

| Audit Committee Meeting | | Agenda Item: |
|--------------------------------|---|---------------------|
| Meeting Date | 9 March 2016 | |
| Report Title | Risk Management Update | |
| Cabinet Member | Cllr Ted Wilcox | |
| SMT Lead | Mark Radford | |
| Head of Service | Rich Clarke | |
| Lead Officer | Russell Heppleston | |
| Key Decision | No | |
| Classification | Open | |
| Forward Plan | Reference number: N/A | |
| Recommendations | 1. The Committee notes the updates and progress of the risk management process for the Council. | |

1 Purpose of Report and Executive Summary

- 1.1 The purpose of the report is to provide members of the Audit Committee with a progress update on the implementation of updated risk management arrangements.
- 1.2 The Audit Committee, within its terms of reference, has a duty to oversee the effectiveness of the Councils risk management and internal control framework.
- 1.3 This report seeks to bring members of the committee up to date with work that has been conducted in Swale over the course of 15/16 to revise and improve the Councils risk management arrangements.

2 Background

- 2.1 In 2014/15, as per our audit plan, we conducted a risk management 'health-check' at Swale BC against established good practice, and concluded that there were many opportunities for the Council to improve its risk management arrangements. We made three recommendations in the review, each of which was accepted by management:
 - a. refresh the risk management strategy in line with current best practice and the needs of the Council's business;
 - b. create accompanying guidance and procedures to support delivery of the risk management strategy; and
 - c. develop and provide training to appropriate officers and members on the Council's risk management strategy and processes.

- 2.2 Throughout 2015/16 we worked with SMT to produce a revised risk management framework, bringing together the risk process, strategy and guidance into a single document for implementation. In August 2015 this was presented to, and subsequently agreed by SMT.
- 2.3 There have been two distinct aspects to cover in order to progress this work, the first being risk at the corporate level, and second being risk at the service (operational) level. Towards the end of 2015, we began work with the Director of Corporate Services and the Policy and Performance Manager to put in place arrangements to populate risk registers at both levels, and roll out the new risk framework for implementation in time for 2016/17 service planning.
- 2.4 In January 2016 we started the first part of this practical implementation and we conducted a corporate level risk workshop with Senior Management and Heads of Service. Following this, work will be conducted in February 2016 to progress the operational risks.
- 2.5 As this work reaches its conclusion, we will be looking to compile a comprehensive risk register of all risks in early 2016/17 with the top ten being reported and monitored regularly by SMT. It is the intention that the Audit Committee, through 16/17 will receive updates on key risks.

3 Proposals

- 3.1 The report outlines progress to date, and next steps for the implementation of revised risk management process for the Council. Appendix I sets out in more details the actions taken over 2015/16. Appendix II sets out in a one page summary, the risk management process.

4 Alternative Options

- 4.1 The report is presented for information rather than decision.

5 Consultation Undertaken

- 5.1 The risk process has been updated under direction and consultation with SMT. Senior Management and Heads of Service took part in the risk workshop in January 2016.

6 Implications

- 6.1 This report is provided for information rather than decision and consequently raises no new issues and implications.

| Issue | Implications |
|---------------------------------------|--|
| Corporate Plan | Not applicable, see comment above. |
| Financial, Resource and Property | Not applicable, see comment above. |
| Legal and Statutory | Not applicable, see comment above. |
| Crime and Disorder | Not applicable, see comment above. |
| Sustainability | Not applicable, see comment above. |
| Health and Wellbeing | Not applicable, see comment above. |
| Risk Management and Health and Safety | The subject of this report is by way of update to the Councils risk management arrangements. |
| Equality and Diversity | Not applicable, see comment above. |

7 Appendices

The following documents are to be published with this report and form part of the report:

- Appendix I: Swale risk management timeline & update
- Appendix II: One page summary

8 Background Papers

None

Risk Management Update 2015/16

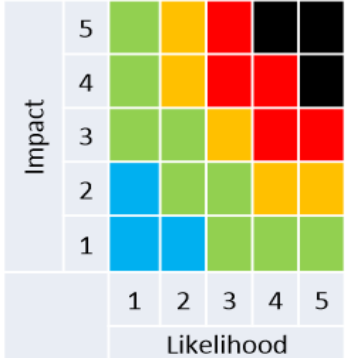
The timeline below outlines the progress to date on refreshing and updating the Councils risk management arrangements:

| Month | Activity | Comments |
|--------------------------|---|--|
| January 2015 | Mid Kent Audit review of the Risk management arrangements. | Recommendations from the review accepted by management and instruction given to Mid Kent Audit to propose refreshed framework and process. Similar work also underway at Maidstone and Ashford. |
| April 2015 | Discussion paper presented to SMT detailing key questions necessary to shape and improve risk management arrangements. | Using the comments from SMT Mid Kent Audit revise the risk management framework and process. |
| August 2015 | Paper to SMT outlining a revised Risk Management process. Strategy finalised (e.g. add glossary, cover). | Following SMT comments the risk process was sent to Cllr Wilcox as portfolio holder who had no substantial comments to make regarding the framework. He did not suggest that the framework go to Cabinet or informal for adoption. SMT agreement, the risk management framework is adopted. |
| November 2015 | Update to SMT outlining proposed risk sessions for Corporate level risks and operational risks. To include a joint SMT & CLT risk workshop. | |
| November / December 2015 | Internal audit-led (with Policy Support) process to convert existing registers to new format and levels. | Work has begun to migrate the current operational risks through the framework. We anticipate this work to run parallel to any higher risk work, and to feed into service planning in early 2016. |
| December 2015 | High-level risk workshop with senior officers and members (possibly externally facilitated). | Mid Kent Audit ran a risk workshop for SMT and CLT to identify corporate risks, to be drafted into a register and presented to SMT in early new year. |
| January / February | Corporate and operational risk work continues, and register starts to be populated. | Mid Kent Audit to run a risk session at third tier managers to introduce the risk framework and its integration into the service planning |

Appendix I

| Month | Activity | Comments |
|------------|---|---|
| 2016 | | process. |
| March 2016 | <p>Corporate risks to SMT to be agreed and allocated.</p> <p>Operational risk registers begin to be populated and updated alongside service planning.</p> | <p>The integration of the risk and service planning is essential to ensure that the risks remain focus on objectives. Mid Kent Audit will provide support and offer to facilitate risk workshops for teams to compile their risk registers.</p> <p>Responsibility and ownership of risks rests with the risk owner.</p> |
| April 2016 | <p>Compilation of a comprehensive risk register containing all risks.</p> <p>First monitoring report drafted to SMT outlining the 'top ten' risks.</p> | <p>The full register will include all risks, along with the assessment of impact and likelihood. Any risks that fall above the risk appetite of the Council will need to be treated / managed to an acceptable level.</p> |
| June 2016 | <p>Updated risk report to Audit Committee to align with the Head of Audit Opinion.</p> | <p>The Head of Audit Opinion includes consideration of the effectiveness of the Councils risk management arrangements.</p> |

Risk Management – One Page Summary

| Step 1 – Identify Risks | Step 2 – Evaluate Risks | Step 3 – Treat Risks | Step 4 – Review Risks |
|--|--|---|--|
| <p>Best done in groups, by those responsible for delivering objectives, at all levels</p> <p>RISK is the chance of something happening that will impact on objectives</p> <p>Consider both THREATS and OPPORTUNITIES</p> <p>When to consider:</p> <ul style="list-style-type: none"> • Setting business aims and objectives • Service planning • Target setting • Partnerships & projects • Options appraisals <p>Think both what could go wrong and what more could we achieve?</p> | <p>Combination of the impact and likelihood of an event and its consequences (the inherent risk)</p>  <p>Black – Top risk, immediate action and reporting to directors Red – High risk, immediate action Amber – Medium risk, review current controls Green – Low risk, limited action, include in plans Blue – Minimal risk, no action but review</p> | <p>Concentrate on top risks, 10 to 12 in number</p> <ul style="list-style-type: none"> • Can we reduce likelihood? • Can we reduce impact? <p>Risk Response – 4 Ts</p> <ul style="list-style-type: none"> • Treat (i.e. apply controls) • Tolerate (i.e. accept risk) • Transfer (i.e. insurance) • Terminate (i.e. stop activity) <p>After your risk response; where does it score now? (the mitigated risk)</p> <p>Devise contingencies and action plans for 'Red' and 'Black' risks – seek to reduce mitigated risk back to 'Amber' or below</p> | <p>Risk Registers</p> <ul style="list-style-type: none"> • Contain all identified risks, Management Action Plans for top risks • Prepare and monitor as regular agenda item • Indicate risk response and risk owner <p>Council risk monitoring</p> <ul style="list-style-type: none"> • Risk registers passed to internal audit • Quarterly review • Bi-monthly risk meeting for 'Black' and 'Red' mitigated risks <p>Council's Top Risks</p> <ul style="list-style-type: none"> • Top ten mitigated risks and all inherent 'Black' risks monitored as regular item at CLT • Six monthly monitoring at Audit Committee • Annual monitoring at full council |