AUDIT COMMITTEE

Date of Meeting	Wednesday, 11th September 2019
Report Subject	Strategic Risk Management Update
Portfolio Holder	The Leader
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides an overview of our strategic approach to risk management.

The report describes the general principles of the Risk Management Policy and Strategy; how the risk matrix is used to create the corporate risk register and where and how it is monitored, escalated and reported.

The different assurance roles of both Internal Audit and the Audit Committee are outlined.

A strategy to communicate and keep the workforce updated on the principles and use of risk management is also described.

RECOMMENDATIONS	
1	To be assured by our strategic approach to the management of risk.
2	To receive a revised version of the Risk Management Strategy at the next Audit Committee meeting.

REPORT DETAILS

1.00	**STRATEGIC RISK MANAGEMENT**
1.01	Risk Management Policy principles Our risk management policy has a number of principles which guide our approach in achieving our strategic and service priorities. These include: - Being transparent and corporate - Ownership and accountability at all levels - Integration into operational and management practices - Effective and transparent monitoring The Risk Management Strategy is reviewed periodically and this report is a precursor to the next review.
1.02	Risk Management process This section of the report is to describe what we mean by risk and how we use risk as a positive process to help achieve our priorities and objectives. Risk can be a threat (negative) or an opportunity (positive). A threat is an event or action that would adversely affect our ability to achieve stated objectives and to successfully deliver approved strategies. An opportunity is an event or action that would enhance our ability to achieve our objectives and deliver approved strategies, whether these be short term or long term. The types of risks that we manage relate to the ways in which we work: • Strategic and corporate – affecting a major strategy and/or the whole organisation • Programme / project – affecting a specific project or programme • Partnership and collaboration – affecting a partnership or collaboration • Operational – affecting more specific processes and workstreams We have a four box model within which our risks sit. We use this for management purposes, escalating where needed either within the management structure or into the Member and committee structures. **CORPORATE** / **PORTFOLIO** **Corporate Strategy** / **Portfolio Strategy** **Corporate Governance** / **Portfolio Operations** Risks can come from many sources including financial, people, legal, environmental etc. We use a template (Appendix 1.1) to help us identify the sources of risk.

Once a risk has been identified we then look at the 'severity' of the risk i.e. who and what it impacts and the likelihood of it happening. We do this by applying a risk matrix which helps us to both identify the initial scale of the risk and also to monitor the scale as we apply interventions or mitigating actions.

Impact Severity							
	Catastrophic	Y	A	R	R	B	B
	Critical	Y	A	A	R	R	R
	Marginal	G	G	Y	A	A	R
	Negligible	G	G	G	Y	Y	A
		Unlikely (5%)	Very Low (15%)	Low (30%)	Significant (50%)	Very High (65%)	Extremely High (80%)
		Likelihood & percentage of risk happening					

Risk Likelihood and Impact Matrix

assessed.

Two examples from the current Council Plan to demonstrate how the process is used are as follows:

Theme: Caring Council
Priority: Housing
Sub-priority: Homelessness Strategy and Local Action Plan
Risk: Homelessness will remain a growing area of demand due to the current policy climate
Risk potential effects: Youth Homelessness: increased complexity of cases with mental health, drug or alcohol issues; increased burden on health service for prolonged period of time; ongoing and deteriorating health leading to reduced quality of life and life expectancy
Type of risk: Portfolio Strategy and Portfolio Operations
Initial risk assessment: Likelihood = Significant and Impact = Critical ie. RED
Current risk assessment: Likelihood = Significant and Impact = Marginal i.e. AMBER
Management Controls/actions:

- Understand scale of issue turning review into action (Lesley Basset)
- Develop detailed action plan and deliver (Lesley Basset)
- Review every quarter (Stakeholder Group)
- Explore development of a Youth Hub (Stakeholder Group)
- Share thinking with Members and Welsh Government (Chief Officer – Housing and Assets)

Target Risk Assessment: Likelihood = Very low and Impact = Marginal i.e. GREEN

Theme: Green Council
Priority: Safe and sustainable Travel services
Sub-priority: Highway Network
Risk: Insufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth;

	Risk potential effects: Loss of key transport links Type of risk: Portfolio Strategy Initial risk assessment: Likelihood = Very high and Impact = Marginal i.e. AMBER Current risk assessment: Likelihood = Low and Impact = Marginal i.e. AMBER Management Controls/actions: • Maintain Highways Asset Management Plan (Barry Wilkinson) • Lobby for Welsh Government funding (Steve O Jones) • Reactive Maintenance (Barry Wilkinson) Target Risk Assessment: Likelihood = Low and Impact = Marginal ie. AMBER The examples provided above demonstrate that we have effective management practice on risk identification and management. The same approach is also applied to the maintenance of specific risk registers for large projects e.g. capital projects, and the incorporation of risks in business plans etc. More recently the joint Audit and Overview and Scrutiny Committee has had an overview of the Council Plan and Annual Governance Statement risks to ensure that the risks have been allocated to a specific Overview and Scrutiny Committee for inclusion within the forward wok programmes for monitoring. Business and Portfolio plans and key strategies also review risk positions using the same matrix. We have an agreed escalation process. If operational risks within a portfolio cannot be managed within the portfolio itself then they are escalated within the corporate management process. Further escalation as a corporate risk would be taken through the Member structure. Escalation of a risk can be followed through in one of three ways: 1) Inclusion within strategic reports to Cabinet. This is expected to evolve over time to also include Overview and Scrutiny reporting. 2) Corporate risks such as those identified within the Council Plan or Annual Governance Statement are monitored and reported against. 3) Risks within a business area could be subject to internal audit testing; either as part of an agreed audit plan or due to an emerging situation. Ownership and accountability for risks is a key part of our monitoring and reporting process. All identified risks have an owner for both the risk itself and also for specific mitigating actions. These are recorded on the CAMMS management system so that all information related to a risk is in one place. This makes monitoring and reporting more efficient and transparent. It also allows us to produce 'risk registers' of different types of risk.
1.03	<u>Assurance framework</u>: Our risk management processes are assured in two main ways: firstly, through the role of the Audit Committee for assurance of policy compliance of the risk management framework and its effectiveness, and; secondly through the role of Internal Audit who test the compliance of the systems.

	The recently formed joint Chairs and Vice Chairs of Audit and Overview and Scrutiny meetings have also provided a further level of assurance into the risk management process.
1.04	Next steps The Risk Management Strategy was last revised in 2018; a further revision will be presented to the next Audit Committee in November encompassing the approach described in this report. Accompanying this will be a Management Guide summary, so that our approach can be more easily followed and used.

2.00	**RESOURCE IMPLICATIONS**
2.01	There are no specific resource implications relevant to this report.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	Chief Officers have been working through the new four box model to identify their risks.

4.00	**RISK MANAGEMENT**
4.01	This report outlines our approach to risk management to ensure that it is relevant and current.

5.00	**APPENDICES**
5.01	Appendix 1: Guidance - 1.1: Risk identification 1.2: Using the 6x4 risk matrix

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	**Contact Officer:** Karen Armstrong, Corporate Business and Communications Executive Officer **Telephone:** 01352 702740 **E-mail:** Karen.armstrong@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(1) **Council Plan:** the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009

	to set Council Objectives and publish a Council Plan. (2) **Risk Management** - the process of **identifying** risks, **evaluating** their potential consequences (impact) and **managing** them. The aim is to reduce the frequency (likelihood) of risk events occurring (wherever this is possible) 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.