

# Audit Committee

Item No.

<b>Report title:</b>	<b>Risk Management Report</b>
<b>Date of meeting:</b>	<b>31<sup>st</sup> January 2019</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director, Finance and Commercial Services</b>
<b>Strategic impact</b> One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register as a tool for managing risk 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 as it stands in January 2019, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during December 2018.

Risk management is reported separately but the reporting is aligned with, and complements, the performance and financial reporting to relevant Committees.

The corporate risk register was last reported to the Audit Committee (for risk management assurance) in September 2018, prior to being refreshed in mid-December to show the latest developments. Officers have worked through the risk related questions and comments from that Committee and responses will be supplied separate to this report. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

### Recommendations:

Committee Members are asked to consider and agree:

- The changes to the corporate risk register (**Appendices A and B**), the progress with mitigating the risks; and
- The scrutiny options for managing corporate risks, (**Appendix C**);
- The heat map of corporate risks (**Appendix D**);
- The draft summary of the Benchmarking Club 2018 results (**Appendix E**);
- The background information to the report (**Appendix F**);
- If any further action is required.

## 1. Proposal

- 1.1 The County Leadership Team has been consulted in the preparation of the corporate risk register, along with the risk reviewers who have reviewed and updated the risks where there have been changes since the last report. The recommendations of this report can be found above.

## 2. Evidence

### 2.1. Direction

- 2.1.1. The Council's Medium-Term Strategy and Financial Plan, adopted in February 2018, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. With regards to the development of Norfolk Futures, framed by four key principles, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, 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.
- 2.1.2. Following the full Council meeting on 10<sup>th</sup> December 2018, Members have voted to move to a Cabinet System as of May 2019. Considering this, the implications of organisational change for Annual Governance reporting, Risk Management and internal controls are being monitored.

A Medium-Term Risk Management Strategy has been initiated, and is currently being developed by the Risk Management Officer, whereby the current and future activities of the Risk Management Function, carried out to further embed the Risk Management Policy, will be formally documented.

### 2.2 Progress

- 2.2.1 Overall, corporate risk scores continue to be generally stable, with a lowering of three risk scores. Since the last report to the 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. The corporate risk register is joined up with the Council's 2018-19 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. 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 corporate risks to Norfolk County Council, and the actions required to mitigate them, overseen by the County Leadership Team, and owned by the Policy and Resources Committee.

2.2.2.

Work continues to take place to further develop risk management, which continues to be reviewed and strengthened. The revised Risk Management Policy and accompanying procedures are in place and the Risk Management Officer is promoting these through training provided around the Council.

2.2.3

The latest corporate risk register details 18 open risks, presented at **Appendix B**. 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 reviewer 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 County Leadership Team and their Departmental Management Teams.

2.2.4.

**Appendix B** 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.

2.2.5.

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

1. **RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**

2.2.6.

Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Eleven risks are assessed as “Amber—some concerns” that targets may not be met, and six are assessed as “Green - on schedule” to meet their target by the target date. One risk score has been assessed as meeting its target score by the target date, but is a continuous risk in its nature, and remains on the corporate risk register. There are currently no red prospects scores. There is close monitoring of the progress against mitigation actions in place, which determines the prospects score.

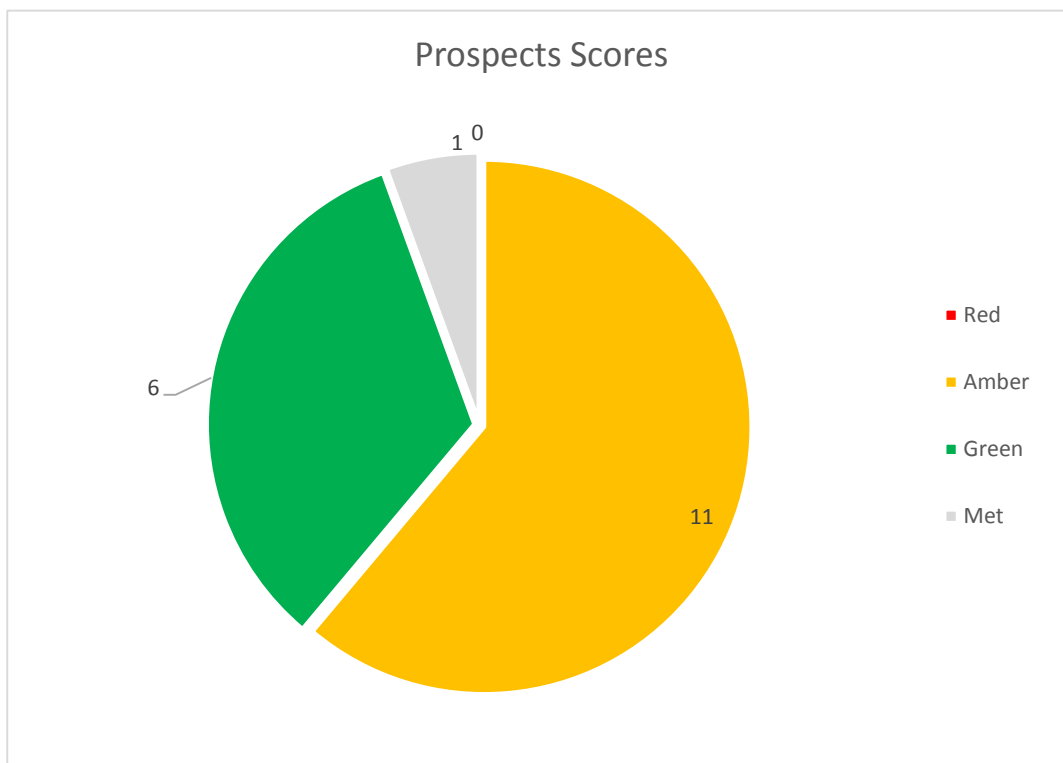
2.2.7.

A reconciliation to the September 2018 Audit Committee report is presented at **Appendix A**, detailing the significant changes to corporate risks since the September 2018 report.

2.2.8.

As part of the overall development of the performance and risk management framework for the Council, there is a continuation of the approach involving 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.

- 2.2.9. 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.
- 2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.
- 2.2.11. Explanations for the various scores and terminology can be found in the Risk Management Procedures, which are available to Members and officers.
- 2.2.12. 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 for their current risk score.
- 2.2.13. The criteria for Corporate risks and a description of target scores is shown at **Appendix F**.
- 2.2.14. Fig. 1. below reflects the percentages of risks in each prospects category.



## 2.3 Development

As part of continuing development, four themes will be developed as business as usual for Risk Management. These are as follows;

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

The following strands are identified for taking forward;

#### Strategy into Action / Accountability

2.4.

- Formalising a strategy to deliver the new RM Policy
- Developing a more Enterprise Risk Management (ERM) approach for NCC
- Being a 'Centre of excellence' for Risk Management

#### Commerciality – Business Like

2.5.

- Developing a traded Risk Management Service to other public sector bodies
- A Service Level Agreement approach for the function.

#### Data Analytics – Evidence based

2.6.

- Develop Risk Management data measures and sources
- Quality Assure the risk register content

#### Influencing – Collaborative

2.7.

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region and national ALARM group

### **3. Current Risk Management reporting to Committees**

- 3.1. Risk management is reported separately to financial and performance management at Committees, although there continue to be close links between financial, performance, and risk reporting. The Audit Committee Chairman has proposed that departmental level risks are reported, in detail, to Committees at least once per year. The remaining departmental reporting throughout the year 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 Finance and Performance Reports. The Council will be considering changes to the system of governance in May 2019.

### **4. Financial Implications**

- 4.1 Whilst the likelihood of not delivering the NDR to its revised budget has significantly reduced, there remain project risks of not delivering the NDR to budget. This risk will remain open until the final account for the construction works is closed, which project officers are focussing on.

## **5. Issues, risks and innovation**

- 5.1 The Risk Management Function has undertaken the Benchmarking Club exercise this year to self-assess our risk management maturity levels in comparison to other public- sector organisation participants using evidence to justify scoring. Risk management at Norfolk County Council is considered to be driving in four out of seven categories, and embedded and integrated in the other three. These are the top two category ratings. The summary of results can be seen at **Appendix E**.
- 5.2

- Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up and will be developed with the objective of generating income for the Risk Management Function of Norfolk County Council from other local councils and local public facing organisations. The Risk Management Officer is available to consult on risk management, helping such organisations to develop their risk management functions in exchange for a half/full day consultation rate charged for each session delivered. Where taken up, this will generate revenue for the County Council.
- 5.3

The Risk Management Strategy will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

## **6. Background**

- 6.1 The review of existing risks has been completed with responsible officers.
- 6.2 An explanation of some of the terminology used within the report can be found at **Appendix F**.

### **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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