

SUBJECT: RISK MANAGEMENT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To provide Members with information regarding the reporting arrangements in relation to risk mitigation and recommendations.

2. Background

- 2.1 At the last meeting of Audit Committee on 27 September 2018 a report on the Annual Governance Statement Monitoring was presented. This report covered a number of areas that were not considered as significant issues but where a retained focus was required. One of these areas was in relation to 'loss of compliance to Lincoln Project Management Model'.

- 2.2 Following presentation of the report a number questions were raised by Members, these are set out below along with the officers responses;

- How were major projects tracked if not through a project register?
- Officer Response: Projects were monitored through the Vision Groups which act as Project Boards for each Priority.
- It was important that risks were reported through to the project register and from the project board through to Audit Committee.
- Officer Response: Mega projects had their own boards. Any risk issues were reported through to these boards and if serious enough - to Corporate Management Team (CMT). The Strategic Risk Register presented annually to Audit Committee would flag up any corporate issues and if any project risks were identified as strategic, would be included in this register.
- Projects with risks evolving more than once a year would not be picked up by Audit Committee in the annual Strategic Risk Register report.
- Response by Audit Manager: Audit Committee did have a role to play in the monitoring of strategic risk management. Should members require assurance on key risks to the authority it was possible to bring a report back to a future committee meeting.

2.3 It was therefore resolved that;

1. Information requested by members on reporting arrangements in relation to risk mitigation/recommendations be presented to the next meeting of Audit Committee.
2. The content of the report be noted and monitoring arrangements be continued.

3. Risk Management Framework

3.1 The Council's Risk Management Strategy was last refreshed in 2018 and provides a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of Vision 2020.

3.2 The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business, covering,

- Strategic – future direction of the business
- Change – turning strategy into action including programme, project and management of change
- Operational – day to day operations including people, customers, processes, information security, finance and business continuity.

3.3 A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2020 and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.
- Key partnerships and contracts.

3.4 In addition to the production of risk registers all key decisions presented to the Executive must clearly show the key risks associated with the decision, the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

3.5 In terms of the reporting arrangements for risk registers these are set out in the Risk Management Strategy as follows:

- Strategic Risks – reported to Corporate Management Team, Performance Scrutiny Committee and Executive on a quarterly basis.

- Significant Directorate Operational Risks – reported to Directorate Management Teams at a minimum on a quarterly basis.
- Key projects and programmes determined by the Vision 2020 and Project Management guidance – reported through the 5 Vision 2020 Groups, Directorate Management Teams and through the Executive if project requires specific Executive approval.
- New service strategies that have a greater impact on people, finance and the Council - reported through Directorate Management Teams and through the Executive if project requires specific Executive approval.

3.6 The roles and responsibilities of both Members and Officers are also defined in the Risk Management Strategy as follows:

- Executive and Corporate Leadership Team - has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the ‘risk appetite’.
- Audit Committee - is responsible for overseeing the effectiveness of the Council’s risk management arrangements, escalating issues to the Corporate Management Team/Executive.
- Performance Scrutiny Committee - is responsible for ensuring that the Council’s Strategic Risks are effectively managed, escalating issues to the Executive.
- Service Managers forum - is responsible for the facilitation and co-ordination of risk management activity across the Council.
- Directorates and Services - are the ‘risk takers’ and are responsible for identifying, assessing, measuring, monitoring.

3.7 Specifically in relation to the Audit Committee it’s role and responsibilities are further set out in its Terms of Reference, as follows;

Governance, Risk and Control

(d) To monitor the effectiveness of the Authority’s risk management arrangements (development and operation)

(g) To monitor progress in addressing risk-related issues reported to the committee.

3.8 The fulfilment of the Terms of Reference for the Audit Committee are achieved through an annual Risk Management report, which covers;

- Risk Management Strategy
- Strategic Risk Register
- Operational Risk Registers

- Training
- Benchmarking
- Greater Lincolnshire Risk Management Group
- Internal Audit reviews

In addition any specific risk related issues that are reported to the Committee through the quarterly Internal Audit Progress Report are tracked and monitored by the Committee. Internal Audit also carry out a risk and governance review each year which provides assurance and highlights any compliance issues or improvements in strategic risk management that may be required.

4. Strategic Priorities

- 4.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Vision 2020, and that it does so in accordance with statutory requirements

5. Organisational Impacts

- 5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

- 5.2 Legal Implications including Procurement Rules

The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, reported through an annual report to the Audit Committee, is part of the way in which the Council fulfils this duty.

The Council's Constitution sets out the specific Terms of Reference of each of the Council's Committees. The specific roles and responsibilities of the Audit Committee in relation to risk management are set out in paragraph 3.7.

- 5.3 Equality, Diversity and Human Rights

There are no equality, diversity or human rights issues arising as a result of this report.

6. Risk Implications

- 6.1 This report relates to overall risk management, the Audit Committee should know about the most significant risks facing the Council and be assured that the risk management framework is operating effectively, this is fulfilled by the reporting arrangements as set out in paragraph 3.8

7. Recommendation

- 7.1 That the Audit Committee note the reporting arrangements for risk mitigation and recommendations and its role in ensuring the effective operation of the risk management framework.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? None

List of Background Papers: None

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