

Audit Committee

Risk Management Presentation

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INTRODUCTION

The presentation is proposed to cover the following key aspects:

- The Committee's Responsibilities in Relation to Risk Management
- Definitions – Risk and Risk Management
- SDC Policy on Risk Management
- Relevance and Importance of an Effective Risk Management Process
- SDC Risk Management Process
- Strategic and Operational Risk Assessments
- Effective Oversight of the Process
- Conclusions
- Questions and Answer
- Close

THE COMMITTEE'S RESPONSIBILITIES IN RELATION TO RISK MANAGEMENT

The Audit Committee Terms of Reference States:

The Council will appoint the Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2011 (Now superseded by the 2015 Regulations) in relation to the matters set out below and specifically to consider the Council's Financial and Governance arrangements, relating to the system of internal control and the effectiveness of internal audit, the annual governance statement; including the effective arrangements for the management of business risks, in compliance with Regulations 4 and 6 of the Accounts and Audit Regulations 2011 and any subsequent legislation.

Regulation 4.1 of the Accounts and audit Regulations States:

- 1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

WHAT IS RISK?

Definition of Risk

An uncertain event or set of events which, should it occur, will have an effect upon the achievement of objectives. (The outcome could be positive or negative)

RISK MANAGEMENT

Definition of Risk Management

The activities required to identify, assess, control and monitor exposure to uncertainties, which might impact on the achievement of objectives.

Key Aspect of SDC Policy on Risk Management

Sevenoaks District Council is aware that some risks will always exist and could not be eliminated. Hence the main focus is on “managing risks” rather than eliminating risks.

THE ENVIRONMENT WE LIVE IN IS UNCERTAIN AND POTENTIALLY HAZARDOUS



WHY MANAGE RISKS?

- Risks exist at all levels:
corporate/strategic, project, departmental,
functional, personal, asset
- It supports the achievement of objectives
- It allows higher risks to be taken safely
- It reduces the chances of serious errors or
Fraud

EFFECTS OF RISK MANAGEMENT FAILURES

US Oil Spill - "Bad Management Led to BP Disaster" (BBC)



Effects on the Environment



Banking Failures

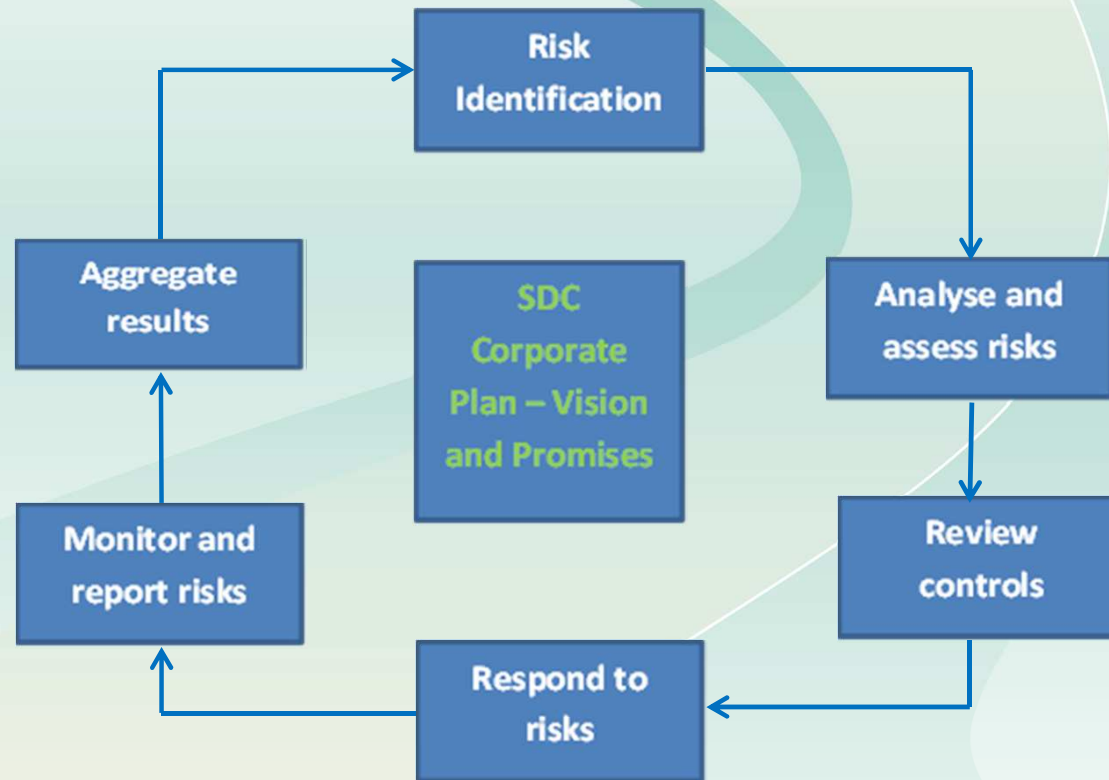


BENEFITS OF THE PROCESS

To Make Good Managers Better and Provide an Appropriate Safety Net for Uncertainties



SDC RISK MANAGEMENT PROCESS



Risk Appetite - Key

- Low risk – an overall rating of 1-5 (Accept/Reduce)
- Medium risk – an overall rating of 6-12 (Monitor Controls/Monitor Risks)
- High risk – an overall rating of 15 or above (Improve/On-going Monitoring)

Likelihood

Very Likely (5)	Low (5)	Medium (10)	High (15)	High (20)	High (25)
Likely (4)	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
Possible (3)	Low (3)	Medium (6)	Medium (9)	Medium (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Medium (6)	Medium (8)	Medium (10)
Very Unlikely (1)	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
Impact	No impact (1)	Minor (2)	Significant (3)	Serious (4)	Failure to Deliver on Promises (5)

CATEGORIES OF RISK

Strategic Risk

These are Corporate risks which relates to High Level Priorities in delivering “Visions and Priorities” within the Council’s Corporate Plan – they are primarily overseen by Chief Officers

Operational Risk

These are business unit or individual service risks, which relates to the delivery of respective service plans – they are usually overseen by service managers

EFFECTIVE OVERSIGHT OF THE PROCESS

- Agreeing Amendments to the Policy and Strategy
- Receive Regular Periodic Reports From Officers – Focus on Strategic Risks
- Consider the Risk Register for Completeness and Reasonableness
- Monitor implementation of risk mitigating actions

MAKING RISK MANAGEMENT EFFECTIVE

- High Level Buy In – “Tone at the Top”
- Sound Governance Arrangements
- Structured Framework – ERM
- Effective Implementation/Communication
- Monitoring – Lessons Learnt

CONCLUSIONS

- The Council has a duty to ensure proper arrangements for the management of its business risks
- The Audit Committee is charged with oversight responsibility
- This can be effectively implemented by monitoring and review of process

Questions & Answers

Thank you for Listening