

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	22 JUNE 2017
TITLE	RISK MANAGEMENT ARRANGEMENTS
PURPOSE OF REPORT	TO UPDATE THE AUDIT AND GOVERNANCE COMMITTEE ON THE COUNCIL'S RISK MANAGEMENT ARRANGEMENTS
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	RECEIVE AN UPDATE ON FURTHER DEVELOPMENTS TO THE RISK MANAGEMENT ARRANGEMENTS AND COMMENT ON THE PROPOSED METHOD FOR SCORING RISKS

1. INTRODUCTION

- 1.1 One of the statutory responsibilities of the Audit and Governance 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 In February 2017, a report was presented to the Audit Committee in response to a letter from the Performance Audit Manager (Wales Audit Office) to the Chief Executive on his review of the risk management arrangements.

Letter:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s10387/10i%20Wales%20Audit%20Offices%20Letter.pdf>

Response Report:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s10388/10ii%20Senior%20Manager%20Revenue%20and%20Risk.pdf>

- 1.3 **The main conclusion of the audit was that the Council is making good progress in strengthening its risk management arrangements enabling them to better support robust and effective decision-making.**
- 1.4 This report gives an update on what has been achieved since the February 2017 report, and the next steps that are in progress, in order to fulfil the auditor's proposals for improvement.
- 1.5 The report also describes a key step along the road of introducing new risk management arrangements, which is the development of a new risk scoring procedure. The Audit and Governance Committee is asked to express an opinion on the intended risk methodology to be used from now on.

2. PROGRESS SINCE THE LAST REPORT

- 2.1 It was noted in February that the Governance Arrangements Assessment Group had established 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.
- 2.2 The result of the Subgroup's work was revising the framework for preparing, introducing and maintaining a corporate risk register.

- 2.3 In the period since February, the Governance Arrangements Assessment Group has concentrated on developing the Governance Risk Register, as part of the work of undertaking a continuous assessment of the Authority's governance arrangements. Details on the way in which the Governance Risk Register was developed, and the results of this work, appear in the report on the Annual Governance Statement that is a separate item on the Committee's agenda.
- 2.4 The substantial work of establishing the Governance Risk Register has now been completed; from now on the work will involve maintaining and updating. However, the intention is that the Governance Risk Register will be one part of a wider Corporate Risk Register.
- 2.5 It was reported in February that we were aiming to present an amended Corporate Risk Register to the Audit Committee in June / July 2017, but because of statutory requirements to assess the governance arrangements against the new CIPFA/Solace Framework, the Governance Arrangements Assessment Group has, in the meantime, focussed on completing the Governance elements first.
- 2.6 Further, we will be consulting on the new principles for preparing and maintaining the Register with the Council's Management Group (the Corporate Management Team and the heads of service) in its meeting on 10 July 2017. This will include the methodology for scoring risk, the frequency of risk reviews and the ways of establishing the steps that need to be taken to achieve the aim of having risk management arrangements where the Corporate Risk Register is a living document that will be used to prioritise and drive decisions forward.
- 2.7 It is now forecast that the Corporate Risk Register, and a document summarising the principles, will be ready to be presented to the Audit and Governance Committee in September 2017.
- 2.8 In accordance with the suggestion of the Wales Audit Office, following that the Committee will receive regular reports highlighting changes to the register.

3. METHODOLOGY FOR SCORING RISKS

- 3.1 Among the main tasks that the Governance Arrangements Assessment Group has focussing on over the last 4 months is the establishment of a new regime for scoring risks.
- 3.2 In accordance with Ffordd Gwynedd principles, there is a need for the scoring system to look at the Council's risks from the perspective of the people of Gwynedd. There is also a need for the system to be flexible enough that it can be used across the Council – and for governance risks – whilst remaining meaningful.
- 3.3 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:
- The **Impact** of the event if the risk were realised
 - The **Likelihood** of the risk being realised.

3.4 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

3.5 The Impact Score and Likelihood Scores are multiplied together to give a Risk Score. The risk scores can then be set out in a matrix:

Impact	Catastrophic 5	Destructive 4	Very Substantial	Significant	Visible
Likelihood					
Happening now 5	25	20	15	10	5
Very likely 4	20	16	12	8	4
Likely 3	15	12	9	6	3
Unlikely 2	10	8	6	4	2
Very Unlikely 1	5	4	3	2	1

3.6 The Risk Score is defined from very high to low as follows:

Very high: Sgôr 20-25	High: Sgôr 12-16	Moderate: Sgôr 6-10	Low: Sgôr 1-5
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3.7 This methodology has been used to score the current governance risks, which support the contents of the Annual Governance Statement.

4. RECOMMENDATION

4.1 The Audit and Governance Committee is requested to receive this report as an update on the progress in developing the risk management arrangements.

4.2 The Committee is requested to comment on the proposed new methodology for scoring risks.