

Audit Committee

Item No.....

Report title:	Risk Management Annual Report 2018/19
Date of meeting:	18 April 2019
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact 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.	

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 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 agree these key messages from the Annual Risk Management 2018/19 Report (Appendix A) and that they be reported to Full Council, in accordance with the Council's Financial Regulations which are part of the Constitution:

- The overall opinion on the effectiveness of Risk Management for 2018/19 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 2018/19 will refer to this report and will be reported to this Committee in July 2019 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 Annual Risk Management report 2018/19 is presented at **Appendix A**.
- 2.2 The key messages are reported in the Executive Summary above.

3. Financial Implications

- 3.1 In 2018/19, 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 2018/19.
- 3.2 Looking ahead to 2019/20, 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 2019/20, 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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**Annual Risk Management Report
2018 – 2019**

**Chief Internal Auditor
Norfolk Audit Services**

**Norfolk Audit Services
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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 Shadow Corporate Board, 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 2018/19 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 2018-19 (see part 4)
- Developments in the Service in 2018/19 (see part 5) and planned development areas for 2019/20 (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 Policy and Resources Committee agreed the development of a Council wide 6-year Business Plan on 28 January 2019. 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 2018/19, 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 2018/19 are:

- The Council’s system of Risk Management during 2018/19 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 2018/19.
- The Annual Governance Statement for 2018/19 will refer to this report and will be reported to this Committee in July 2019 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 2018/19, 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 continued to act as a valuable tool in the embedding and implementation of risk management within the Council. Accompanying Risk Management Procedures have also been added to and revised as necessary to reflect feedback on them and are 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 2019/20. 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, dovetailing with the Council's Business Plan.
- 4.5 The Risk Management Officer remains active in the Association of Local Authority Risk Managers (ALARM) Risk Management Focus Group in September 2018, organised and delivered a national Risk Management one day event on Commercialisation in the Public Sector.

5 Developments of the Risk Management Function in 2018/19

- 5.1 Risk Management reporting has been further developed in 2018/19 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 2018/19, 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.
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- 5.2 The Risk Management Officer has advised risk coordinators and risk owners / reviewers on the Risk Management Policy and revised and new procedures, and where improvements to reporting their risks can be made.
- 5.3 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.
- 5.4 The commerciality theme was initiated during 2018/19, with further activity being prepared for 2019/20.

6 Developments of the Risk Management Function for 2019/20

- 6.1 For 2019/20, 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.
- 6.2.1 Strategy into Action/Accountability: In 2019/20 the Risk Management Strategy 2019-2021 will be completed in early 2019-20.
- 6.2.2 Commerciality / Business Like: In 2019/20, 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 helping other risk management functions.
- 6.2.3 Collaboration / Influencing: In 2019/20, the Risk Management Function will aim to develop further collaboration with other functions (i.e. Performance, and Finance) to ensure that the Council's Business Plan and 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.
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- 6.2.4 Data Analytics / Evidence Based: For the coming financial year, the Risk Management Function will consider the feasibility of undertaking the 2019/20 Benchmarking Club Exercise. This was last carried out in 2018/19 and is continuing to draw out areas of improvement to be actioned upon.
- 6.2.5 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.
- 6.2.6 For the coming financial year, risks will require increased scrutiny further ahead of the end of financial year to ensure that mitigation progress is in line with targeted expectation for risks (that risk target scores will be met or mitigations changed to meet them).
- 6.2.7 For 2019/20, a Risk Universe is planned, linked to the Audit Universe, which will enable different risk areas to be further developed to identify any areas that are not already being managed.
- 6.2.8 The notion of active and dormant risks was developed in 2018/19 for the Norfolk Museums Service and will be rolled out to other services where low level dormant risks are not being actively managed, but continue to require monitoring.

7 Further information

- 7.1 The Risk Management Officer passed with Distinction a further Risk Management qualification (the International Certificate in Enterprise Risk Management) through the Institute of Risk Management in September 2018.
- 7.2 This Risk Management annual report will be referenced in the Council's Annual Governance Statement, which will be reported to this Committee in July 2019.

8 Acknowledgements

- 8.1 We 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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