

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 27 January 2016
<b>Report Subject</b>	Risk Management update
<b>Cabinet Member</b>	Cabinet Member for Corporate Management
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The risk management update addresses 3 areas for the Committee to note and review:

- i) The Improvement Plan 2015/16 was adopted by the Council in June 2015; this report provides an assessment of the strategic risks contained within the Plan at the mid-year monitoring period (September 2015). Risks are being successfully managed with the majority being assessed as moderate (69%) or minor (20%).
- ii) The report also presents the Committee with the Certificate of Compliance awarded by the Auditor General for Wales in relation to the publication of the Annual Performance Report 2014/15 as adopted by the Council in October 2015.
- iii) The principles of the Council's refreshed Risk Management Strategy were endorsed by Audit Committee in June 2015; this report provides a link to the full strategy which is already operational.

### RECOMMENDATIONS

1	To note the mid-year summary of the strategic risks of the Improvement priorities of the Council.
2	To endorse the refreshed risk management strategy.
3	To note the Certificate of Compliance provided by the Auditor General for Wales in relation to the publication of the Annual Performance Report 2014/15.

## REPORT DETAILS

1.00	STRATEGIC RISKS																		
1.01	<p><u>Improvement Priorities – Strategic Risks</u></p> <p>The Council adopted the Improvement Plan for 2015/16 in June 2015. The adoption of the plan and its priorities provides the opportunity to monitor the strategic risks aligned to these priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid-year point. This mid-year report is to assure the Committee that the risk levels are moving in a positive direction.</p>																		
1.02	<p>The Audit Committee’s role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny committees have received quarterly progress reports against the Improvement Plan for 2014/15. These have included a template for each risk capturing:</p> <ul style="list-style-type: none"> <li>• the nature of each risk</li> <li>• the gross, net and target RAG status for each risk</li> <li>• current actions already in place to mitigate the risk</li> <li>• further activity to mitigate the risk</li> <li>• risk trend (via arrows)</li> </ul>																		
1.03	<p>A summary of the status of all risks captured in the Improvement Plan is attached at Appendix 1, along with a statement as recorded in September about any major risks which are also reported to Cabinet. An analysis of the current ‘net’ status of the 45 risks measured this quarter of our eight Improvement priorities is shown in Table 1 and shows the positive shift from the initial assessment reported in June 2015 to the mid-year position:</p> <p>Table 1: Comparative assessment</p> <table border="1" data-bbox="432 1417 1273 1644"> <thead> <tr> <th>Net risk status</th> <th>Q1 (Jun '15)</th> <th>Q2 (Sep '15)</th> </tr> </thead> <tbody> <tr> <td><b>Insignificant: 1 (green)</b></td> <td>1 (0.5%)</td> <td>1 (2%)</td> </tr> <tr> <td><b>Minor: 2 (yellow)</b></td> <td>6 (14%)</td> <td>9 (20%)</td> </tr> <tr> <td><b>Moderate: 3 (amber)</b></td> <td>33 (70.5%)</td> <td>31 (69%)</td> </tr> <tr> <td><b>Major : 4 (red)</b></td> <td>7 (15%)</td> <td>4 (9%)</td> </tr> <tr> <td><b>Severe: 5 (black)</b></td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Net risk status	Q1 (Jun '15)	Q2 (Sep '15)	<b>Insignificant: 1 (green)</b>	1 (0.5%)	1 (2%)	<b>Minor: 2 (yellow)</b>	6 (14%)	9 (20%)	<b>Moderate: 3 (amber)</b>	33 (70.5%)	31 (69%)	<b>Major : 4 (red)</b>	7 (15%)	4 (9%)	<b>Severe: 5 (black)</b>	0	0
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1.04	<p>In addition the following table provides an analysis of how our risk trends have changed from the initial risk assessment period in June to the mid-year position in September.</p> <p>Table 2: Risk trend positions</p> <table border="1" data-bbox="579 1865 1129 2056"> <thead> <tr> <th>Trend positions</th> <th>Q1 (Jun '15) to Q2 (Sep '15)</th> </tr> </thead> <tbody> <tr> <td><b>Increase</b></td> <td>3</td> </tr> <tr> <td><b>Decrease</b></td> <td>8</td> </tr> <tr> <td><b>Stable</b></td> <td>34</td> </tr> </tbody> </table>	Trend positions	Q1 (Jun '15) to Q2 (Sep '15)	<b>Increase</b>	3	<b>Decrease</b>	8	<b>Stable</b>	34										
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1.05	<p><u>Risk Management Strategy</u></p> <p>This Council's risk management approach has been refreshed as endorsed by this Committee in June. The refresh covers a number of specific actions which have been introduced to improve and mature our approach:</p> <ul style="list-style-type: none"> <li>• Enhanced descriptions of risk including an explanation of the impact if the 'risk' was to be realised and become an 'issue' to be dealt with</li> <li>• More sophisticated risk matrix, moving from a 3 x 3 matrix to one of 6 x 4 for likelihood and impact; allowing more options to show how the risk is being reduced or increasing</li> <li>• Improved format to capture both new and emerging risks and also allow for a risk to be 'closed' once it has been mitigated or realised as an issue being dealt with</li> <li>• Incorporating 'risk' more prominently within Council reports.</li> </ul>
1.06	<p>These elements are now operational as can be seen from the analysis of the Improvement Plan and the format of the risks to Cabinet and Committees.</p> <p>The refreshed risk management approach is a response to one of the Proposals for Improvement recommended as part of the Corporate Assessment undertaken by the Wales Audit Office in 2016.</p> <p>The approach has been captured and described in a refreshed Risk Management Strategy, attached as Appendix 2.</p>
1.07	<p>The approach is also integral within the Council's new performance management software solution; CAMMS. CAMMS is an integrated planning, risk management and programme / project management and reporting software. A link for further information about CAMMS is provided at paragraph 6.02 below.</p>
1.08	<p><u>Auditor General for Wales Compliance Certificate</u></p> <p>The council receives two certificates each year from the Auditor General for Wales; the first in respect of discharging his responsibility to audit the publication of the Improvement Plan; and the second to discharge his responsibility to audit the Annual Performance Report.</p>
1.09	<p>The Council has recently received a positive certificate in relation to the latter. No new proposals for improvement or recommendations have been made.</p>
1.10	<p>The Certificate is attached as Appendix 3.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications related to this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The Council's strategic Improvement priority risks are being effectively managed through the refreshed risk management approach.</p> <p>The risk of non adoption of the risk management approach across all areas of the Council is being reviewed currently by an Internal Audit review.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1: Improvement Plan 2015/16 risks as at September 2015.  Appendix 2: Risk Management Strategy  Appendix 3: Wales Audit Office: Improvement Plan 2014/15 Certificate of Compliance</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01 6.02	<p><a href="#">Improvement Plan 2015/16</a>  <a href="#">Improvement Plan Monitoring Report Q2 - Cabinet Dec 2015</a></p> <p><b>Contact Officer:</b> Karen Armstrong, Policy and Performance Manager  <b>Telephone:</b> 01352 702740  <b>E-mail:</b> <a href="mailto:Karen.armstrong@flintshire.gov.uk">Karen.armstrong@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(1) <b>Improvement Plan:</b> the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Improvement Objectives and publish an Improvement Plan.</p> <p>(2) <b>CAMMS:</b> an integrated planning, risk management and programme/project management and reporting system.</p> <p>(3) <b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>(4) <b>Risk Management</b> - the process of <b>identifying</b> risks, <b>evaluating</b> their potential consequences (<b>impact</b>) and <b>managing</b> them. The aim is to reduce the frequency (<b>likelihood</b>) of risk events occurring (wherever this is possible)</p>

and minimise the severity of their consequences (impact) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

(5) **Corporate Assessment** – undertaken once every four years by the Wales Audit Office as a position statement of the capacity and capability of the council to deliver continuous improvement.