MID KENT AUDIT

Annual Risk Management Report

Audit Committee

March 2019

Introduction

Effective risk management is a vital part of the Council's governance, and contributes greatly to the successful delivery of services and key priorities. The Council has always recognised and supported the need to have effective risk management processes, and so, in early 2015 sought to update and refresh procedures and guidance.

As part of this work, we (Mid Kent Audit) took lead responsibility to co-ordinate the update across the Council and embed revised risk management processes. Our role includes reporting regular updates to Officers and Members, through the Strategic Management Team (SMT), Informal Cabinet and the Audit Committee, providing workshops and training, and helping to ensure risks are being effectively managed.

Having valuable and up to date risk information enables both Executive and oversight functions to happen effectively. Executive management has the role to review the substance of individual risks to ensure that risk issues are appropriately monitored and addressed. As those charged with governance, the Audit Committee seeks assurance that the Council operates effective risk management processes.

Purpose

In March last year we reported our second risk report to the Audit Committee. This report builds on our previous update and seeks to provide Members with an overview of the Council's risk management arrangements, thus enabling the committee to fulfil the responsibilities as set out in the Terms of Reference:

> *"To monitor the effective development and operation of risk management and corporate governance in the Council."*

This report should be used to provide assurance to Members that the Council has effective risk management, and that risks identified through that process are managed, and monitored appropriately.

Risk Management Process

The **risk management framework** is a guide that sets out how the Council identifies, manages and monitors risks.

In summary, the risk management process for the Council can be broken down into the following key components:

All risks are recoded on the comprehensive risk register, and it is this register that is used to generate risk information across the Council.

We generally identify risks at two levels, at an operational level and at a corporate level:

Corporate level risks are more strategic in nature; the management of these risks is co-ordinated and overseen by SMT quarterly and Informal Cabinet twice a year. By definition, these risks inherently carry a higher impact level as they affect multiple services. They are the risks that could prevent the Council from achieving its ambitions and objectives.
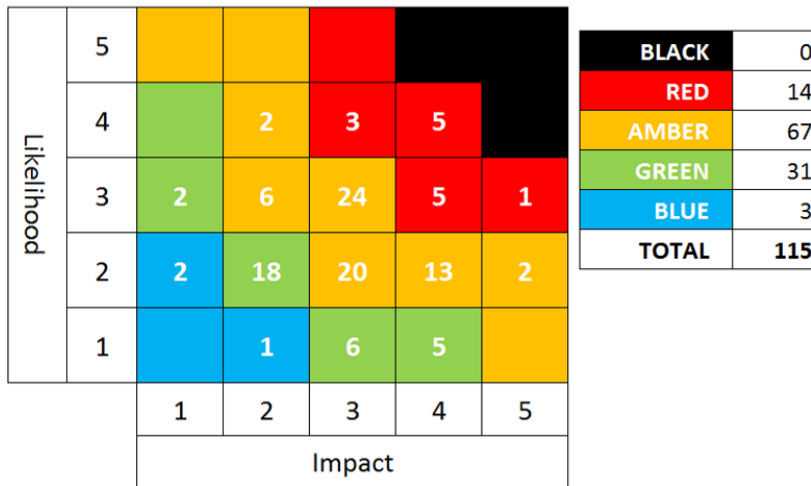
Operational risks are principally identified as part of the service planning cycle each year. Throughout the year these risks are reviewed, updated and reported to SMT quarterly. Operational level risks are more directly linked with our day to day operation of services. However, operational risks can nonetheless have potential for significant impact. High level operational risks (those **red** and above) are monitored by Informal Cabinet twice a year.
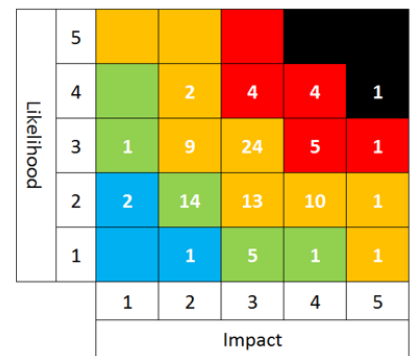
Risk Profile

The matrices below illustrate how the risk profile (the actual number of risks on the register) of the Council has changed throughout the year. This is based on the *inherent* risk, i.e. the risk impact and likelihood considering any existing controls in place to manage the risk, but before any further planned controls are introduced.   The impact and likelihood scale criteria are detailed within Appendix II below.

The change in the overall risk profile of the Council demonstrates how action is taken to manage risks, to ensure the completeness of the risk register and to capture emerging risks.
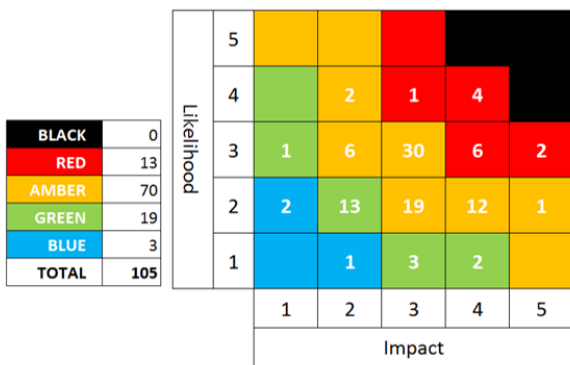
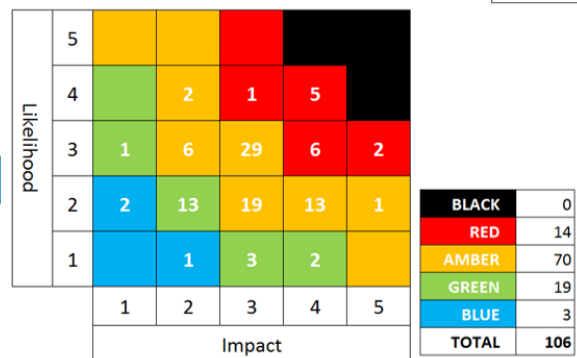### Risk Profile (Inherent) - February 2019

Likelihood \ Impact	1	2	3	4	5
5					
4		2	3	5	
3	2	6	24	5	1
2	2	18	20	13	2
1		1	6	5	

BLACK	0
RED	14
AMBER	67
GREEN	31
BLUE	3
TOTAL	115

Risk Profile (Inherent) - March 2018

Likelihood \ Impact	1	2	3	4	5
5					
4		2	4	4	1
3	1	9	24	5	1
2	2	14	13	10	1
1		1	5	1	1

BLACK	1
RED	14
AMBER	60
GREEN	21
BLUE	3
TOTAL	99

Risk Profile (Inherent) - October 2018

Likelihood \ Impact	1	2	3	4	5
5					
4		2	1	4	
3	1	6	30	6	2
2	2	13	19	12	1
1		1	3	2	

BLACK	0
RED	13
AMBER	70
GREEN	19
BLUE	3
TOTAL	105

Risk Profile (Inherent) - July 2018

Likelihood \ Impact	1	2	3	4	5
5					
4		2	1	5	
3	1	6	29	6	2
2	2	13	19	13	1
1		1	3	2	

BLACK	0
RED	14
AMBER	70
GREEN	19
BLUE	3
TOTAL	106

Corporate Risks

In July 2017 we ran a workshop to refresh the Council's corporate risks. This sought to identify any new or emerging risks and any risks which were no longer relevant due to successful management or the passage of time. There have been no significant changes to the Council's Corporate Plan over the last year so a new workshop has been scheduled for summer 2019.

While a workshop has not been run to refresh the whole corporate risk register the risks have been reviewed at least quarterly by SMT. The corporate risk register was reported to Informal Cabinet in September 2018 and will be reported again in April 2019.

The following table shows the Council's corporate risks (which form part of the matrices above) as reported to SMT in February 2019. The detail of these risks has been reviewed and discussed at Informal Cabinet. However, this illustrates that action is being taken to manage the risks and that processes are in place to ensure new emerging issues are captured or significant operational risks are appropriately escalated.
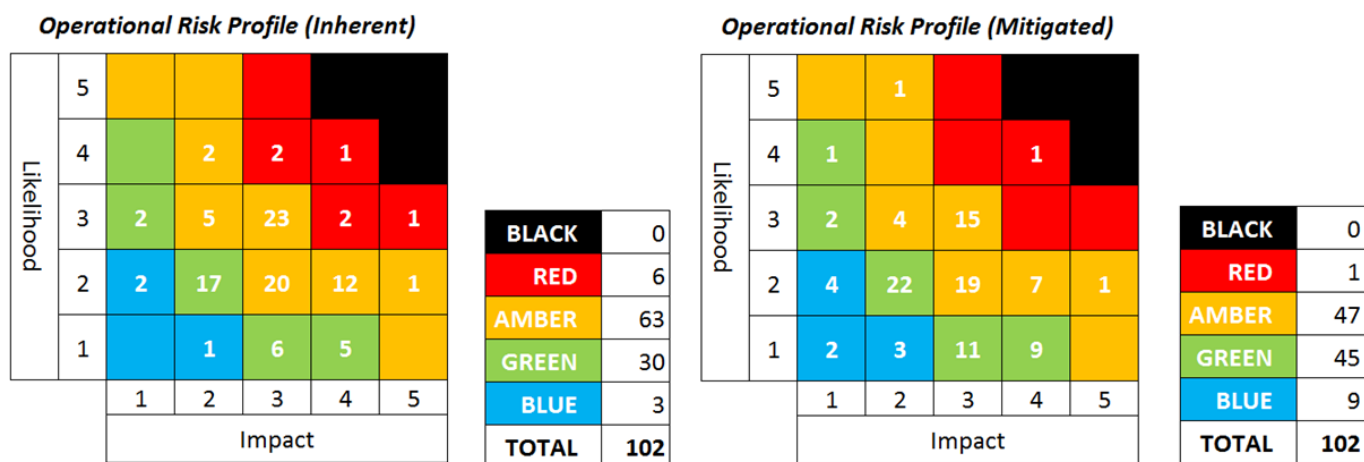
	Risk Title	Risk Rating (Impact x Likelihood)						Overall Direction of Travel
		Inherent Mar-18	Mitigated Mar-18	Inherent Sep-18	Mitigated Sep-18	Inherent Feb-19	Mitigated Feb-19	
a	STC Delivery	(4 x 3) 12	(4 x 2) 8	(4 x 3) 12	(4 x 2) 8	(4 x 3) 12	(4 x 2) 8	↔
b	Transport Infrastructure	(4 x 4) 16	(4 x 2) 8	(4 x 4) 16	(4 x 2) 8	(4 x 4) 16	(4 x 3) 12	↑
c	Local Plan	(5 x 3) 15	(4 x 2) 8	(5 x 3) 15	(4 x 2) 8	(5 x 2) 10	(4 x 2) 8	↓
d	Homelessness	(4 x 4) 16	(3 x 4) 12	(4 x 4) 16	(3 x 4) 12	(4 x 4) 16	(3 x 4) 12	↔
e	Skills Gap (Borough)	(3 x 3) 9	(3 x 3) 9	(3 x 3) 9	(3 x 3) 9	(3 x 3) 9	(3 x 3) 9	↔
f	Funding Restrictions	(4 x 3) 12	(3 x 3) 9	(4 x 3) 12	(3 x 3) 9	(4 x 3) 12	(3 x 3) 9	↔
g	Income Generation	(3 x 2) 6	(3 x 2) 6	(3 x 2) 6	(3 x 2) 6	REMOVED		
h	Emergency Plan	(2 x 3) 6	(2 x 2) 4	(2 x 3) 6	(2 x 2) 4	(2 x 3) 6	(2 x 2) 4	↔
i	Recruitment & Retention	(2 x 2) 4	(2 x 2) 4	(2 x 2) 4	(2 x 2) 4	(2 x 2) 4	(2 x 2) 4	↔
j	Business Transformation	(3 x 3) 9	(3 x 2) 6	(3 x 4) 12	(3 x 3) 9	(3 x 4) 12	(3 x 3) 9	↑
k	External Partners	(3 x 4) 12	(3 x 4) 12	REMOVED				
l	Partnerships (internal)	(4 x 2) 8	(4 x 2) 8	(4 x 2) 8	(4 x 2) 8	(4 x 2) 8	(4 x 2) 8	↔
m	Cyber Security Incident	(4 x 4) 16	(4 x 3) 12	(4 x 4) 16	(4 x 3) 12	(4 x 4) 16	(4 x 3) 12	↔
n	General Data Protection Regulation	(4 x 4) 16	(4 x 3) 12	(4 x 4) 16	(4 x 3) 12	(4 x 4) 16	(4 x 3) 12	↔
o	Air Quality Action Plan	N/A				(4 x 3) 12	(3 x 2) 6	✚ (new)

Operational Risks

Operational risk registers are in place for each service and are fully reviewed and updated annually in line with service planning. The last update was completed by May 2018 and the current update is underway. Throughout the year risks have been reviewed regularly in line with their risk score. **Red** and above risks are reviewed quarterly and **Amber** risks six-monthly. All other risks are reviewed and updated as needed or at least annually.

Inherent **Red** and above risks are monitored quarterly by SMT and reported to Informal Cabinet alongside the Corporate risks. Reports were taken to SMT in July 2018, October 2018, February 2019 and will be taken in April 2019.

The overall operational risk profile (as at February 2019) is shown in the below matrix.

Operational Risk Profile (Inherent)

Likelihood \ Impact	1	2	3	4	5
5					
4		2	2	1	
3	2	5	23	2	1
2	2	17	20	12	1
1		1	6	5	

BLACK	0
RED	6
AMBER	63
GREEN	30
BLUE	3
TOTAL	102

Operational Risk Profile (Mitigated)

Likelihood \ Impact	1	2	3	4	5
5		1			
4	1			1	
3	2	4	15		
2	4	22	19	7	1
1	2	3	11	9	

BLACK	0
RED	1
AMBER	47
GREEN	45
BLUE	9
TOTAL	102

Next Steps

Risk management is a continuous process, and to be valuable it must be updated and maintained. The Risk management framework has been operating for 3 years, and so it is currently being reviewed and, where necessary, updated to ensure that it remains fit for purpose.

Moving forward into 2019/20, the following areas will be our focus in order to further strengthen the risk management process and develop a positive risk culture across the Council:

1. **Develop a training programme:** We (Mid Kent Audit) have continued to facilitate workshops, and deliver risk sessions as and when requested. However, developing the overall knowledge and expertise for risk management across the Council requires a wider approach. We will be looking to develop a training session for managers and officers on the principles of risk management, and to tailor that with the framework and procedures. In addition to this we will look to run a briefing session for Members;

2. **Annual Corporate Risk Workshop:** Following agreement of the new Corporate Plan a risk workshop will be run to facilitate a review of the Council's corporate risks;

3. **Launch project risk management guidance:** This is currently in progress and a draft will be taken to SMT in the future. This will aim to standardise project risk management, and ensure that project failure risks are appropriately monitored and reported;

There has been substantial progress over the last 3 years in how the Council manages risk. This wouldn't have been possible without the great deal of positive engagement and support from Senior Officers and Managers in the Council. So, we'd like to take this opportunity to thank officers for their continued work and support.

Appendix II

Definitions for Impact and Likelihood

Risks are assessed for impact and likelihood. So that we achieve a consistent level of understanding when assessing risks, the following definitions were agreed and have been used to inform the assessment of risks on the comprehensive risk register.

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law punishable by imprisonment or significant fines	Uncontrollable financial loss or overspend over £1.5m	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick		Financial loss or overspend greater than £100k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £20k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £20k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history