

# REPORT FOR DECISION



<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>Risk Management &amp; Maturity</b>
<b>REPORT FROM:</b>	<b>Lynne Ridsdale (Deputy Chief Executive)</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL OR CABINET (NON KEY DECISION)</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	<p>Earlier this year Audit Committee requested oversight of the Councils' Corporate risk registers.</p> <p>This report provides an updated corporate risk register and details how the Council is developing its approach to risk management as part of its wider review of governance.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<ol style="list-style-type: none"> <li>1. To note the format of the corporate risk register</li> <li>2. To challenge the content and scoring of the current corporate risks</li> <li>3. To note the further work to develop an integrated approach to risk register and issues management</li> <li>4. To endorse the action plan for improving the Council's risk maturity level</li> <li>5. To agree an appropriate reporting schedule for progress updates</li> </ol>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	<p>Do the proposals accord with the Policy Framework?</p> <p style="text-align: right;">Yes                      No</p>

<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	Risk Management forms part of the Council's internal control and corporate governance arrangements. Effective risk management can limit the Council's exposure to economic and other financial pressures. The new, more comprehensive and action-oriented approach to risk management is welcomed.
<b>Equality/Diversity implications:</b>	No direct implications
<b>Considered by Monitoring Officer:</b>	Yes <span style="float: right;">Comments</span>
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	None

**TRACKING/PROCESS**

**DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

## 1.0 BACKGROUND

1.1 The role of Audit Committees within local authorities and other public bodies have three specific responsibilities in relation to risk management, they are:

- To provide assurance and oversight for the Authority's risk management arrangements
- To keep up to date with the Authority's risk profile, which may include reviewing the arrangements to coordinate and lead risk management
- To monitor and challenge the effectiveness of risk management arrangements.

1.2 Since the last Audit Committee meeting on 2 June, at which Committee requested sight of the Council's risk registers, a review of the approach, structure and content of the Corporate and directorate risk registers has taken place. The Council had committed to integrating its approach to risk management with its partner the CCG, in order that the Council and One Commissioning Organisation (OCO) operate a common approach to the definition and risks to partnership delivery. A new framework had been developed which was being managed through a shared system, Pentana. The review found, however, that the Council's approach to risk management was perhaps not mature enough to add value to a partnership approach and, further, a risk that the complexities of the new system has diluted the rigour of approach.

1.3 It is therefore proposed that the Council reverts to its own management of risk, but through a framework which is comparable to the CCG to enable read-across and a common assessment of shared risks to the work of the Strategic Commissioning Board. The attached document represents the new format corporate risk register and the Committee's views are welcomed. However, it should be stressed that this register is the first output in a wider review of all corporate, directorate and operational risk registers. In addition to the registers themselves, the review will consider: awareness and understanding; training and development; monitoring and reporting. It is supported by a detailed timetable and action plan and will be fully integrated by December 2020.

1.4 Aside from the format of the register, Members will observe that a smaller number of risks appear than previously as new definitions for corporate, directorate and operational risks are being adopted. Those definitions are broadly:

- **Corporate** – risks that impact the achievement of outcomes or operational practice across the entire organisation and require a whole Council response
- **Directorate** – risks that may have a wider organisational impact but are largely impacting and requiring a response from one directorate area
- **Service** – risks that impact and are managed within a discreet service area

Applying this revised criteria has enabled some previous corporate risks such as those associated with email, CRM and telephony systems to be moved to a directorate level – they have a council-wide impact but are largely managed within one directorate area.

- 1.5 The new risk template has been designed on the basis of **risk – cause and effect – action** and is intended to support risk awareness, understanding and the requirement for and impact of mitigating actions.
- 1.6 Risks are scored on the basis of: the 'likelihood' of a risk becoming an issue and the 'impact' that the issue would have on the organisation. The scoring matrix has been kept simple with each element scored on a 1 to 5 scale and the risk score is calculated by multiplying both figures together. The 5x5 matrix aligns with that of the CCG. The template considers:
- Gross score** – what would the risk score be with no controls or mitigating actions in place.
- Current score** – what is the impact of current controls on the gross score.
- Target score** – what is the acceptable level of risk (risk appetite) that the Council both aspires to and has actions in place to achieve.
- 1.7 Each risk has a clearly identified risk owner/accountable officer. That is not to say that each individual named officer needs to undertake any of the identified actions, more that they will be held responsible for overseeing them and ensuring that they are completed.
- 1.8 The template can be made more sophisticated with, for example, the segmentation of impact into reputational, political, financial and operational. However, it is important that the Council recognises it is on a risk maturity journey and using a simplified version of it to support the development of risk management within the organisation is more appropriate at this time.
- 1.9 Risks that crystallise and need managing will form part of an 'Issues Management' process and will be removed from the risk register. As an example COVID-19 is now being managed as an issue with an action plan around it although the risk of a second wave is a new risk that has been added to the risk register. This process needs to be integrated in a more formal way with the risk registers so that there is oversight at all times of potential future risks and those that are actively being managed. An approach to do this will be undertaken at the same time as the risk review outlined in the report.
- 1.10 In addition to a review of existing risks registers, the Council is also undertaking a review of its overall risk maturity and its associated approach to risk management. It is now some time since the last major review of risk management within the Council, a time during which the organisation has changed and developed significantly, and new risks have emerged. It is now appropriate and timely that the Council's approach, understanding and management of risk is assessed using the 'Risk Maturity Profile'. Risk maturity is defined as follows:

Risk naïve	No formal approach developed for risk management.
Risk aware	Scattered silo based approach to risk management using standalone processes, reactive approach.
Risk defined	Risk appetite is defined. (The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.) Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers.
Risk managed	Enterprise approach to risk management developed and communicated. Risk embedded in key processes. Active engagement and risk based decision making.
Risk enabled	Risk management and internal controls fully embedded into the operations. Regular review and improvement of risk processes, fully committed to risk management and confident risk taking.

1.11 The current perception is that the Council is 'risk aware' but has no hard evidence to confirm this. As part of the review of risk management approach and procedures a risk maturity questionnaire will be issued to senior managers to gauge their awareness and understanding of risk and how it supports effective governance and decision-making. The questionnaire will be issued late Summer once the review of directorate and service risk registers is complete and will inform both risk training and organisational development planning. The questionnaire itself is attached at Appendix B for information.

1.12 The risk review will be delivered in a structured way and will follow the indicative timetable below:

Directorate and service risk register review and formatting into new template	August 2020
Revised suite of risk registers presented to Audit Committee	September 2020
Issue Risk Maturity questionnaire	September 2020
Analysis of results and reporting	October 2020
Confirm risk responsibilities and accountabilities	October 2020
Confirm risk maturity and detailed improvement plan	October 2020
Design risk training and development based upon the needs identified through maturity assessment	November 2020
Provide comprehensive assessment and overall progress report for reporting to Audit Committee.	December 2020

## **2.0 ISSUES**

- 2.1 A review of current risk registers, content and actions has identified a need for change. Effective risk management relies upon risk awareness and understanding, clear responsibilities and accountabilities and a process that supports the identification, raising and mitigation of risk – risk maturity. Risk maturity is both cultural and time dependent. A clear plan for the development of risk management as a core business tool, within the Council, is now in place.
- 2.2 It is proposed that Audit Committee is updated on a quarterly basis on the progress of the risk management improvement plan and on the corporate and directorate risks. Service risks would be reported on an exception basis.
- 2.3 Risk registers are by nature living documents. New risks emerge, existing risks are no longer risks and controls and/or actions change both the exposure to risk and the risk register scoring. Reporting to Committee will identify significant changes from previous versions.

## **3.0 CONCLUSION**

- 3.3 The Council is improving its approach to risk management and reporting and is seeking the support, challenge and insight of the Committee in undertaking its plan of action.

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### **List of Background Papers:-**

Corporate Risk Register v.2 (Excel sheet attached)

Proposed Risk Maturity Questionnaire

### **Contact Details:-**

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