Audit Committee

Item No. 12

Report title:	**Risk Management Report**
Date of meeting:	**22nd September 2016**
Responsible Chief Officer:	**Executive Director of Finance**
Strategic impact The Audit Committee's role is to consider the Council's Risk Management. Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk Management contributes to achieving corporate objectives, and is a key part of the performance management framework.	

Executive summary

This report provides the Committee with the corporate risk register at the end of August 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during August 2016.

<u>Progress since the last Audit Committee meeting (June 2016)</u>

The Corporate Risk Register was reported to the last Audit Committee in June 2016, prior to being refreshed in August 2016. The Policy and Resources Committee (P&R) manages these risks and the corporate risks will next be reported to the September 2016 P&R Committee later this month. Since the last Audit Committee, reporting on the corporate risk register has been updated to show the latest developments, which are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from June 2016 is shown at **Appendix B.**

Recommendations:

Committee Members are asked to:

- Consider:
    - **a.** The changes to the Corporate Risk Register **(Appendices A and B)**, and the progress with mitigating the corporate risks;
    - **b.** The scrutiny options for managing corporate risks, presented in **Appendix C**;
    - **c.** if any further action is required.

1. Proposal (or options)

1.1. The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1 Direction

The Council's Medium Term strategy, adopted by the Council in July 2015, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer. Risk Management continues to be reviewed and strengthened as part of that work.

The Audit Committee minutes from 21 April 2016 recorded that, 'Risk RM010 (Risk of the loss of key ICT systems) did not contain any specific reference to the risk of hacking. The Chief Internal Auditor would raise the issue with the risk owner to check if the risk of hacking had been included and discuss whether the mitigating actions needed to be updated to reflect this potential risk'. This issue is being taken forward with the new Head of ICT and risk RM010 will be reviewed accordingly for future risk reports.

2.2. Progress

Overall, corporate risk scores continue to be generally stable. Since the last Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. Now that risks and mitigations are more closely aligned to each other, progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County Council and the actions required to mitigate them.

The latest corporate risk register details 20 risks, presented at **Appendix A**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and actionee who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the Council Leadership Team and their Departmental Management Teams.

Appendix A contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.

There is one risk with a 'current' red risk score:

1. RM020a – Failure to meet the long term needs of older people.

Risk owners have considered whether the risks will meet the target score by the target date. Twelve risks are assessed as "Amber– some concerns" that targets may not be met, and five are assessed as "Green - on schedule" to meet their target.

There are three risks with a 'prospects' target red risk score:

1. RM014a - The amount spent on home to school transport at significant variance to predicted best estimates.

2. RM014b - The amount spent on adult social care transport at significant variance to predicted best estimates.

3. RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

A reconciliation to the June report is presented at **Appendix B.**

As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.
A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

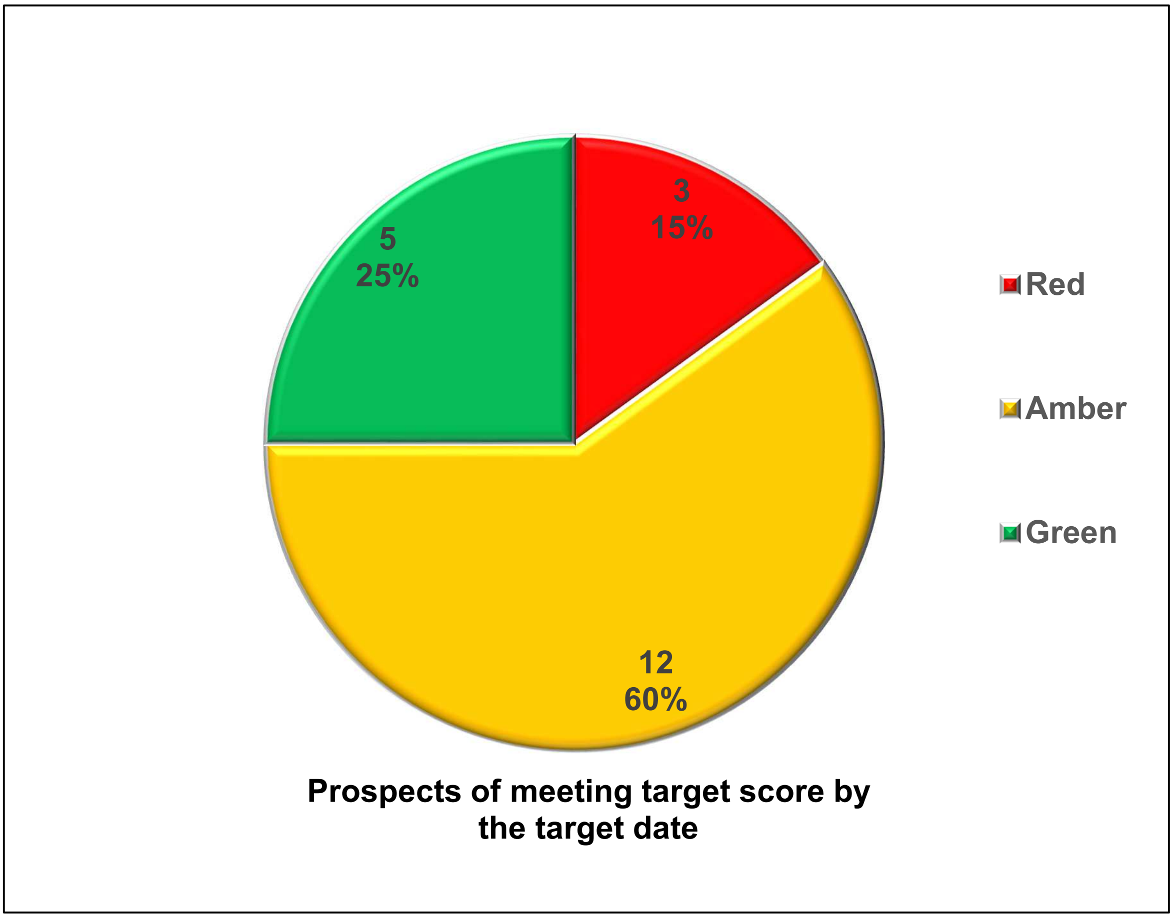
Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378 . Risk scores are based on the scoring model found in the Norfolk County Council "Management of Risk Framework".

For ease of reference the risks have been plotted on a heat map, in **Appendix D**, to illustrate each risk's relative position measured by likelihood and impact.

The criteria for Corporate and Departmental risks are described at Note 1.
A description of target scores is shown at Note 2.

Fig. 1. Reflects the percentages of risks in each category.

Fig. 1 – A chart to show the RAG rating percentages of meeting target scores.



2.3 Changes to the corporate risk register

Following the recent review there are now:

Two new corporate risks to report :

RM021 - Failure of Estate Management

RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

Two closed corporate risks to report:

RM008 - The potential risk of failure to deliver effective procurement processes.

RM009 - The potential risk of failure of corporate governance and leadership.

2.4 Refreshed Risk Management Policy and Framework

As part of the Medium Term Risk Management Strategy 2016-19 the Council's Risk Management Policy is being reviewed. This is currently being reviewed by the Risk Management Officer.

2.5 At the January 2016 Audit Committee, Members asked for an analysis of the Council's properties that were at risk of flooding. That analysis is being completed and will be reported to a future meeting.

3. Risk Management reporting to Committees

3.1 As a result of a recommendation from the Chairman and Members it was agreed that all departmental risks should be formally reviewed at the appropriate committees.

3.2 Risk Management is now reported separately to Performance Management at Committees, although there continue to be close links between performance and risk. The departmental reporting continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Performance Report.

4. Financial Implications

4.1 There are no financial implications other than those identified within the risk register. The financial implications of corporate risks are reported to the Policy and Resources Committee.

5. Issues, risks and innovation

5.1 At the July 2016 Policy and Resources Committee, a further explanation was provided to Members of the County Council's approach to risk appetite and tolerance, which is applicable to the Communities Committee, and which can be located in paragraph 2.1 on page 103 of the Policy and Resources Risk Management report (P&R agenda reports 18 July 2016).

6. Background

6.1 The review of existing risks has been completed with responsible officers.

Officer Contact

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

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Note 1:

A Corporate Risk is one that:

- It requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- It requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.

- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

The prospects of meeting target scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider that the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” column as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addressed and/or new tasks introduced.