

28 January 2020 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched:



Audit Committee

At the above stated meeting the attached presentations and documents were tabled for the following items

	Pages	Contact
5. Member Development - Risk Management	(Pages 1 - 14)	Russell Heppleston Tel: 01732227053

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or democratic.services@sevenoaks.gov.uk.

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Risk Management

Member Briefing

What we are going to cover

- Introduction
- Terminology
- The risk process
- Risk issues
- The future



When we talk about risk...

An uncertain event that, if occurs, has an effect on an objective

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- *Future focussed*
- *Has a degree of uncertainty*
- *Will impact on the achievement of objectives (positively or negatively)*

Measured in terms of **likelihood** and **impact**

What is risk management?

It is how the Council identifies, quantifies and manages the risks it faces as it seeks to achieve its objectives

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Risk management is a pillar of good governance, and as such falls within the remit of the Audit Committee as outlined in its Terms of Reference:

- (k) To maintain an overview of the effective development and operation of corporate governance and risk management in the Council, and to monitor compliance with statutory duties and the Council's Constitution in respect of Financial and Contract Procedure Rules.

Terminology

Risk Universe: All that could realistically occur

Risk Appetite: Level of risk we are will to seek in order to achieve objectives

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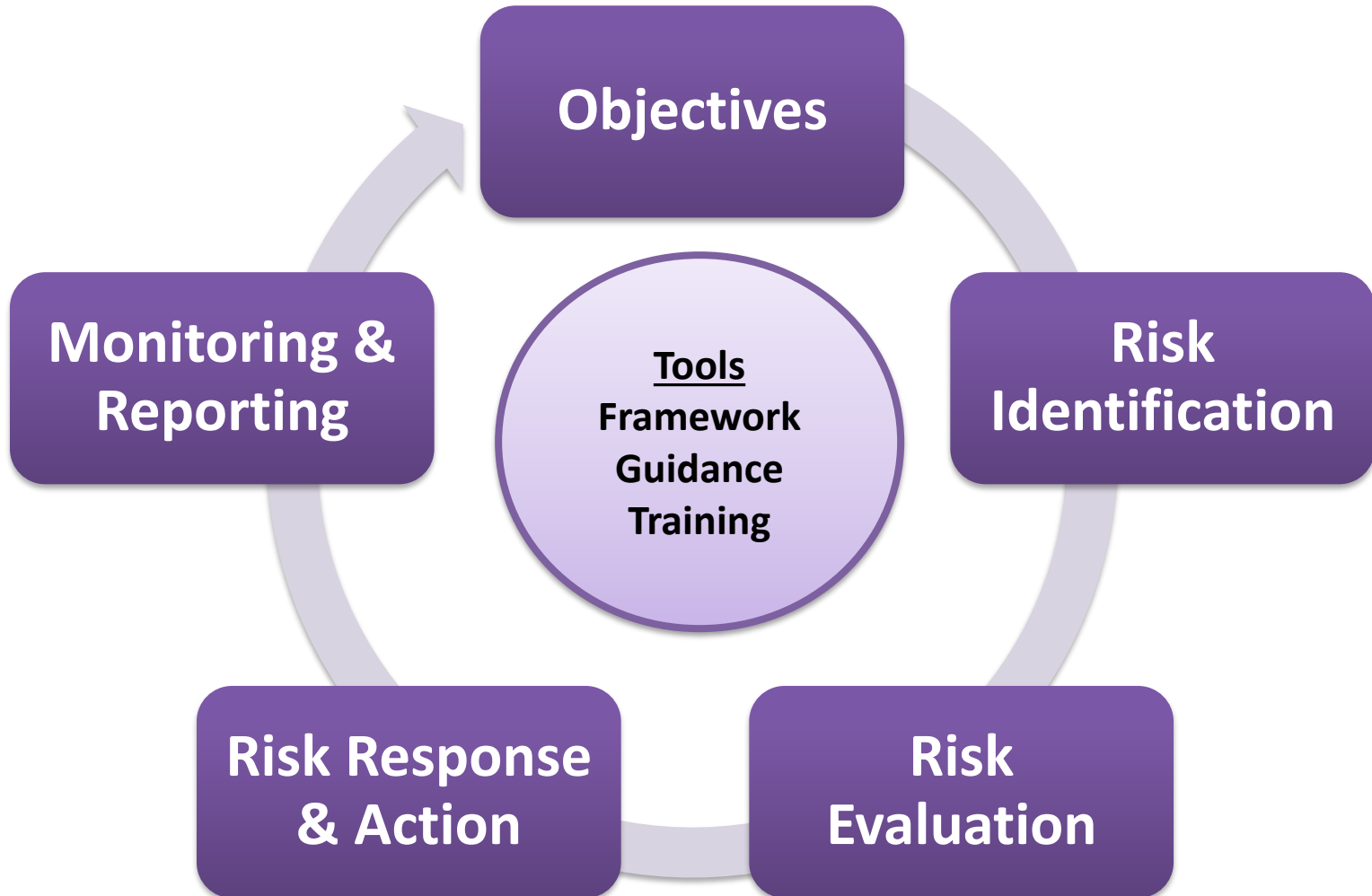
Risk Tolerance: Maximum level of risk that the Council will allow

Impact: How severely the Council will be affected in the risks was to materialise

Agenda Item 5

Likelihood: Consideration of how likely it is that the risk will occur

Risk Management Process



Risk Evaluation

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Likelihood	5	Yellow	Yellow	Red	Black	Black
	4	Light Green	Yellow	Red	Red	Black
	3	Light Green	Yellow	Yellow	Red	Red
	2	Blue	Light Green	Yellow	Yellow	Yellow
	1	Blue	Blue	Light Green	Light Green	Yellow
		1	2	3	4	5
		Impact				

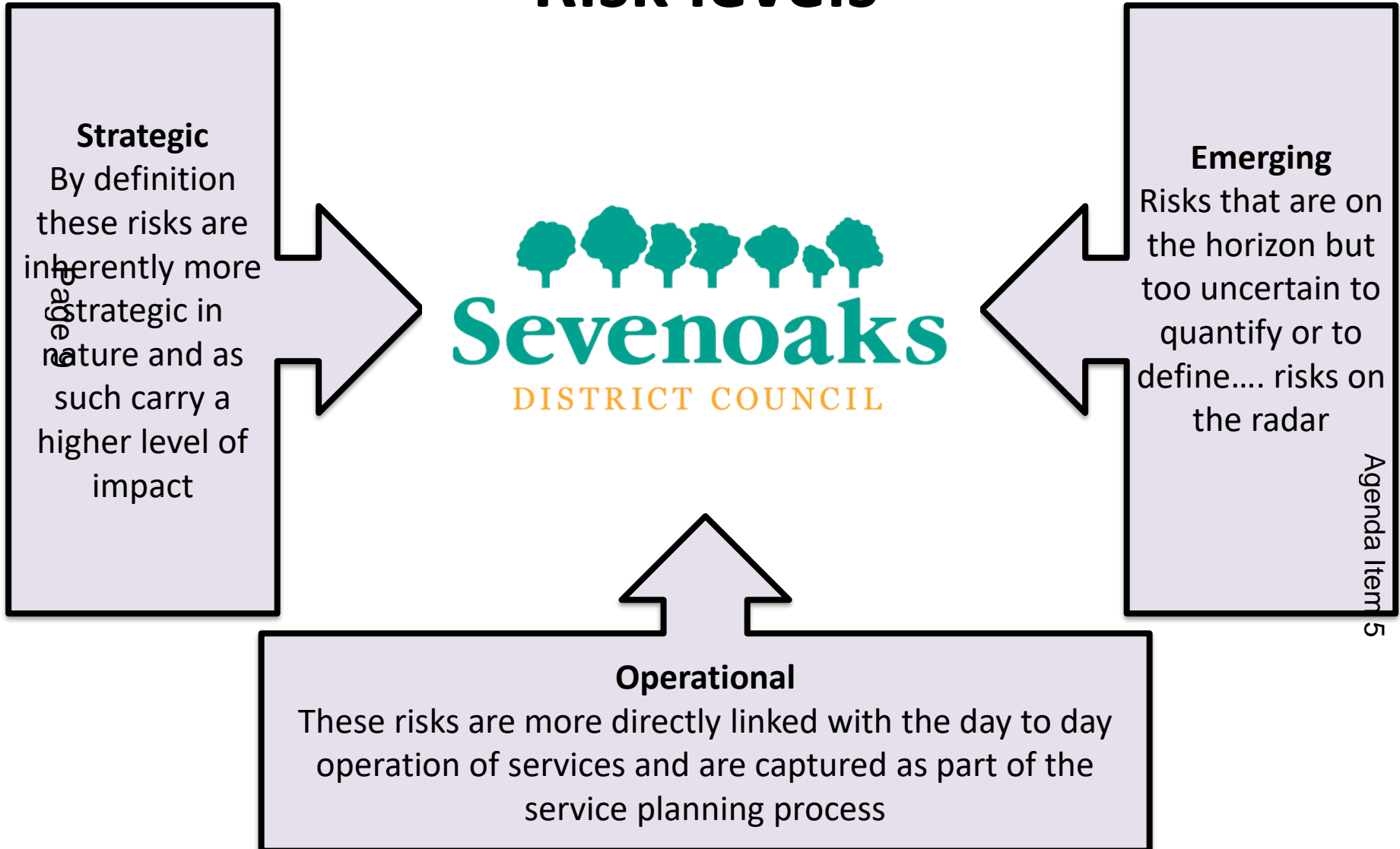
- Risks are assessed on impact and likelihood
- Plotted on the matrix
- Ability to see risks above the tolerance levels
- Able to see risk movement over time

Risk Impact

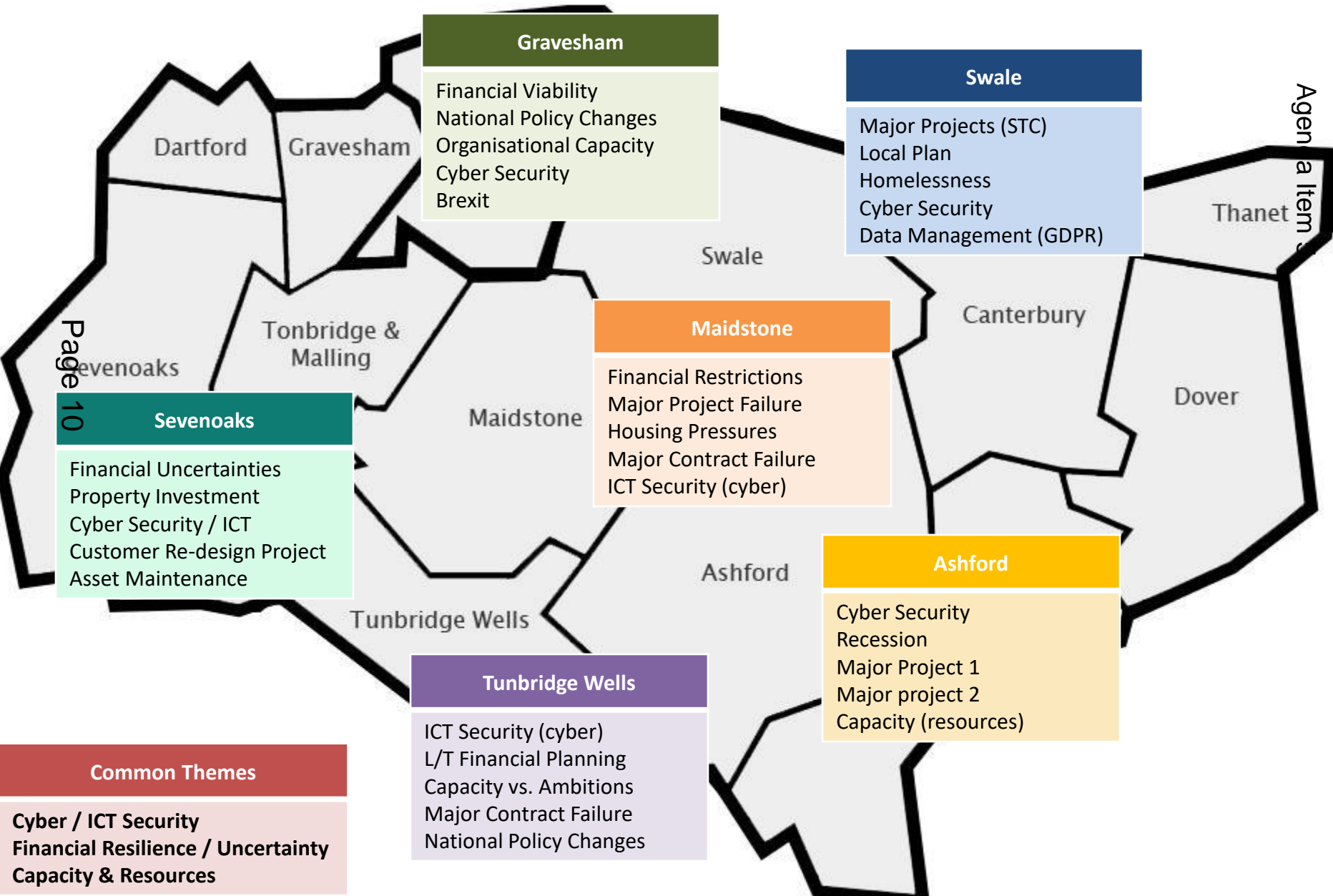
Impact Headings	Financial	Service Delivery & Capability	Reputation	Legal & Regulatory	People & culture
	<i>Relating to uncontrolled expenditure or loss of income</i>	<i>Relating to operational delivery of services / objectives</i>	<i>May cause harm to public confidence or embarrassment</i>	<i>Related to breaches of law, rules or governance</i>	<i>May impact negatively on our workforce, culture or values</i>
Critical (5)	Uncontrolled financial losses in excess of multiple £m's	Failure to deliver <i>statutory</i> service / service disruption for >14 days	National adverse publicity perceived as failing in a significant area of responsibility	Breach of law, regulations leading to significant sanctions Breakdown of governance / internal control resulting in fraud	Significant staff dissatisfaction / increased long term absence & staff turnover Loss of culture and value framework
Major (4)	Uncontrolled financial losses in excess of £1m+ overspend in budget by >£1m+	Unable to deliver <i>discretionary</i> service / service disruption for >14 days	Sustained negative local media attention & damage to public confidence	Breach of law or regulation leading to some sanction Breakdown of internal controls open to abuse	Adverse staff dissatisfaction / likely increased absence and turnover of staff Negative impact on culture & value framework
Moderate (3)	Uncontrolled financial losses between £500k - £1m / overspend in budget by >£500k	Unsatisfactory service performance / service disruption of >5 days	Isolated negative local publicity	Breach of regulation or internal standard (limited sanctions) Isolated internal control weaknesses	Declining staff dissatisfaction Isolated instances of behaviours outside of value framework
Minor (2)	Uncontrolled financial losses between £100k - £500k / overspend in budget by >£100k	Reduced service delivery / service disruption for 7 hours	Local publicity, but manageable through communication channels	Breach of internal policies Internal controls partially effective	Isolated areas of staff dissatisfaction / likely impact on absence and turnover
Minimal (1)	Uncontrolled financial losses less than £100k / overspend in budget less than £100k	Disruption managed within normal day to day operations	Unlikely to cause adverse publicity	Breaches of internal procedures / working practices	Loss of staff morale but unlikely to result in absence or turnover of staff

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Risk levels

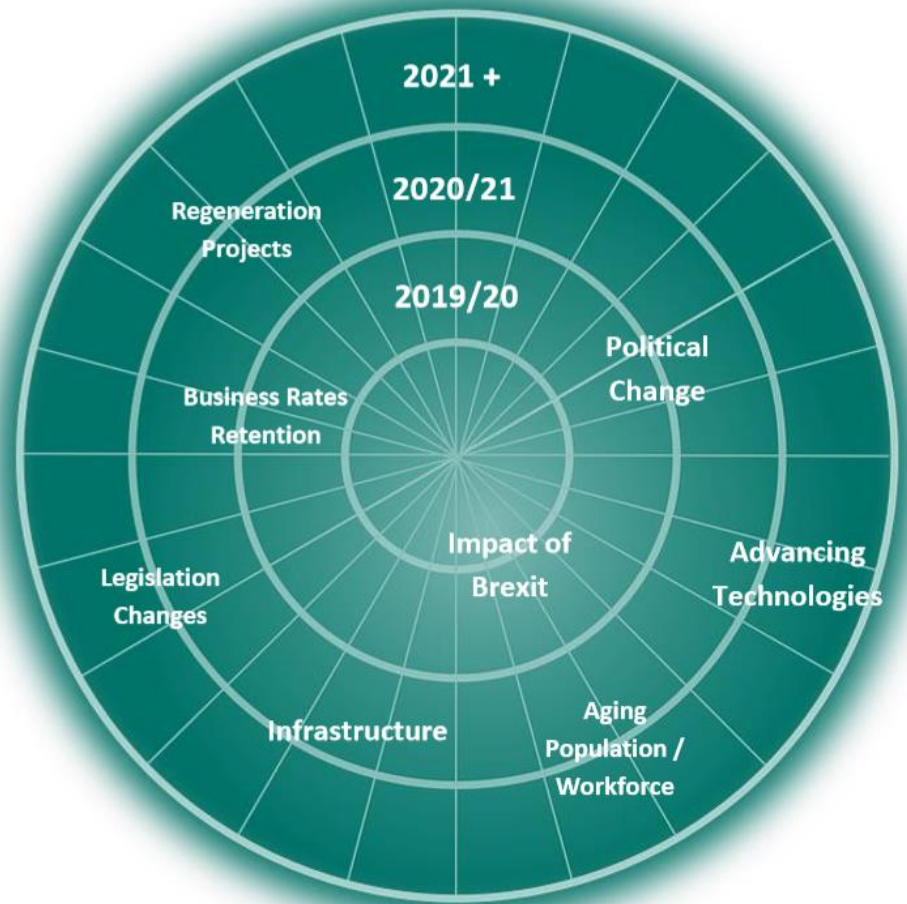


The Kent picture

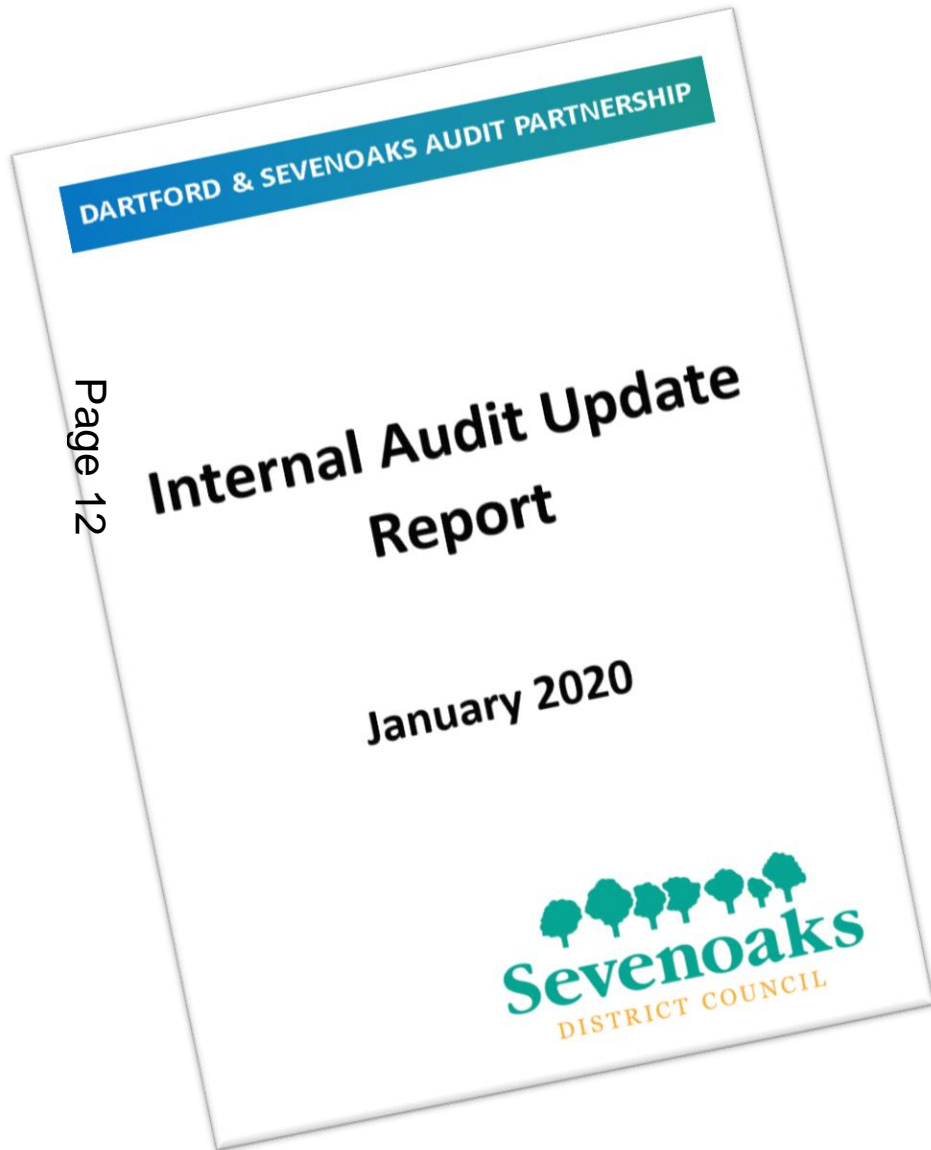


The Risk Radar

- Page 19
- **Horizon Scanning**
- **Risk workshops**
- **Intelligence gather**
- **Research**
- **Publications**
- **Professional paper**



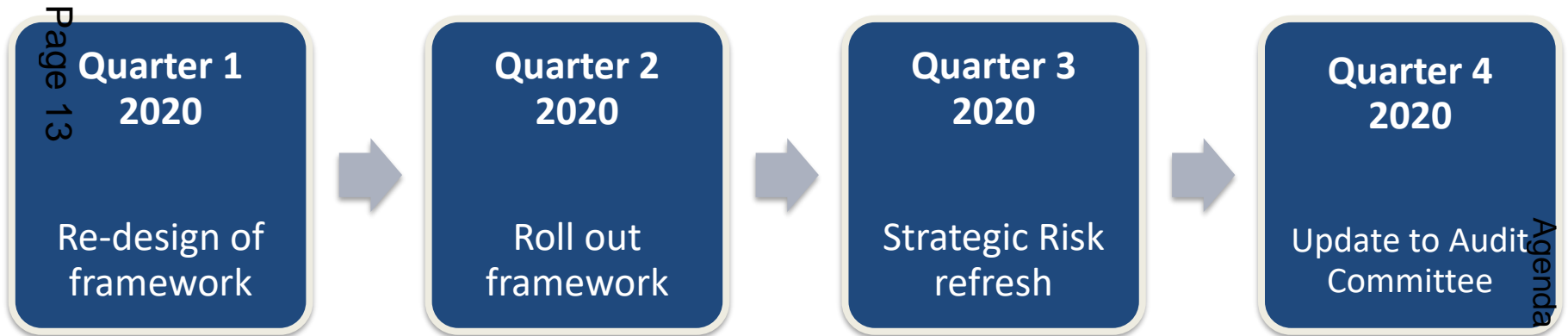
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Risk Assurance

- **Annual Audit Opinion**
- Internal Audit Updates
- **External Audit (VfM)**
- Risk Management Group
- **Annual Governance Statement**
- Operational risk registers
- **Monthly management reporting**

Future Developments





Questions & Feedback