

Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	11th March 2019
Subject:	Annual Risk Management Report 2018/19		
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	Not Applicable		

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 2018/19 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; and
 - The proposals for future development of risk management.
 - (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 2018.

4.0 Risk Management Process and Activity 2018/19

4.1 Risk Management Policy Statement, Strategy and Framework

The Risk Management Policy Statement and Strategy sets out the risk management framework, principles and approach in operation within the Council. The Policy Statement and Strategy relevant to 2017-2020 was updated and approved by Members in February 2017 (Cabinet approval following recommendation by Audit and Governance Committee).

The Policy Statement and Strategy is supported by the Council’s Constitution 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.

The Policy Statement and Strategy was promoted to staff through Net Consent (the Council’s policy management system) from May 2018 onwards.

4.2 Strategic risk management

The Risk Management Policy Statement and 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 (promises) within the Council Plan. This includes both strategic risks and emerging strategic risks.

For 2018/19, the strategic risk register has been formally reviewed by Senior Management Team (SMT) 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.

From October 2018, the strategic risk register has been held on the Council’s performance and risk management system, Pentana. Work is ongoing to populate all risk registers on Pentana.

Member review of the strategic risk register within 2018/19 has been completed in November 2018 by Audit and Governance Committee and in December 2018 by Cabinet. Strategic risk register review by Members is next due in July 2019.

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 plan). Risk registers should also be completed for significant partnerships and projects.

Operational risk registers should be completed in line with the Council's risk register template (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.

New service planning processes are being implemented by the Council for 2019/20, to ensure that all aspects of the Council Plan are reflected in service plans. The new processes maintain consideration of the service risk register and key service risks within the service plan template.

To assist with the new service planning process, the Senior Risk Management Advisor (SRMA) attended the Gloucester Management Team (GMT) meeting in October 2018 to:

- Reiterate the importance of these plans;
- Provide an understanding of the need to include relevant key service risks in the plans;
- Ensure that all relevant aspects of the Council Plan are reflected;
- Emphasise the enhancement of good decision making; and
- Explain the benefits of maintaining service risk registers.

Further 121 meetings were completed by the SRMA with managers, where requested, to support risk register completion.

4.4 Promotion, communication and training

The SRMA has actively supported the continued embedding of risk management in the Council in 2018/19 via:

- Project risk register support: e.g. Gloucester Transport Hub Programme – Gloucester Bus Station (completed October 2018); Gloucester Transport Hub – Gloucester Railway Station Improvements (in conjunction with Great Western Railway (GWR)); and the Council Accommodation Review (ongoing).
- Service support: e.g. Advice and guidance with business continuity management for the Guildhall.
- Risk management training: Risk awareness sessions held for both GMT in June 2018; and Team Leaders (two cohorts) in June and October 2018.

Zurich (the Council's insurer) has made available risk management training, which has been included as part of the 2018 insurance offer. Based on this and with the support of the SRMA, risk awareness sessions have been scheduled for SMT, GMT and Members during February and March 2019.

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.

4.5 Review of risk management arrangements

The Annual Governance Statement 2017/18 Improvement Plan included the following action to support the ongoing development of performance management and risk management within the Council: 'To monitor the effectiveness of the Council's revised corporate performance / risk management approach, to ensure that it reflects the needs and the structure of the Council and provides the relevant performance and risk assurances and supports decision making.'

Progress against the Annual Governance Statement 2017/18 Improvement Plan was reported to the Audit and Governance Committee in January 2019. Final update on the position will be completed through the Annual Governance Statement 2018/19 which is due to be presented to Audit and Governance Committee in July 2019.

4.6 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 audit approach is delivered in line with the requirements of the Public Sector Internal Audit Standards 2017 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 to ‘monitor the adequacy and effectiveness of the Council’s governance arrangements’. The Council’s Risk Management Policy Statement and Strategy requires receipt and review of the report by Audit and Governance Committee.

8.0 Future Work and Conclusions

8.1 A Risk Management Action Plan is being developed for 2019/20 and will be considered by SMT, prior to presentation to Audit and Governance Committee alongside the strategic risk register in July 2019. The goal of the Action Plan will be to support further implementation and embedding of the 2017/18 Annual Governance Statement action (see report section 4.5) regards the Council’s refreshed corporate performance and risk management approach.

8.2 The Risk Management Action Plan will be delivered within 2019/20.

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 Policy Statement and Strategy 2017-2020
Public Sector Internal Audit Standards 2017