

**ANNUAL RISK MANAGEMENT REPORT**

*To:* **Audit and Accounts Committee**

*Date:* **9<sup>th</sup> June 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 details of the key Corporate risks faced by the Council**
- **To inform the Audit and Accounts Committee of the outcome of the annual review of the Risk Management Policy**
- **To report on the development of the Council's risk management approach during 2014/15**
- **To identify proposed developments in risk management in 2015/16**

*Recommendations:* **Audit and Accounts Committee is asked to endorse the Annual 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.
- 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 SMT which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG), chaired by the Audit and Risk Manager. The review by CRG will identify if any executive or corporate directorate risks should be considered by SMT for inclusion on the CRR.

Significant changes to the CRR are reported to General Purposes Committee on a quarterly basis. On an annual basis 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 11<sup>th</sup> May 2014. The General Purposes Committee will be presented with the full Corporate Risk Register at its meeting on 15<sup>th</sup> September 2015.
- 1.6 This report is supported by:
  - The Corporate Risk Profile (Appendix 1)
  - The Corporate Risk Register (Appendix 2)
  - The Risk Management Policy (Appendix 3)

## **2. CORPORATE RISK REGISTER UPDATE**

- 2.1 Following the review of corporate risk by SMT on 11<sup>th</sup> May, 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.
- 2.3 The following significant changes have been made to the Corporate Risk Register:

Risk 1a, '*Failure to deliver a robust and secure Business Plan over the next 5 years*' has been increased to a red residual level due to the current budget situation.

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

Risk 25 '*Failure to effectively implement the Council's new governance arrangements*' has been removed from the Corporate Risk Register because the results of the 6-month review were presented to Council in March where the changes and recommendations were agreed. The Ethics and Constitution Committee will continue to review the new governance arrangements.

The full Corporate Risk Register is attached at Appendix 2.

### 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 following table shows the profile of directorate risk across the RAG range and comparison with the previous quarter's profile.

#### **ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT MAY 2015**

DIRECTORATE	Green		Amber		Red		Total	
	Mar	May	Mar	May	Mar	May	Mar	May
Children, Families and Education (CFA) (Apr-15)	2	2	13	12	0	2	15	16
Economy, Transport and Environment (ETE) (Apr-15)	0	0	18	18	1	1	19	19
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (PH) (Apr-15)	2	2	17	17	1	1	20	20
<b>TOTAL</b>	<b>4</b>	<b>4</b>	<b>55</b>	<b>54</b>	<b>2</b>	<b>4</b>	<b>61</b>	<b>62</b>

The Table illustrates that there are 62 risks recorded in service risk registers. 58 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 previously reported red risks for ETE and PH which, when implemented, will bring the risk score to within the risk appetite. CFA management team has recently decided that two of their risks should be red residuals. For risk 2 'Failure to provide well-qualified workforce' this is due to increased likelihood, and for risk 9 'Failure of IT systems' there is deemed to be an increased residual likelihood and impact. Actions are also planned against these 2 new red residual risks.

#### **4. RISK MANAGEMENT POLICY**

The Risk Management Procedures document requires that the General Purposes Committee reviews the Risk Management Policy on an annual basis. SMT reviewed the Policy on 11<sup>th</sup> May and confirmed that it continues to provide the Council with an effective approach to risk management and does not therefore require any significant update. The Policy is attached at Appendix 3.

#### **5. DEVELOPMENTS IN RISK MANAGEMENT PROPOSED FOR 2014/15**

The 2012/13 Annual Report identified that the main development activity in 2013/14 was planned to be a reorganisation of Internal Audit and Risk Management, which would remove the specific LGSS Risk Manager post and integrate the risk management support role into the work of 2 regional Internal Audit and Risk Managers. However the reorganisation has still to be implemented which has meant that risk management support has been provided by the Head of Internal Audit.

#### **6. DEVELOPMENTS PROPOSED FOR 2015/16**

The major development for 2015/16 will be to implement the new structure for Internal Audit and Risk Management to ensure that the Council continues to receive effective support in the facilitation and co-ordination of risk management in an aligned manner with Northamptonshire County Council.

#### **7. 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

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