Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	14th March 2016
Subject:	Annual Risk Management Report 2015/16		
Report Of:	Audit, Risk and Assurance Manager		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Stephanie Payne – Audit, Risk Management and Value for Money Officer		
	Email: stephanie.payne@gloucester.gov.uk Tel: 396432		
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 in 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 2015/16 and also confirm future planned actions.

2.0   Recommendations

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

(1) Note the risk management arrangements in place for the past year.
(2) Endorse 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 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 six core principles within the Council's Code of Governance – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

3.4   The Council recognises the importance of effective risk management, that it is essential for good governance & 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 & Governance Committee in November 2014. An agreed action was for future annual risk management reports to be aligned to the Council financial and performance year. The 2015/16 annual risk management report includes coverage of December 2014 to March 2016.

4.0   Risk Management Process and Activity 2015/16

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 was last updated and approved by Members in January 2015 (Cabinet approval following recommendation by Audit & Governance Committee).

The Strategy is supported by the Council Constitution 2015/16 and the standardised Committee report template, which requires all Committee reports to include 'risk & 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 potentially emerging strategic risks.

For 2015/16, 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.

Member review of the strategic risk register has been completed in March 2015 and November/December 2015 by Audit & Governance Committee and Cabinet. This is in line with the Risk Management Strategy requirement for strategic risk register Member review on a bi-annual basis.

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). Risk registers should also be completed for significant partnerships and projects (e.g. the Rugby World Cup 2015 and the Kings Quarter regeneration project).

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

For 2015/16 up to August 2015, service business plans and risk registers were reviewed by SMT and detailed within the annual SMT forward plan. As at August 2015, SMT decision was made for future service business plan and risk register review to be completed directly by the relevant Director in liaison with the Head of Service or Service Manager.

Identified high scoring operational risk themes are considered by SMT within the strategic risk register review process – report section 4.2.

4.4   Promotion, communication and training

4.4.1   Officer training

The service risk management approach was supported by two work shop sessions held in March 2015. The workshops offered co-ordinated advice and guidance on service business plans, risk registers and business continuity documents. The sessions were led by the Business Improvement Team, the Health, Partnerships and Engagement Manager, and the Audit, Risk Management and Value for Money Officer.

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

Advice and guidance has been provided to services through Council Business Bulletins and 121 development meetings where requested by Managers. Feedback has also been provided through SMT & Director review of service business plans and risk registers.

4.4.2   Member 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 Councillor Gravells.

The 2015/16 Member induction day included an introduction to risk management for the 4 newly appointed Members.

4.5   Independent review of risk management arrangements

Although a review was planned to be carried out during 2015/16, it has been agreed that this will not be undertaken due to the planned 2016/17 review of risk management arrangements against the latest ISO 31000 risk management standard – see report section 8.1.

The most recent independent internal audit of risk management controls was completed in 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, concluding that there was a satisfactory level of assurance over the risk management process within the Council.

The 2013/14 internal audit recommended Member Committee review of the strategic risk register. The recommendation was actioned through the January 2015 update of

the Risk Management Strategy and the bi-annual Member review of the strategic risk register completed within the last 12 months – report section 4.2.

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. plan testing or training provision) is selected by the Council per year of the contract.

SMT agreement was obtained for the 2014/15 risk management allocation to be utilised on a Risk Management Standards Assessment of the Council, including review of combined liability; health and safety; motor; general property; and claims management. The Zurich review was completed in June 2015 and the approach included input from officer group interviews and review of relevant supporting documents.

The Zurich Risk Management Standards Assessment results and Council action plan were reported to Audit & Governance Committee in November 2015.

The 2015/16 risk management support service allocation options are under review by the Section 151 Officer. Decision is required by financial year end for delivery within 2016/17 – report section 8.1.

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 & 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   Asset Based Community Development (ABCD) Considerations

5.1   There are no anticipated ABCD implications from 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 effective development and operation of risk management in the Council'. 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 following risk management key developments and actions are planned for the next 12 months:

- Zurich 2015/16 risk management support services allocation to be agreed within 2015/16 and delivered in 2016/17
- Member risk management training is scheduled within the 2016/17 Member Development Programme (Provisional date 16th May 2016).
- Review of the Council's risk management arrangements against the latest ISO 31000 risk management standard – the review findings will inform future risk management development at the Council

9.0 Financial Implications

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

(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.

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

11.0 Risk & Opportunity Management Implications

11.1 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.

12.0 People Impact Assessment (PIA):

12.1 A PIA screening assessment has been completed and the impact is neutral. A full PIA is not required.

13.0 Other Corporate Implications

<u>Community Safety</u>

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

<u>Sustainability</u>

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

<u>Staffing & Trade Union</u>

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

<u>Press Release drafted/approved</u>

13.4 None.

Background Documents: Council Constitution, Code of Governance and Risk Management Strategy