RISK MANAGEMENT REPORT

To:	**Audit and Accounts Committee**
Date:	**20th January 2015**
From:	**Sue Grace, Director, Customer Services and Transformation**
Electoral division(s):	**All**
Forward Plan ref:	**N/A** **Key decision: N/A**

Purpose:

- **To provide the Audit and Accounts Committee with the profile of Corporate risks faced by the Council**
- **To pride details of significant changes to the Corporate Risk Register since the last report to the Committee in November 2014**
- **To provide the Audit and Accounts Committee with the profile of risks faced by corporate and executive directorates**
- **To report on the development of the Council's risk management approach during 2014/15**

Recommendation: **Audit and Accounts Committee notes the Risk Management Report**

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1. BACKGROUND

1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.

1.2 The risk management approach is encapsulated in 2 key documents:

- Risk Management Policy

  This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite. The Risk Management Policy is owned by the General Purposes Committee.

  The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit and Accounts Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

- Risk Management Procedures

  This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Strategic Management Team (SMT).

1.3 The respective roles of the Audit and Accounts Committee and General Purposes Committee in the management of risk are:

- The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- The General Purposes Committee has an executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes.

1.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;

- Risk management should be embedded in everyday business processes;

- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;

- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

Ownership of the Corporate Risk Register (CRR) lies with Strategic Management Team (SMT) which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG), chaired by the LGSS Head of Internal Audit.

Significant changes to the CRR are reported to General Purposes Committee and Group Leaders on a quarterly basis. On an annual basis, the General Purposes Committee and SMT will review the CRR to seek to ensure that all significant risks faced by the Council are reflected. This annual review is undertaken in co-ordination with the annual business planning process.

1.5 The CRR was reviewed by SMT on 12th January 2015. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 27th January 2015.

1.6 This report is supported by:

- The Corporate Risk Profile (Appendix 1)
- The Corporate Risk Register (Appendix 2)

2. CORPORATE RISK REGISTER UPDATE

2.1 Following the review of corporate risk by SMT on 12th January, SMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

2.2 Appendix 1 shows the profile of Corporate Risk against the Council's risk scoring matrix and illustrates that there are 2 red residual risks. Firstly, Risk 9, '*Failure to secure funding for infrastructure*' remains unchanged from the previous report to the Committee. The red rating of this risk reflects the significant reduction in central Government funding for school infrastructure.

2.3 Secondly, Risk 1a, '*Failure to effectively plan how the Council will deliver services over the 5 year Business Plan*' has been increased to a red residual level due to the current budget situation.

2.4 A new risk regarding the 'Increasing manifestation of Busway defects' (Risk 26) as requested by members at the General Purposes Committee on 7th October 2014 has been included on the updated CRR.

2.5   Details in respect of Risks 1a and 26 are included in the attached Appendix 2.

2.6   With respect to Risk 9 *'Failure to Secure Funding for Infrastructure'*, at the Audit and Accounts Committee in September 2014, the Vice Chairman requested a more detailed report to the January meeting in relation to the key controls to help mitigate this red risk, as the descriptions were not specific enough. A detailed report has been provided in Appendix 3.

3   SERVICE RISK

3.1   Executive and Corporate directorate risk registers are up to date in accordance with the Council's Risk Management Procedures document which requires quarterly review as a minimum.

3.2   The table below shows the current profile of service risk:

ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT JANUARY 2015

DIRECTORATE	Green		Amber		Red		Total	
	Oct	Jan	Oct	Jan	Oct	Jan	Oct	Jan
Children, Families and Education (Jul-14)	2	2	13	13	0	0	15	15
Economy, Transport and Environment (Oct -14)	0	0	17	17	1	1	18	18
Corporate (Jun-14)	0	0	7	7	0	0	7	7
Public Health (Jul-14)	2	2	15	15	1	1	18	18
TOTAL	4	4	52	52	2	2	58	58

The Table illustrates that there are 58 risks recorded in service risk registers. 56 of the risks are managed within the Council's stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy.

Actions are planned against the 2 red risks which, when implemented, will bring the risk score to within the risk appetite.

4.   DEVELOPMENTS IN RISK MANAGEMENT SUPPORT

As reported to the Committee at its meeting in September, the major development in risk management support in 2014/15 is to implement a new structure for Internal Audit and Risk Management integrating the work of the LGSS Risk Manager into the responsibilities of Internal Audit management.

The Committee will be verbally briefed as to progress with the reorganisation of Internal Audit and Risk Management at its meeting.

5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- Develop the local economy for the benefit of all
- Help people live healthy and independent lives
- Support and protect vulnerable people

Source Documents	Location
Corporate Risk Register	Box OCT1108 Shire Hall Castle Hill Cambridge, CB3 0AP