

<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>Date:</b>	<b>13<sup>th</sup> March 2017</b>
<b>Subject:</b>	<b>Annual Risk Management Report 2016/17</b>		
<b>Report Of:</b>	<b>Head of Audit Risk Assurance (Chief Internal Auditor)</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
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<b>Appendices:</b>	<b>1: Strategic Risk Register as at 31<sup>st</sup> January 2017</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The Audit and Governance Committee's role (as per the Constitution) includes the function to 'monitor the adequacy and effectiveness of the Council's governance arrangements' including 'monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council'.
- 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 2016/17 and also confirm future planned actions.

### 2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that Members:

(1) Note and endorse:

- The risk management arrangements in place for the past year;
- The proposals for future development of risk management; and
- The strategic risk register (**Appendix 1**).

(2) Agree that on the basis of the information set out in this report, it can be concluded that arrangements for managing risk within the Council are sound.

### 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 2015 (part 2 paragraph 3) state 'a relevant local authority must ensure that it has a sound system of internal control which...includes effective arrangements for the 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 seven core principles within the Council's Code of Corporate Governance – 'managing risks and performance through robust internal control and strong public financial management'.
- 3.4 The Council recognises the importance of effective risk management, that it is essential for good governance and sound internal control within a public body, and its positive contribution to the delivery of successful strategic and service level outcomes.
- 3.5 The previous annual risk management report was presented to Audit and Governance Committee in March 2016.

#### **4.0 Risk Management Process and Activity 2016/17**

##### **4.1 Risk Management Strategy and Framework**

The Risk Management Strategy sets out the risk management framework, principles and approach in operation within the Council. The Strategy relevant to 2016/17 was updated and approved by Members in January 2015 (Cabinet approval following recommendation by Audit and Governance Committee).

The Strategy is supported by the Council's Constitution 2016/17 and the standardised Committee report template, which requires all Committee reports to include 'risk and opportunity management implications' for consideration as part of the Council's decision making process.

##### **4.2 Strategic risk management**

The Risk Management Strategy requires compilation and formal review of a strategic risk register to identify and assess risks associated with the achievement of the Council's priorities and objectives within the Council Plan. This includes both strategic risks and emerging strategic risks.

For 2016/17, the strategic risk register has been formally reviewed by Senior Management Team (SMT) on a regular basis with risk owners at SMT level. Versions of the strategic risk register have been tracked to ensure an audit trail of changes and risk direction of travel.

The strategic risk register was last reviewed and updated by SMT on 31<sup>st</sup> January 2017. See **Appendix 1**.

Member review of the strategic risk register within 2016/17 has been completed in November 2016 by Audit and Governance Committee and Cabinet. **Appendix 1** is the second presentation of the strategic risk register to Members within 2016/17. This is in line with the Risk Management Strategy requirement for strategic risk register Member review on a bi-annual basis.

#### 4.3 Operational risk management

Heads of Service and Service Managers are responsible for completing a service risk register containing risks relevant to their service objectives (detailed within the service business plan). Risk registers should also be completed for significant partnerships and projects (e.g. the Kings Quarter regeneration project and Together Gloucester).

Operational risk registers should be completed in line with the Council's risk register template and Risk Management Strategy (including application of the Council approved risk scoring matrix).

Identified high scoring operational risk themes should be reported to the relevant Director and considered by SMT within the strategic risk register review process – report section 4.2.

#### 4.4 Promotion, communication and training

The Member Risk Management Champion role is to support and promote the Council's risk management framework and approach. The position is currently held by the Chair of the Audit and Governance Committee.

The 2016/17 Member induction programme included a risk management session for both newly appointed Members and those completing a refresh on the topic. The session was well attended, with 17 Members attending and contributing to the risk management discussions.

#### 4.5 Review of risk management arrangements

The Annual Governance Statement 2015/16 Improvement Plan included the following action to support the further development of governance within the Council: 'The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Strategy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Governance Committee and will inform future risk management development at the Council.'

The review was completed within 2016/17 and reported to Audit and Governance Committee in January 2017. Results were positive, confirming 75% pure compliance with the standards and documenting an action plan to further enhance processes in place and further enable the risks associated with the achievement of the Council's objectives and priorities to be managed. The Risk Management Action Plan was accepted by Members and forms the basis of future work and development of risk management within the Council (see report section 8.0).

#### 4.6 Insurance arrangements

The Council's current insurance contract with Zurich Municipal (Zurich) includes an annual allocation for risk management support services. This is effectively a block of consultancy time which the Council can access for risk management specific products. The product type (e.g. training provision) is selected by the Council per year of the contract.

The allocation for 2016/17 has been deferred due to the management review of the risk management arrangements and will be carried forward into 2017/18 to potentially be utilised to support implantation of one or more of the improvement actions identified.

#### 4.7 Risk management links to Internal Audit

The Council's Internal Audit service (provided by the Audit Risk Assurance shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council) follows a Risk Based Internal Audit approach. The approach follows the requirements of the Public Sector Internal Audit Standards and is reported to the Audit and Governance Committee, supporting the Committee's function to monitor the operation of risk management.

Relevant reports submitted to Audit and Governance Committee include (but are not exclusive to):

- The Annual Risk Based Internal Audit Plan;
- Internal Audit monitoring reports - confirming the level of assurance for each completed audit and highlighting development/risk areas; and
- The Chief Internal Auditor'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 Asset Based Community Development (ABCD) Considerations

5.1 There are no ABCD implications as a result of the recommendation made in this report.

### 6.0 Alternative Options Considered

6.1 No other options have been considered.

### 7.0 Reasons for Recommendations

7.1 A risk management annual report is required to support the Audit and Governance Committee function 'monitor the adequacy and effectiveness of the Council's governance arrangements'. The Council's Risk Management Strategy requires review of the report by Audit and Governance Committee.

### 8.0 Future Work and Conclusions

8.1 The Risk Management Action Plan was agreed by Members on 23<sup>rd</sup> January 2017 and includes the following themes of action:

- Refresh of the Council's Risk Management Policy Statement and Strategy to be effective from April 2017 (\*);
- Refresh of the Council's Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy, Anti Money Laundering Policy and Employee Confidential Reporting (Whistleblowing) Policy to be effective from 2017 (\*);

- Development and delivery of a risk management staff and Member awareness communication plan, user guide/toolkit and training approach; and
- Ongoing operational risk management support, advice and guidance.

8.2 The Risk Management Action Plan target dates ranged from January 2017 to ongoing within 2017/18. Actions marked with a (\*) have been delivered to date.

## **9.0 Financial Implications**

9.1 There are no direct financial implications arising from the report recommendations.  
(Financial Services have been consulted in the preparation this report).

## **10.0 Legal Implications**

10.1 None specifically arising from the report recommendations.

10.2 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.

10.3 The existence and application of an effective Risk Management Strategy (including Member review of the strategic risk register and awareness of strategic risks) assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

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

## **11.0 Risk and Opportunity Management Implications**

11.1 Failure to deliver on effective risk management, particularly during periods of significant change, may have a negative effect on the achievement of the potential opportunities and adverse effects that challenge the assets, reputation and objectives of the Council, strategic decision making and the wellbeing of our stakeholders.

## **12.0 People Impact Assessment (PIA):**

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

## **13.0 Other Corporate Implications**

### Community Safety

13.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

### Sustainability

13.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

Staffing and Trade Union

13.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

**Background Documents:** Accounts and Audit Regulations 2015  
CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2016 Edition  
ISO 31000: Risk Management Principles and Guidelines  
Council's Constitution  
Council's Risk Management Strategy 2015/16