

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	23 September 2015
3.	Title:	Risk Management Policy, Risk Registers and Risk Management Arrangements
4.	Directorate:	Finance and Corporate Services

5. Summary

The Corporate Governance Inspection stated that risk management at the Council needed to be strengthened. The corporate improvement plan includes a project to adopt and embed practical and effective risk management. This requires:

- A refresh of the Risk Management Policy and Guide
- A refresh of the corporate (strategic) risk register
- An update of service (operational) risk registers
- The development and training of Members and senior and middle management on risk management
- The explicit consideration of fraud risks
- A stronger role for the Audit Committee, including its consideration of service operational risks as well as corporate strategic risks.

A revised Risk Management Policy and Guide is attached to this report for consideration by the Audit Committee. This has been drafted taking into account current private and public sector practice and Rotherham's specific position following the corporate governance inspection and subsequent intervention.

Also attached is an action plan designed to implement the actions outlined above.

This report seeks the support of the Audit Committee for the revised Risk Management Policy and Guide and the action plan.

6. Recommendations

The Audit Committee is asked to:

- Note and support the revised Risk Management Policy and Guide
- Note and support the Risk Management Action Plan, detailing the actions necessary to implement the improvements required at the Council
- Note the requirement for directorate risk registers be presented to the Audit Committee on a rolling programme basis, in line with the Audit Committee's prospectus
- Note the requirement for the Council to consider the risk of fraud within its risk management arrangements
- Note the proposals for carrying out risk management sessions with all managers, to include general and fraud risks, and Members.

7. Proposals and Details

7.1 Background

Risk Management is about managing the Council's threats and opportunities. By managing threats effectively we will be in a stronger position to deliver the Council's objectives. The Council accepts the need to take proportionate risk to achieve its strategic and operational targets, but expects that the risks are identified and appropriately managed. By effectively managing risks the Council will be in a better position to provide improved services and better value for money.

The corporate improvement plan (plan reference 11.1) includes an improvement action for the "Adoption and embedding of practical and effective risk management framework". This has the following key milestones:

- Renewal of corporate risk management framework and responsibilities – *(completion date target: September 2015)*
- Identification of lead senior manager – *(June 2015)*
- Development and training of middle to senior managers in risk approaches to management and decision-making – *(March 2016)*

There is also a requirement within the corporate improvement plan (plan reference 9.5) to ensure the Council has in place "effective fraud and anti-fraud measures", which will include assessments about the risk of fraud across the Council.

The challenge for the Council is firstly to re-establish appropriate risk management arrangements and responsibilities and, secondly, to ensure risk management is embedded into the culture and behaviour of the organisation.

The remainder of this Section (Section 7) of the report identifies the actions proposed to implement effective risk management and achieve the corporate improvement plan requirements. An action plan is attached at **Appendix 1**.

7.2 Risk Management Policy and Guide

A draft revised Risk management Policy and Guide is attached at **Appendix 2**. This has been produced following a review of current practice and examples within local government. The Policy sets out the Council's intentions and principles relating to risk management and the Guide (strategy) indicates how the Policy will be implemented.

The Policy:

- Outlines the Council's approach to managing risks
- Explains when it might accept risks (its risk appetite)
- Confirms roles and responsibilities exist for risk management
- Makes commitments relating to the monitoring, reviewing and reporting of risks.

And the Guide:

- Introduces the concept of Risk and Risk Management
- Describes the Council's objectives for risk management
- Sets out our detailed approach to risk management
- Identifies roles and responsibilities

- Explains monitoring arrangements
- Outlines training and support available for risk management.

The draft framework is presented for consideration and approval by SLT.

7.3 Roles and Responsibilities

Strong leadership in risk management is probably the single most important factor determining whether risk management is effective or not. All Members and staff (in particular senior and middle managers) must commit to risk management.

The Executive has primary responsibility for ensuring there are appropriate arrangements in place for risk management and that these lead to effective risk management. At officer level, the Strategic Leadership Team is responsible for the operational implementation of the Council's Risk Policy. The Audit Committee's role is to ensure and provide assurance to the Council and other stakeholders that there are effective arrangements in place that operate on an ongoing basis.

The Corporate Improvement Plan requirement to identify a lead senior manager for risk management by June 2015 was fulfilled in Commissioner Manzie's restructure proposals by retaining risk management and insurance under the Assistant Director Audit, ICT and Procurement's portfolio under the Strategic Director of Finance and Corporate Services.

However, in addition to the specific roles and responsibilities stated above, risk management requires action from all senior and middle managers and relevant Members. More details of roles and responsibilities are set out in the Risk Management Guide.

7.4 Implementation – Strategic Risk Register

The process of producing a refreshed risk register has commenced. The process will involve:

- Asking strategic directors and directors for their initial views on strategic risks
- Collating responses into a summary for presentation to SLT/directors and facilitating agreement of strategic risks to be included in the Council's risk register
- Holding a similar meeting / workshop with advisory cabinet members
- Consulting with commissioners on the first draft of the resulting strategic risk register
- Consulting with partners on the draft register
- Consulting with M3 managers, possibly through a M3 manager session if time permits.

The Strategic Risk Register is scheduled to be presented to the Audit Committee 24 November 2015.

To ensure the register remains a live document and to reinforce the need for ongoing risk management, it is proposed to present the register 6-weekly to SLT for review. The register will be reported quarterly to the Audit Committee and Commissioners.

7.5 Implementation – Directorate Risk Registers

It is at directorate level where the greatest degree of variation has arisen with regard to risk management in terms of maintaining risk registers and review and reporting of them. It is proposed to ensure a good and consistent standard of risk management at directorate level can be established, maintained and demonstrated, by:

- Meeting directorate management teams with regards to requirements (so far this has been done with CYPS, EDS and Finance and Corporate Services, with meetings scheduled to cover Adults and Public Health)
- Holding awareness and development events with all directorate managers
- Assisting directorates to re-produce registers in a consistent format
- Ensuring DMTs review and consider risks on a regular basis
- Requiring strategic directors, directors and in due course the Assistant Chief Executive, along with relevant advisory cabinet members, to report to Audit Committee on a rolling programme basis, to explain their management of risks
– See 7.8 below.

7.6 Managing the Risk of Fraud

In late 2014 CIPFA published a revised '*Code of Practice on Managing the Risk of Fraud*'. This Code requires authorities to better demonstrate their fraud risks and how these are managed. Up until now, Internal Audit has considered fraud risks in its annual planning process based on its information about services and previous issues.

A more inclusive and engaging process is now required involving services in identifying any significant risks of fraud in their areas, and showing any significant risks in their risk registers. This process is currently being developed.

7.7 Resources

In 2011 the Council's Governance and Risk Manager post was deleted and responsibility for supporting the risk system and, wherever possible, risk arrangements were placed with the Council's Insurance Officer, along with his other responsibilities. Separate corporate improvement projects are also being carried out on the Council's overall governance arrangements and Internal Audit, and the Interim Strategic Director of Finance and Corporate Services will consider how best to structure and resource these once the outcomes from the reviews are known.

In the meantime the Interim Strategic Director of Finance and Assistant Director Audit, ICT and Procurement have secured peer support from Leicester City Council which, steered by the 2014 ALARM Risk Manager of the Year (Tony Edeson), has re-invigorated its own risk management arrangements over the last 3 years. Tony will provide observations and support as we begin implementing our own improved arrangements.

7.8 Risk Management System

The Council has used the JCAD risk management system for the last 8 years. It is an established system in the sector with around 8% of local authorities using the software. Most authorities, however, use spreadsheets for recording risks and our recent consultations with colleagues have confirmed that the system is seen as a barrier to risk management recording, rather than a facilitator, because it is not

regarded as simple to use. The variable use of the system across services indicates some services do value the system while others do not.

In view of the feedback received, it is proposed to cease using the JCAD system and replace it with a simple documentation system. We have obtained Leicester City Council's documentation and consider this is easy to use and meets our needs. The documentation will be held securely on a dedicated Sharepoint site and will be easily accessible to risk owners and managers, while ensuring one control record is kept for each risk.

We propose to roll out the use of the new documentation in meetings with Directorate Management Teams and workshop sessions with managers

7.9 The Role of the Audit Committee

Commissioner Sir Derek Myers has outlined a new approach for the Audit Committee, which places a significant emphasis on the Committee ensuring risk management is carried out effectively across the Council. In particular, this should involve the Audit Committee carrying out 'deep-dives' into service risk registers on a rolling basis, with Strategic Directors and Advisory Cabinet Members attending to explain their management of risks. The Audit Committee adopted this suggestion at its meeting in July and has scheduled the directorates for review in the following order:

Audit Committee Dates:

22 September 2015
24 November 2015
10 February 2016
27 April 2016

Directorate Reviews:

CYPS
Finance and Corporate Services
Adults Services, Public Health
EDS, Assistant Chief Executive

7.10 Monitoring and Reporting

The action plan at Appendix 1 shows the steps we propose to take to implement the improvement actions described in this report. There will be regular reporting of progress against the plan to the Improvement Plan Implementation Officer Group to ensure the corporate improvement plan requirements are met and, importantly, the Council strengthens risk management in its business and decision making.

In addition:

- SLT will have the opportunity to review the operation of risk management arrangements when it receives updates on a 6-weekly basis
- It is proposed at least yearly to consult more widely with partners on their view of the Council's register.

8. Finance

There are no direct costs arising from proposals in this report. Any cost implications arising from the Interim Strategic Director of Finance and Corporate Services' review of resources to support risk management and governance arrangements will be subject to a separate report.

The cost of risk falls into two categories.

- The direct cost of paying premiums to insurance companies, meeting insured claims, encouraging low cost risk improvement initiatives, supporting essential risk control measures, and associated administration of the risk management function.
- The indirect cost of service disruption associated with incidents, which amounts to many times the direct cost.

Whilst our insurance arrangements protect the Council from catastrophic loss in any given year without additional charge in that year, any overall deterioration in the Council's loss experience will have an impact on premiums for future years. It is never possible to eliminate the cost of loss, however, low incident rates can be maintained and, by proper attention to risk control and the prevention of incidents, the financial impact can be managed.

9. Risks and Uncertainties

By building risk awareness into the root of all business cases and proposals to Cabinet and SLT, driving Risk Management from both a top down and bottom up approach, and maintaining and periodically reviewing the relevant risk registers (Strategic and Operational) the Council is also putting itself in a better position to highlight unacceptable risks (individually or collectively) and take appropriate action where necessary to minimise the risk of potential losses (including financial).

10. Policy and Performance Agenda Implications

Risk Management is one of the dimensions of good Corporate Governance. It is all encompassing and impacts on all areas of the Council's Policy and Performance Agenda.

11. Background Papers and Consultation

ISO31000 – Risk Management Principles and Guidelines standard
 BS65000 – Guidance on Organisational Resilience
 'Worth the Risk' - Audit Commission

Contact Names:

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APPENDICES:

- 1 Risk Management Action Plan**
- 2 Risk Management Policy and Guide**

APPENDIX 1

Risk Management Action Plan

Report Paragraph / Reference and Action	Responsible Officer	Target Date(s)
7.2 Risk Management Policy and Arrangements		
Produce a revised Risk Management Strategy drafted, reflecting sector good practice, to include roles and responsibilities	Insurance & Risk Manager	August 2015
Approval and sign off of Risk Management Strategy and Action Plan	Commissioners / SLT	September 2015
Roll out of new Risk Management arrangements to Managers, Advisory Cabinet, Scrutiny and Audit Committee.	Assistant Director Audit, ICT & Procurement	October 2015
Seek the inclusion of Risk Management on the corporate Performance and Development Review (PDR) Form (in either 'Corporate Priorities' or 'Other Issues' sections) to ensure regular discussion on risk involving all levels of staff within the authority.	Insurance & Risk Manager	October 2015
Seek to include wording reflecting the requirement to consider and embed Risk Management principles in job descriptions at Strategic Director / Assistant Director / M3 Manager level.	Insurance & Risk Manager	October 2015
7.3 Strategic Risk Register		
Initial enquiries with strategic directors and directors on their initial views of strategic risks	Insurance & Risk Manager	September 2015
Collate responses into a summary for presentation to SLT or SLT/directors and facilitate agreement of strategic risks to be included in the Council's risk register	Assistant Director Audit, ICT & Procurement	October 2015
Hold a similar meeting / workshop with advisory cabinet members	Assistant Director Audit, ICT & Procurement	October 2015

Report Paragraph / Reference and Action	Responsible Officer	Target Date(s)
7.3 Strategic Risk Register (cont'd)		
Consult with Commissioners on the first draft of the resulting strategic risk register	Assistant Director Audit, ICT & Procurement	October 2015
Consulting with partners on the draft register	Assistant Director Audit, ICT & Procurement	November 2015
Consulting with M3 managers, possibly through a M3 manager session if time permits	Assistant Director Audit, ICT & Procurement	November 2015
Present a refreshed Strategic Risk Register to the Audit Committee 24 November 2015	Assistant Director Audit, ICT & Procurement	24 November 2015
Present the strategic risk register 6-weekly to SLT for review	Assistant Director Audit, ICT & Procurement	With immediate effect
The register will be reported quarterly to the Audit Committee and Commissioners	Assistant Director Audit, ICT & Procurement	With immediate effect
7.4 Directorate Risk Registers		
Hold awareness and development events with all directorate managers	Assistant Director Audit, ICT & Procurement	December 2015
Strategic Directors, the Assistant Chief Executive and the Director of Public Health, along with relevant advisory cabinet members, to report their operational risks to Audit Committee on a rolling programme basis	Assistant Director Audit, ICT & Procurement	Commencing September 2015
Initial Refresh of Directorate Risk Registers	Strategic Directors / Assistant Directors	September 2015

Report Paragraph / Reference and Action	Responsible Officer	Target Date(s)
7.4 Directorate Risk Registers (cont'd)		
Directorate Risk Registers to be updated on an ongoing basis and submitted every quarter to the Insurance & Risk Manager.	Strategic Directors / Assistant Chief Executive / Director of Public Health	Quarterly commencing January 2016
Present the operational risk register quarterly to SLT for review	Assistant Director Audit, ICT & Procurement	With immediate effect
Directorate Management Team meetings to have Risk Management / Risk Registers as a regular item, i.e. monthly	Strategic Directors / Assistant Chief Executive / Director of Public Health	With immediate effect