Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	13 November 2014
	Cabinet Briefing		19 November 2014
Subject:	Annual Risk Management Report		
Report Of:	Audit, Risk and Assurance Manager		
Wards Affected:	Not applicable		
Key Decision:	No Budget/Policy Framework: No		
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The Audit and Governance Committee's terms of reference includes the function 'to monitor the effective development and operation of risk management'.

1.2 This report is designed to assist the Committee in the exercise of this function – to provide Members with an update on the Council's risk management activities from the past year to date and also confirm future planned actions.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to RESOLVE that Members:

(1) Endorse the risk management arrangements in place for the past year.
(2) Note the proposals for future development of risk management.

3.0 Background and Key Issues

3.1 'Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives' – ALARM, the public risk management association.

3.2 The Accounts and Audit Regulations 2011 require local authorities to have a sound system of internal control including arrangements for the effective management of risk.

3.3 Risk management is a key part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

3.4   The Council recognises the importance of risk management, its place within the internal controls of a public body, and its contribution to the delivery of successful strategic and service level outcomes.

4.0   Risk Management Process and Activity

4.1   Risk Management Strategy and Framework

The Risk Management Strategy sets out the risk management principles and approach in operation within the Council. The Strategy was last updated and approved by Members in March 2012. Whist the main principles of the Strategy remain relevant, the document requires update to take account of the Council's current structure, objectives and current best practice guidance.

A revised Risk Management Strategy has been drafted for Member approval and will be presented to the Audit and Governance Committee in January 2015.

The revised Strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

4.2   Strategic risk management

The Risk Management Strategy states the need for formal review of the strategic risk register to identify risks associated with the achievement of the Council's priorities and objectives within the Council Plan.

In the past year, the strategic risk register has been formally reviewed by Senior Management Team (SMT) on a monthly basis with risk owners at SMT level. Versions of the strategic risk register have been tracked to ensure audit trail of changes and risk direction of travel.

Review of the strategic risk register was completed by the Leader in April 2014, in line with the Risk Management Strategy. The revised Risk Management Strategy will require the strategic risk register to be reviewed by Audit and Governance Committee and Cabinet on a biannual basis. This will commence following Member approval of the revised Risk Management Strategy.

4.3   Service (operational) risk management

Service Managers are responsible for completing a service risk register containing risks relevant to their service objectives (detailed within the service business plan). Service risk registers should follow the Council risk register template.
All service business plans and risk registers are reviewed by SMT, within the annual SMT forward plan. SMT review of 2014/15 documents is currently in progress.

As at October 2014, review by the Officer Risk Management Champion has confirmed that all 26 services have a service risk register in place.

It is acknowledged that further progression of service risk registers is required to ensure that they are fully in line with Risk Management Strategy requirements – e.g. the development of risk definitions and mitigating action timescales; and risk register review and update as appropriate to ensure reflection of the service current risk position. This will be delivered through ongoing officer training and support.

Risk registers are also required for all significant partnerships and projects e.g. Housing stock transfer and the Kings Quarter regeneration project. In order to identify all significant partnerships & projects there is a need for a central register, to support confirmation that relevant risk management arrangements (including risk registers) are in place.

4.4 Promotion, communication and training

4.4.1 Officer training

The service risk management approach was supported by three work shop sessions held in February 2014. The workshops offered co-ordinated advice and guidance on service business plans, risk registers and business continuity documents. The sessions were led by the Officer Risk Management Champion, the Business Improvement Team and the Health, Partnerships and Engagement Manager.

Update was also completed at Gloucester Management Team (GMT) to promote general awareness.

Advice and guidance has been provided to services through regular communications and 121 development meetings with Managers to promote risk management good practice. Feedback has also been provided through SMT review of service business plans and risk registers.

4.4.2 Member training

The Member Risk Management Champion role (position currently held by Councillor Debbie Llewellyn) supports and promotes the Council's risk management framework and approach.

Risk management workshops are scheduled within the annual Members Development Programme.

A risk management workshop was delivered to Members in January 2014 as part of the 2013/14 Members Development Programme. 7 Members attended and feedback was received on the strategic risk register.

The 2014/15 Members Development Programme scheduled the risk management workshop for June 2014. 1 Member out of 6 acceptances attended the event.

4.5 Independent review of risk management arrangements

An independent internal audit of risk management controls was completed for 2013/14 and reported in May 2014. The internal audit was completed by another local authority internal audit team and reported to the Audit and Governance Committee.

The audit concluded that there is a satisfactory level of assurance over the risk management process within Gloucester City Council.

Audit recommendations were raised in regards to a small number of gaps in the production of individual service risk registers and requirement for review of the strategic risk register by Committee.

The recommendations have been actioned through the proposed revision of the Risk Management Strategy and all services confirmed as having a risk register in place as at October 2014 – report section 4.3.

4.6   Insurance arrangements

The Council has insurance cover with Zurich Municipal (Zurich). Part of the 2014/15 insurance policy includes a number of Zurich risk management days (at no additional charge), to be used for risk management support or audit review.

For 2014/15, Zurich has proposed to complete a property and liability risk management standards audit. This covers a number of areas, including facilities management, fire safety management and flood prevention/assessment. Zurich has confirmed that the review results and recommendations would not impact the Council's insurance premium.

The audit is planned to be completed within 2014/15 and will be facilitated by the Officer Risk Management Champion. Results will be reported to the Audit and Governance Committee.

4.7   Risk management links to internal audit

The Council's Internal Audit service (provided by GAAP) follows a Risk Based Internal Audit approach.

Internal Audit work is carried out to the standards outlined in the Public Sector Internal Audit Standards and is reported to the Audit & Governance Committee, supporting the Committee's function to monitor the operation of risk management.

Relevant reports submitted to Audit & Governance Committee include:

-    The Annual Risk Based Internal Audit Plan
-    Internal audit monitoring reports - confirming the level of assurance for each completed audit, highlighting weakness/risk areas and confirming where rank 1 fundamental recommendations have not been implemented within agreed timescales
-    The Audit, Risk and Assurance Manager's annual opinion on the overall adequacy and effectiveness of the Council's control environment (comprising risk management, internal control and governance), which supports the Annual Governance Statement

5.0   Alternative Options Considered

5.1   No other options have been considered.

6.0 Reasons for Recommendations

6.1 A risk management annual report is required to support the Audit and Governance Committee function 'to monitor the effective development and operation of risk management'. The Council's Risk Management Strategy requires review of the report by both SMT and Audit and Governance Committee.

7.0 Future Work and Conclusions

7.1 The following risk management key developments and actions are planned for the next 12 months:

- Approval and implementation of the revised Risk Management Strategy, including (but not exclusive to):
  - Biannual review of the strategic risk register by Audit and Governance Committee and Cabinet
  - Availability of the Strategy on the intranet and internet, supported by Council communications
  - Ongoing officer risk management training – at GMT
  - Risk management workshop to remain in the Member Development Programme and induction approach – with further support to be provided where strategic risk register presented to Committee/Cabinet
- Officer Risk Management Champion to complete a partnership risk register and service risk register review, to support development of the documents
- Property and liability risk management standards audit - to be completed by Zurich
- Ongoing support and good practice advice from the Officer Risk Management Champion to officers via 121 sessions and regular communications

7.2 Future annual risk management reports are planned to be aligned to the Council financial and performance year.

8.0 Financial Implications

8.1 There are no direct financial implications arising from the report recommendations. Risk management activity is delivered within in house existing resources.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

9.1 None specifically arising from the report recommendations.

9.2 It is fundamental that the Council has an embedded risk management framework (including a Risk Management Strategy) which considers the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.

9.3 The existence and application of an effective Risk Management Strategy assists prudent decision making. Failure to deliver and embed a Risk Management Strategy could lead to unnecessary liability and costly legal challenge as a result of the non management of risks.

(Legal Services have been consulted in the preparation this report).

10.0 Risk & Opportunity Management Implications

10.1 The lack of a robust approach to the management of risks and opportunities could result in inappropriately informed decision making and non achievement of the Council's priorities and objectives at both strategic and service levels.

11.0 People Impact Assessment (PIA):

11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

12.1 There are no community safety implications arising out of the recommendation in this report.

Sustainability

12.2 There are no sustainability implications arising out of the recommendation in this report.

Staffing & Trade Union

12.3 There are no staffing and trade union implications arising out of the recommendation in this report.

Background Documents: Council Constitution
Code of Governance
Risk Management Strategy