

COMMITTEE	AUDIT COMMITTEE
DATE	9 FEBRUARY 2017
TITLE	RISK MANAGEMENT ARRANGEMENTS
PURPOSE OF REPORT	TO UPDATE THE AUDIT COMMITTEE ON THE COUNCIL'S RISK MANAGEMENT ARRANGEMENTS, AND RESPOND TO THE LETTER FROM THE WALES AUDIT OFFICE
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	RECEIVE AN UPDATE ON FURTHER DEVELOPMENTS TO THE RISK MANAGEMENT ARRANGEMENTS, THE NEXT IMPLEMENTATION STEPS, AND CONSIDER IF THE RESPONSE ADDRESSES THE MATERS RAISED IN THE AUDITOR'S LETTER

1. INTRODUCTION

- 1.1 One of the statutory responsibilities of the Audit Committee is to review and assess the Authority's arrangements for risk management, internal control and corporate governance, in accordance with part 81(1)(c) the Local Government (Wales) Measure 2011.
- 1.2 As part of wider work to review the governance of the Council, the Wales Audit Office has audited the Council's risk management arrangements, and in particular the way in which recent developments add value to the actions of the authority. This report forms the Council's response to the letter of from the Performance Audit Manager (WAO) to the Chief Executive.
- 1.3 The main outcome of the audit is that the Council is making good progress in strengthening its risk management arrangements enabling them to better support robust and effective decision-making.**

2. AUDITOR'S SUGGESTIONS

- 2.1 The auditor has not seen the need to release a formal report on the results of the work, nor have they presented formal recommendations. However, the letter states that there are 5 improvement opportunities, namely:
- developing a risk summary or risk tracking document as part of its Corporate Risk Register;
 - introducing greater consistency about the identification and management of risk in papers and reports presented to Members;
 - having more explicit regard to the concept of 'risk appetite' in its approach to risk management;
 - introducing a Risk Strategy and Operations Manual to accompany the Council's refreshed arrangements; and
 - training officers and Members on risk management as part of a wider awareness raising initiative.
- 2.2 The remainder of this part of the report outlines the Council's response to these improvement opportunities.

2.3 Developing a risk summary or risk tracking document as part of its Corporate Risk Register

2.3.1. A detailed report was submitted to the Committee in December 2015 outlining the Council's risk management arrangements:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s2917/Risk%20Management%20Arrangements.pdf>

2.3.2. This report provided a detailed picture of the risk management arrangements at the time.

2.3.3. The report also stated that a task group of officers, including the Senior Manager Revenues and Risk, would examine the risk management arrangements in 2016 to ensure they remain appropriate within the new culture which the Council wants to develop. In particular, there was an intention of considering how the risk arrangements will dovetail with the exercise of identifying barriers to achieving the purpose of business units, and putting the people of Gwynedd at the centre of everything we do.

2.3.4. In response, the Governance Arrangements Assessment Group has set up a Subgroup (which includes the Chief Executive, Senior Manager Revenues and Risk and the Risk Co-ordinator and Insurance Manager) in order to review the risk management arrangements further.

2.3.5. The outcome of the work of the Risk Subgroup will be to reshape the Corporate Risk Register into a new format that will be easier to follow and gives more ownership to departments. It is intended that the modified Corporate Risk Register will be presented to the Audit Committee in June/July 2017.

2.3.6. The auditor's suggestion is that the Audit Committee – after initially receiving the full register – then receives a report that summarises the changes to the register. This would facilitate the ability of the Audit Committee to review the arrangements, and we agree that this will be a reasonable, effective and efficient way of progressing.

2.4 Introducing greater consistency about the identification and management of risk in papers and reports presented to Members

2.4.1. A number of reports that members receive – particularly reports to the full Council or the Cabinet for formal decisions – already contain an outline of the relevant risks. Comments from the statutory officers, which are required with such a report, are a means of ensuring that risks in specific areas receive the attention they deserve.

2.4.2. In general, Ffordd Gwynedd thinking suggests a move away from being prescriptive when preparing reports, and ensuring that the form of any report is suitable for its purpose.

2.4.3. However, the auditor's concern is that it is not always clear if the residual risks (i.e. the size of the remaining risk after taking steps to mitigate) are acceptable.

2.4.4. One of the fundamental principles that the Risk Subgroup have looked at recently is ***whether we as a Council are really operating a "tick-box" system rather than using the registers as a means of managing what needs to be done?***

2.4.5. The Risk Co-ordinator and Insurance Manager regularly visits the owners of the risks in the Corporate Risk Register in order to receive an update on any changes. The strong sense at the moment is that the risk register is a record of risks rather than a method of identifying what truly needs to be done.

2.4.6. The next step in the evolution of the arrangement, therefore, will be the continued use of risk registers as a means of identifying the things that really need to be prioritised. If we get this right, any report which will be submitted for a decision will explain explicitly what risks this action will address, and this improvement opportunity will be implemented naturally from that.

2.5 Having more explicit regard to the concept of 'risk appetite' in its approach to risk management

- 2.5.1. "Risk appetite" is the amount of risk that the Council is ready to take as it goes about achieving its objectives. Setting risk appetite ensures that the resources given to understanding and managing the risks are proportionate.
- 2.5.2. The auditor agrees with the Council's argument that it cannot have a general appetite for the Council as a whole, as there is so much variety in services across the authority. However, the Council agrees that there is room to consider each individual risk, and identify if the current situation is acceptable or not (perhaps by including a column such as "*Where we are willing to be?*" or similar on the Corporate Risk Register). This will have further consideration in re-shaping the register and, as stated previously, we will submit the revised Register to the Audit Committee in June/July 2017.

2.6 Introducing a Risk Strategy and Operations Manual to accompany the Council's refreshed arrangements

- 2.6.1. We have some concern that "strategy" implies a bulky document that is approved by a Committee that no one will look at again.
- 2.6.2. On the other hand, if the aim of the Council is to have risk management arrangements where the Corporate Risk Register is a living document that will be used to prioritise and drive decisions forward, then it would be sensible to prepare a document that establishes the steps that need to be taken to achieve that goal. It is believed that this message can be conveyed in a concise document, and this will be submitted to the Audit Committee in June/July 2017.
- 2.6.3. From the standpoint of an Operations Manual, there is a danger that this could encourage "box ticking" rather than a change in mind-set. In order to promote appropriate action, the Risk Subgroup has already contributed pages on Risk Management to the Council's "Performance Handbook" which will be published shortly. We believe that this is a step forward in satisfying this improvement opportunity.

2.7 Training officers and Members on risk management as part of a wider awareness raising initiative

- 2.7.1. This issue is already being dealt with. For years the Insurance and Risk Unit, in conjunction with the Learning and Development Unit, prepared an "Identifying Threats and opportunities" course on managing business risk. The two units have been in recent discussions in order to consider how this course can be updated to cover Ffordd Gwynedd principles, and reflect better the risk management arrangements.
- 2.7.2. Secondly, the Learning and Development Unit are developing a Managers' Resource on the Council staff intranet site. We have already established the principle that Risk Management guidelines will be a core part of this resource.
- 2.7.3. It is expected that these measures will be in place by summer 2017.

3. RECOMMENDATION

- 3.1 The Committee is requested to receive this report as a detailed explanation of the steps the Council will take in order to take advantage of the opportunities for improvement outlined in the letter from the Wales Audit Office.