed, further standardising the structure of Risk Management reports, as outlined below in 5.2.
- 4.6 In mid-2016, the Key Dates Timeline summary was developed for officers, and in early 2017, the Risks around the Council summary for officers was produced. Further details can be found in section 5 below.

5 Developments in the Risk Management Function in 2016/17

- 5.1 Risk Management reporting has been further developed in 2016/17 through increased active scrutiny of risks. In January 2016, corporate risks were linked to the Council's Audit Plan, with further scrutiny planned for corporate risks where no internal audit had been identified and carried out for the risk area. Prior to the March 2017 Policy and Resources Committee, the Risk Management Officer met with four risk reviewers whose risks were not linked to an upcoming internal audit, allowing further scrutiny of how the risks are being managed. The Risk Management Officer has advised risk coordinators and risk owners / reviewers on the current Risk Management policy, and procedures, and where improvements to reporting their risks can be made.
- 5.2 In January 2017, the Joint Museums Committee adopted the standard Risk Management reporting structure.
- 5.3 Efforts have been made to promote continuity of Risk Management reporting across committees by including appendices showing the following information;
- a summary of changes since the last committee report;
 - a risk heat map, showing at a glance where risks are on the risk spectrum, with changes since the last committee report.
- 5.4 In 2016/17, the Risk Management Policy Framework has been reviewed, and is now in the process of being refreshed.
- 5.5 The Risk Management Function has strengthened its' working relationship with risk coordinators in each of the Council's departments, with closer communication and more streamlined reporting of Risk Management to Committees.

Norfolk Audit Services
Annual Risk Management Report 2016-17

- 5.6 The planning around the delivery of the corporate Risk Management reports has been developed, including the introduction of Risks around the Council, and Key Dates Timeline summaries for officers actively involved in corporate Risk Management. The Risks around the Council summary enables these officers to quickly understand what is going on around the Council in the Risk Management environment. The Key Dates Timeline summary summarises the development stages of the report, and deadline dates.

6 Developments in the Risk Management Function in 2017/18

- 6.1 For 2017/18, there are four themes for development across the Council. These are;
- Strategy into Action / Accountability
 - Commerciality / Business like
 - Data Analytics / Evidence Based
 - Collaboration / Influencing
- 6.2 In terms of the Risk Management Function, the following areas have been identified for development;
- 6.3 Strategy into Action / Accountability: Looking ahead to this financial year 2017/18, a new Risk Management strategy will be developed and published. The strategy will detail how the Risk Management policy will be implemented, and how the objectives of the Risk Management Function will be achieved going forward.
- 6.4 Commerciality / Business Like: In 2017/18, the commerciality of the Risk Management Function will be assessed to see how a more commercial approach could be developed. Further details of the areas for development will be presented in the Risk Management strategy.
- 6.5 Data Analytics / Evidence Based: In 2017/18 the Risk Management Function will look at developing the Three Lines of Defence risk governance model, to further ensure that there is full, evidence based assurance that the risk procedures of the Risk Management Function are effective. This model will involve checks being made by three different functions (three lines of defence) within Norfolk County Council to ensure the validity of the Council's risk procedures. Further details of this model will be presented in the Risk Management strategy.
- 6.6 Collaboration / Influencing: In 2017/18, the Risk Management Function will aim to develop further collaboration with other functions (i.e. Performance, and Finance) to ensure that the Council's four main corporate objectives continue to be met. Through active involvement in the national ALARM Risk Management network of Local Authority Risk Managers, the Risk Management Function will develop its' role and influence in this network, through its collaboration with other Local Authorities' Risk Management counterparts. The Risk Management Officer is a Member of the ALARM network, and will be attending regional and national events on behalf of the Risk Management Function of Norfolk County Council.

**Norfolk Audit Services
Annual Risk Management Report 2016-17**

- 6.7 The Benchmarking Club exercise generated a series of results, broken down in to seven different areas. From the 2016/17 results, there are two areas that have been identified for further development. These are Leadership and Management, and Policy and Strategy. To develop these areas, the Risk Management Function, through the Risk Management Officer, will deliver a refreshed Risk Management policy and accompanying Risk Management procedures, and will engage further with senior management risk owners to further ensure that they are owning and leading on mitigating their risks, and that they understand the refreshed policy and procedures, and are engaged in the new Risk Management strategy that will be delivered in this financial year.

7 Further information

- 7.1 This Risk Management Annual Report will be referenced in the Council's Annual Governance Statement, which will be reported to this Committee in September 2017.

8 Acknowledgements

- 8.1 I would like to thank Members of the Audit Committee, County Leadership Team, managers and officers for their co-operation and assistance during the year.

9 Officer Contact

- 9.1 If you have any questions about matters contained or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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Telephone Number: 01603 222784

Email address: adrian.thompson@norfolk.gov.uk

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Norfolk Audit Services
Annual Risk Management Report 2016-17



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Home Page

Instructions

Guidance

We recommend
printing this sheet for
reference.

Action List

Questions

Submit Questionnaire

ENABLERS			Score
A	4/4	LEADERSHIP & MANAGEMENT	74/100
1	✓	Information and decision making	28/32
2	✓	Escalation and reporting systems	7/12
3	✓	Accountability and management responsibility	27/32
4	✓	Leading risk management implementation	12/24
B	2/2	POLICY & STRATEGY	65/100
1	✓	Risk management policy	50/60
2	✓	Strategy	15/40
C	4/4	PEOPLE	72/100
1	✓	Culture	16/25
2	✓	Responsibility	14/20
3	✓	Skills and guidance - capability	25/35
4	✓	Communication	17/20
D	3/3	PARTNERSHIPS & SHARED RESOURCES	88/100
1	✓	Partnerships and shared services	40/50
2	✓	Finance	30/30
3	✓	Tools	18/20

ENABLERS			Score
E	6/6	PROCESSES	85/100
1	✓	Links to business/service processes overview	25/30
2	✓	Risk Identification and Analysis	25/30
3	✓	Risk response	14/15
4	✓	Risk reporting and review	5/5
5	✓	Information Risk	8/10
6	✓	Service Continuity	8/10

RESULTS			Score
F	2/2	RISK HANDLING & ASSURANCE	93/100
1	✓	Risk handling	53/60
2	✓	Assurance	40/40

G	2/2	OUTCOMES & DELIVERY	80/100
1	✓	Risk management contribution to overall performance	50/60
2	✓	Contribution to specific outcomes	30/40

Additional Questions

- Go to additional questions

Comparison to Alarm's National Performance Model for Risk Management

ENABLERS LEVEL KEY		
Your Score-->	Level 5 - Driving	85%+
	Level 4 - Embedded and integrated	70%+
	Level 3 - Working	45%+
	Level 2 - Happening	20%+
	Level 1 - Awareness	0+

RESULTS LEVEL KEY		
Your Score-->	Level 5 - Driving	85%+
	Level 4 - Embedded and integrated	70%+
	Level 3 - Working	45%+
	Level 2 - Happening	20%+
	Level 1 - Awareness	0+