

# Audit Committee

Item No.....

<b>Report title:</b>	<b>Risk Management Annual Report 2017/18</b>
<b>Date of meeting:</b>	<b>19 April 2018</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director of Finance and Commercial Services</b>
<b>Strategic impact</b>	
<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 <a href="#">Constitution</a>. 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 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 2017/18 Report (Appendix A):

- The overall opinion on the effectiveness of Risk Management for 2017/18 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2017/18 will refer to this report and will be reported to this Committee in July 2018 for its approval.
- The Risk Management Policy has been refreshed, with a Risk Management Strategy currently being developed from this.

## 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 2017/18 is presented at **Appendix A**.
- 2.2 The key messages are reported in the Executive Summary above.

## **3. Financial Implications**

- 3.1 In 2017/18, 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 2017/18.
- 3.2 Looking ahead to 2018/19, 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 6.2 of the report in Appendix A.

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

- 4.1 Looking ahead to 2018/19, 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 the Risk Management Officer.

## **6. Officer Contact**

- 6.1 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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## **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 has worked 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 and informs the Managing Director, 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 2017/18 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 2017-18 (see part 4)
- Developments in the Service in 2017/18 (see part 5) and planned development areas for 2018/19 (see part 6)
- Other relevant information (see part 7).

## **2 The Council's Ambitions**

The Council's approach is guided by four key principles:

- Reducing demand for specialist services through prevention and early intervention
- Integrating services so similar activities and functions are joined up around the customer and done once
- Cost effective delivery, through a business-like approach and modern use of technology

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- Sharp focus on impact – targeting the right interventions where they can have the most impact and do the most good

These principles frame the transformation that we must lead across all our services and activities. The [Norfolk County Council Strategy 2018-21](#) is the vehicle for putting the principles into practice and making transformation happen. The Council has also identified 7 priorities to bring focus and energy to this phase of transformation – under the banner of ‘**Norfolk Futures**’. These priorities are:

- Safe children and resilient families
- Promoting independence for vulnerable adults
- Local service strategy
- Smarter information and advice
- Towards a Norfolk housing strategy
- Digital Norfolk
- Commercialisation

- 2.2 The Risk Management Function’s work has understood (1.1) and contributed to the Council’s ambitions during 2017/18, through managing the corporate risks to achieving the Council’s vision and objectives, the Risk Management Function has ensured that the ambitions above are supported. Threats to realising the areas of work that contribute to achieving these ambitions are documented in the corporate risk register, and are regularly managed, and reported quarterly at Committee level. Mitigations to manage these risks and reporting of progress with these are owned by the risk owners and managed by the risk reviewers, and independently scrutinised by the Risk Management Officer. This fulfils the Risk Management role in the assurance regime (1.1)

### 3 Key Messages and Risk Management Opinion

- 3.1 The key messages from the Risk Management work in 2017/18 are:

- The Council’s system of Risk Management during 2017/18 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”.

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- The Risk Management Function has been a catalyst for improvement of risk management, added value, forward looking (1.1) and has operated within the approved budget for 2017/18.
- The Annual Governance Statement for 2017/18 will make reference to this report and will be reported to this Committee in July 2018 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 quarterly Risk Management reports for Committees in 2017/18, covering corporate risks, reported and presented to both the Audit, and Policy and Resources Committees.
- 4.2 Risk Management reporting has been developed, further standardising the structure of Risk Management reports.
- 4.3 The Risk Management Policy has been revised and signed off by both the Audit Committee and Policy & Resources Committee during 2017/18. Accompanying Risk Management Procedures have also been implemented and are now available to view and refer to on the Risk Management Intranet page under Documents, Forms, and Guidance.
- 4.4 Strategy into Action / Accountability: A new Risk Management strategy is currently under development, with the target of finalising and publishing in the first quarter of 2018/19. 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.
- 4.5 The Risk Management Officer joined the Association of Local Authority Risk Managers (ALARM) Risk Management Focus Group in December 2017, with active participation at national meetings in helping to coordinate ALARM Risk Management strategy and events.

## **5 Outcomes**

- 5.1 **Case Study 1: Reporting on the corporate risk relating to the construction of the Broadland Northway (NDR) on time and to budget.**
  - 5.1.1 The quarterly reporting on the corporate risk relating to the construction of the Broadland Northway (NDR) road to time and budget has added value by ensuring that key stakeholders are sighted on the progress made in managing the risk, and its score. This has added value by informing Members at the relevant Committees (this Committee, as well as the Policy and Resources Committee and the Environment, Development and Transport Committee) where the risk is reported,

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at the appropriate time. The NDR working group was set up from a discussion at the June 2017 EDT Committee, where the NDR risk score and progress against mitigation tasks were reported and discussed.

**5.2 Case Study 2: Reporting on the departmental risk relating to single points of knowledge within Trading Standards.**

- 5.2.1 The reporting of the risk relating to single points of knowledge within the Trading Standards team has added value, by acting as one of the drivers for change and accountability within the team. The risk of not having appropriately qualified alternative staff available in the event of staff absence to deal with a major trading standards incident was identified in October 2015. Since then, this risk has been managed and reported to the Community and Environmental Services departmental management team monthly, and reported quarterly to the Communities Committee. We now have 100% of the appropriately qualified and competent staff to deliver the Control Strategy in 12 of 14 areas. The Fair Trading Criminal team is now up to 94% appropriately qualified, and the appropriate number of qualified and competent officers in the intelligence handling team is also up to 97%. Reporting this risk by exception on a quarterly basis to the Communities Committee has added value by keeping up focus on the risk, and ensure that progress against this risk is communicated to Members through the Risk Management report. With the risk minimised, and the risk target score met, it is anticipated that this risk will now be closed.

**6 Developments of the Risk Management Function in 2017/18**

- 6.1 Risk Management reporting has been further developed in 2017/18 through increased active scrutiny of risks. Corporate risks continue to be 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. Throughout 2017/18, the Risk Management Officer met with risk reviewers whose risks were not linked to an upcoming internal audit, allowing further scrutiny of how the risks are being managed.
- 6.2 The Risk Management Officer has advised risk coordinators and risk owners / reviewers on the revised Risk Management Policy and procedures that were signed off in the last financial year, and where improvements to reporting their risks can be made. The Risk Management Officer has communicated these revised documents to all staff via a communication in the Norfolk Manager online bulletin.
- 6.3 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, and has further strengthened working relationships with the senior management teams across the Council through attendance at more Senior Management Team meetings by the Risk Management Officer.
- 6.4 The commerciality theme was initiated during 2017/18, with a meeting between the Risk Management Function and key stakeholders from Internal Audit teams across Norfolk's District and Borough Councils in November 2017.

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## **7 Developments of the Risk Management Function for 2018/19**

7.1 For 2018/19, there are four themes for development across the Council. These are;

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

7.2 In terms of the Risk Management Function, the following areas have been identified for development.

7.2.1 Strategy into Action/Accountability: In 2018/19 the Risk Management Strategy 2018-2020 will be completed.

7.2.2 Commerciality / Business Like: In 2018/19, the commerciality of the Risk Management Function will be further assessed to see how a more commercial approach could be developed. Details of the areas for development will be presented in the Risk Management Strategy, as mentioned in 5.4, and will include promoting a Risk Management traded service, to test the demand for Norfolk County Council providing assistance to other risk management functions.

7.2.3 Collaboration / Influencing: In 2018/19, 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 continue to attend regional and national events on behalf of the Risk Management Function of Norfolk County Council.

7.2.4 Data Analytics / Evidence Based: For the coming financial year, the Risk Management Function will consider the feasibility of undertaking the 2018/19 Benchmarking Club Exercise. This was last carried out in 2016/17 and led to areas of improvement being identified and actioned upon.

7.2.5 To further develop these areas, the Risk Management Function, through the Risk Management Officer, will continue to engage further with senior management risk owners to further ensure 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.

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## **8 Further information**

- 8.1 The Risk Management Officer is currently undertaking a further Risk Management qualification (the International Certificate in Enterprise Risk Management) through the Institute of Risk Management.
- 8.2 This Risk Management annual report will be referenced in the Council's Annual Governance Statement, which will be reported to this Committee in July 2018.

## **9 Acknowledgements**

- 9.1 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.

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