

Report to: Governance and Audit and Standards Committee

Subject: Risk Management

Report from Jon Bell Head of HR, Legal and Performance

Report by: Lyn Graham Chief Internal Auditor

1. Purpose of report

To update Governance and Audit and Standards Committee Members on the proposed changes in arrangements for risk management and the revised draft risk management Policy and Procedures.

2. Recommendations

It is recommended that Governance and Audit and Standards Committee Members approve

- 2.1 The draft Policy and Procedures;
- 2.2 The next steps towards embedding a risk culture,
- 2.3 A review in 6 months' time of progress

3. Background

- 3.1 PCC has an agreed corporate policy and procedures to manage risks. These ensured that PCC were able to demonstrate that they could meet the requirements of the Audit Commission's inspection regime of the time, the CPA (Comprehensive Performance Assessment) which was later replaced by the CAA (Comprehensive Area Assessment). These inspections ceased with the change in Government.
- 3.2 As part of the risk management (RM) process the Authority requires services to use some specific software to record their risks as well as recording strategic risks.
- 3.3 Risk Management is seen as an essential part of governance and a review of risk management arrangements concluded that the focus should be on embedding a risk awareness culture.

4. Reasons for recommendations

- 4.1 The idea of evolving and embedding a risk culture means that risks are considered and managed as part of everyday activity including specific targets and performance objectives.

4.2 Risk management (RM) needs to have some sort of a process to support the risk culture but the emphasis should be on the culture rather than the process and supporting a risk culture rather than driving risk management through a process. It is proposed to have a fundamental core set of principles and these are encapsulated in the Policy.

4.3 A revised draft RM Policy and Procedures is attached as Appendix A to this report; it covers the objectives of the Policy, risk appetite, roles and responsibilities, how RM is to be embedded, where assurance will be obtained from and how effectiveness will be monitored.

4.4 The risk appetite is defined in the draft Policy as:

"The Council as a public body has to protect and preserve its ability to provide services and ensure that assets are protected against significant loss and damage and interruption to service delivery is minimised.

Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary and will take all reasonable steps to eliminate or mitigate the risks where identified:

- ***Where there is risk of physical harm***
- ***Where non-compliance with Legislation could lead to imprisonment or significant fines "***

4.5 It is suggested that there should be a move away from having a Corporate Risk Register determined largely at a strategic level to having a Risk Directory that will record all the significant risks facing the organisation, derived largely from operational sources. The draft Policy and Procedures defines significant risk.

4.6 The Strategic Directors Board at a previous meeting determined that one of the key areas of governance is risk management (RM) and they agreed on 8 areas of RM that they require assurance on, which are detailed in Appendix B.

4.7 As a starting point sources of assurance will need to be mapped for all of these areas but as vulnerabilities are clarified these areas may change. These are part of the Internal Audit Plan for 2013/14 and audit will review with Heads of Services and Strategic Directors the best way to gain assurance in these areas. The assurance map will continually evolve and change depending on areas of concern that arise.

4.8 Following G&A&S Committee approval of the Policy and Procedures, the next steps will be to ensure that key decision making considers risk; operational staff consider risk on a day to day basis and this will start with risk awareness training on roles, responsibilities and principles of good risk management as defined in the Policy and Procedures. This will also be supported by the following:

- Developing the Risk Directory and completing the assurance mapping;
- Agreeing effective monitoring arrangements;
- Updating and rolling out training on risk awareness;

- Reporting back to SDB and G&A&S on how effective monitoring based on assurance mapping is to be achieved;
- Reviewing progress.

4.9 The draft Policy and Procedures are likely to change as assurance mapping develops and it becomes clear where the areas of vulnerability are. The Audit universe will take account of these areas of vulnerability so there is clear visibility that the Audit Plan is covering areas of greatest risk.

4.10 Periodic reinforcement will come by way of monitoring and feedback as determined by Strategic Directors and Members, as well as regular communications and training updates.

5. Equality impact assessment (EIA)

A pre EIA will need to be undertaken of the revised Policy

6. City Solicitor's Comments

6.1 The approach proposed will provide an appropriate framework for the management of legal risk.

7. Head of Finance's comments

7.1 There are no immediate financial implications arising from the recommendations contained within this report. However, strong risk management acts as an important aspect of financial control.

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Signed by:

Appendices: Appendix A draft Policy and Procedures, Appendix B Assurance mapping

Background list of documents: Section 100D of the Local Government Act 1972
The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
NONE	