

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Risk Management Update

September 2019



Introduction

Effective risk management is a vital part of our governance framework, and is necessary to ensure successful delivery of services and achievement of our Council Plan. The Council has always recognised and supported the need to have effective risk management processes in place, and this support has been mirrored by the Audit Committee, as those who oversee governance. The Committee receives regular updates either through specific risk management reports, the strategic risk register or via the Internal Audit update reports.

The Risk Management Strategy was last updated and approved by the Audit Committee in **September 2017**. Aligned to this, is the Council's strategic risk register. The register is reported annually to the Committee, and is reviewed quarterly by the Strategic Management Team. The register was last reported in **October 2018**.

Purpose

The purpose of this report is to provide Members with an overview of the risk management process in place at the Council and to provide an update on risk activity (including future plans) since the last report in October 2018.

The report is linked to the *regulatory framework* responsibilities within the Terms of Reference, specifically (k):

To maintain an overview of the effective development and operation of corporate governance and risk management in the Council

The Risk Management Process

The **risk management strategy** sets out how we identify, manage and monitor risks. The strategy openly acknowledges that risks are an everyday part business. In order to achieve the ambitions set out in the Council Plan, we will have to take risks. However, as a custodian of public funds it is important that the risks we take are carefully considered, well informed and that any potential negative impacts are minimised. There are two levels of risks that we capture:

Strategic level risks: These risks are higher level in nature and are derived directly from our corporate objectives. Strategic risks are co-ordinated and overseen by Strategic Management Team (SMT) quarterly, and are reported annually to Audit Committee. Impact from strategic risks are likely to be felt across the Council as a whole.

Operational risks: Are principally identified as part of the service planning cycle each year. These risks are owned by Officers and Managers as part of day to day service delivery. Impact from operational risks are generally localised to service delivery.

Regardless of the level of risk, the risk management process follows 5 stages:



The strategy, implementation and approach to risk management is overseen by the **Risk Management Group**. The group comprises a cross section of officers and managers from key services, and is chaired and co-ordinated by the Audit Manager. The group exists to help ensure that the Council develops and maintains an effective risk management process and that significant and emerging risk issues are captured and managed to an acceptable level. The Group has a formal Terms of Reference which includes reporting and escalating risk issues to SMT on a regular basis.

In 2018/19 the Group established a work programme, and has been working throughout the last year to develop the risk management approach, to provide greater insight & support and also to explore new ways of identifying risks on the horizon.

Risk activity in 2018/19

The summaries below seek to provide Members with an update of risk activity over the last 12 months:

Risk Management Group

The purpose and Terms of Reference for the Group have been updated and made clearer. The core responsibilities of the Group are:

- a) To develop and maintain the Council's Risk Management Framework

- b) To act as a sounding board for high level risks to ensure that actions are being taken to manage impact / likelihood
- c) To maintain a broader view of the risk profile for the Council and highlight key risk themes and emerging risks
- d) To develop and implement effective risk management responses and actions
- e) To champion and advocate risk management across the Council
- f) To provide risk management support, guidance and training

Following update to the Terms of Reference the Group also set itself a work programme of specific projects to undertake, these include:

- Refresh of the Strategic Risk Register and ongoing monitoring and update (**completed & ongoing review**)
- To establish an *impact* and *likelihood* matrix to assist with the assessment of risk (**completed see below**)
- To review and update risk management guidance (**in progress**)
- To monitor risk actions across the Council and encourage sharing of risk responses (**ongoing**)
- Deliver training and workshops to facilitate and embed risk management practices and raise awareness (**in progress & ongoing**)

The Group meets between 3 and 4 times a year and reports outcomes directly to SMT.

Strategic Risk Register

Strategic risks were last reviewed and updated in May / June 2019 (the full register is attached as *appendix b*). There have been no new risks added to the register over the course of the year, and associated risk actions have been monitored and updated. When the Committee last saw the register in October 2018 there were 4 actions identified, all of which have been implemented:

Risk	Actions (October 2018)	Progress	Impact
SR03: Asset Management & Maintenance	<ol style="list-style-type: none"> 1. Review the Asset Management Plan as part of the 19/20 budget 2. Survey buildings to assess planned maintenance requirements for estimated life of buildings 	<p>Both actions have been taken and the 'controls' added to the risk. Capital Programme and Asset Maintenance 2019-22 plan is in place.</p>	<p>While the controls have been updated, the impact was not deemed to have a material effect on the overall '<i>likelihood</i>' score</p>

SR04: Knowledge, capacity & culture	3. IIP Working Group in place until January 2019 to support re-assessment of IIP Platinum	IIP Platinum was maintained (February 2019)	IIP status, an explicit recognition of the Council as a high quality employer, helps to reduce likelihood of the risk
SR07: Legal compliance, governance & ethics	4. Review effectiveness of Procurement Working Group	Action was removed - Procurement Group continues to meet and provide oversight	No impact on risk score

Following the most recent updates to the register, there are 4 live risk actions that we will be monitored and updated through the Risk Management Group and reported to SMT:

Risk	Current Actions
SR05: Technology	1. Review of Project Steering Group to ensure clarity of purpose, and effective operation / governance
SR06: Information & Data Management	2. Internal Audit Review of post-GDPR Compliance (April 2019)
SR09: Customer re-design project	3. Post-implementation review of completed projects, identifying lessons learned
SR11: Emergency planning & severe weather events	4. BCP plans and testing being undertaken as part of Kent preparedness plans, including responses to Brexit no-deal scenario planning

Impact & Likelihood

Risks are assessed for *impact* and *likelihood*. A common understanding of scale is important so that we achieve consistency when assessing risks. Risk tolerances and appetites are subjective, but having a clear framework to assess against helps to ensure that the risks are evaluated in an informed way. In June 2019 SMT developed and agreed the following risk impact and likelihood matrix:

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

What's next...?

Risk management is a continuous process, and to be valuable it must be updated and maintained. As we continue in to 2019/20, we have recognised the need to continue to enhance the risk management process, and to promote and develop a positive risk aware culture.

Update risk management guidance: Developing the impact and likelihood matrix was a necessary step to frame how future risks will be evaluated and to enable the development of our risk appetite and tolerance. The next stage will be to refresh and update the existing risk management strategy and guidance. The strategy, last updated and agreed in 2017, requires modernisation and for recognised good practice to be incorporated.

Risk workshops and operational risk registers: Once updated, the guidance will be published and rolled out across the Council. It is likely that this work will dovetail with the annual service planning process, as collectively, that is when services set their objectives. Therefore, the risks facing delivery of those objectives can be captured, evaluated and appropriately managed. Risk register workshops will be planned with Managers to assist them in updating their operational risk registers.

New strategic risk register: Alongside this work, it will be necessary to update the monitoring and reporting processes to officers, SMT and Members. Currently, strategic risk are overseen and co-ordinated by SMT on a regular basis, and so building on this, will be the opportunity to report a greater level of risk information from the updated service risk registers once they are complete. This will include the alignment of strategic risks to the new Council Plan objectives.

Risk reporting & monitoring: Once the operational and strategic risk work has been completed, all of the risks will be collated to form a single Council risk register. From this, it will be possible draw greater insights and intelligence regarding common risks, themes and areas of areas of high risk. Using the register in this way we will be able to update our risk reports, both in terms of content and format to ensure that useful risk information is being reported and monitored, and that action is being take to address risks that sit above the tolerance levels.

We will continue to keep Members up to date as this work progresses. This will include the Committees role to formally adopt a revised risk strategy & guidance, and also the delivery of a Member briefing on risk later in the year.