

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	19 JULY 2018
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, 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 reviewed the Council's risk management arrangements, and their opinion was expressed in a letter to the Chief Executive by the Performance Audit Manager (WAO).
- 1.3 This letter, and the Council's response to it, was presented to the meeting of the Audit Committee on 9 February 2017.

Letter:

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

Response:

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

- 1.4 **The main outcome 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.**

2. AUDITOR'S SUGGESTIONS

- 2.1 Although the auditor did not see the need to release a formal report on the results of the work, nor to present formal recommendations, the letter noted 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 progress made in responding to these improvement opportunities.

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

2.3.1. At its meeting on 22 June 2017, the Audit and Governance Committee approved a new scheme for scoring risks.

2.3.2. 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.

2.3.3. 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

2.3.4. The Impact Score and Likelihood Scores are multiplied together to give a Current Risk Score, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Moderate Risk
Score 1-5	Low Risk

2.3.5. This is the scheme that has been used to measure every risk that appears on the Corporate Risk Register. As reported to the Committee on 28 June 2018, the Council has identified 22 governance risks, which have already been scored using this procedure. Similarly, some of the Council’s departments have already adopted this method, and use it regularly to assess their risks.

2.3.6. However, the arrangements are currently inconsistent across the Council. The comments on risk management in the Annual Governance Statement (approved by the Committee on 28 June) reflect the situation:

“There has been recent work to develop one Corporate Risk Register for the whole authority, and in order to undertake this in parallel with a system where business units record barriers and go about trying to resolve those immediately, has started to show success.

Our risk management arrangements are an integral part of the Authority’s management arrangements. Robust, correct and balanced risk management arrangements support innovation and do not inhibit it. A key part of the work completed during 2017/18 was that the Governance Group and the Insurance and Risk Unit ensured each risk in the Corporate Risk Register had been considered from the perspective of the risk to the People of Gwynedd, not from the Council's inward looking viewpoint.

Nevertheless, the danger continues that a procedure is being followed, and the permeation of risk management amongst individual business units continues to be a little inconsistent. Therefore, there is work that still needs to be done to ensure that all Council departments maintain the system of recording their main risks and review them regularly.

There are robust arrangements to monitor our compliance with some specific types of operational risks, such as Health and Safety, Safeguarding Children and Adults and Emergency Planning and Service Continuity. There is quantitative evidence that performance in these areas is improving – although there are examples of places to improve further.

System tests indicate that not all the workforce is aware of the risks that could prevent delivery for the People of Gwynedd and take ownership of them – risk management tends to be seen as a matter for Managers. Substantial work has already been done in this area, to prepare the authority better for unforeseeable events.

Council risk management arrangements continue to develop and they will evolve further as Ffordd Gwynedd and the culture permeate throughout the Council”.

2.3.7. In order to push the arrangement forward further, with the aim that all Council departments use the system in a consistent manner, the following tasks have been identified, which are to be completed during 2018/19:

- 2.3.8. Rather than using an *Excel* spreadsheet to keep the Corporate Risk Register, the register will be transferred to the *Sharepoint lists* facility within iGwynedd. It is fair to say that this technology is new to Council officers, but we are confident that its development for maintaining and updating the register will be far more convenient, and it will be possible to use the system to send reminders etc. The Insurance and Risk Unit and the Information Technology Service are currently working to develop the system, and is aimed to be live to all Council officers by September 2018.
- 2.3.9. Once the system is live, the Senior Manager Revenue and Risk will provide an introduction to the Heads of Department and Senior Managers, and it will be expected that departments – with the support of Insurance and Risk as required – to have departmental registers in place in the new format by the end of December 2018.
- 2.3.10. The auditor's suggestion is that the Audit and Governance Committee, after seeing the risks initially, then receives a report that summarises the changes to the register over time. This is what happened with the governance risks in June 2018, which appears to have worked effectively, and we will look to expand the arrangements when departmental risks have been included.

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

- 2.4.1. Full use of the Corporate Risk Register – by following the procedures described in part 2.3 above – will mean that departments will be required to consider what risks any reports submitted actually mitigate, and what new risks will be presented as a result of the decision.
- 2.4.2. That is, continued use of the risk registers will be a method to identify the things that truly need to be prioritised. If this is done correctly, any report which will be submitted for a decision will explain explicitly what risks this activity will address, and this improvement opportunity will be implemented naturally.
- 2.4.3. However, as with any change in culture, this could take some time to happen naturally across the Council.

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. As noted previously, there cannot be a general appetite for the Council as a whole, as there is so much variety in services across the authority. However, under the regime that has been adopted, risks will be considered and scored individually, and officers will be able to consider if the current situation is acceptable or not. Where it is decided that a risk has already been mitigated to an acceptable level, it can be "archived", and reviewed less often.
- 2.5.3. The Insurance and Risk Unit will have a role for ensuring that any archiving is done appropriately as part of quality assurance arrangements; this will be part of the process for reporting to the Audit and Governance Committee.

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

- 2.6.1. We believe setting a clear expectation to departments to use the Corporate Risk Register as part of their prioritisation work will be the appropriate "Strategy" to be adopted and used.

2.6.2. From the standpoint of an Operations Manual, there is a danger that this could encourage "box ticking" rather than a change in mind-set. A manual needs to be simple and to the point. In that regard, guidance has been developed based on that which has been set out in part 2.3 above, and explained to the Committee in June 2017 and subsequently when submitting the Annual Governance Statement.

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

2.7.1. It is noted above that the Senior Manager Revenues and Risk will give a presentation on the new arrangements to officers. This will be expanded by considering if it would be appropriate to develop a further course for officers which also encompasses Ffordd Gwynedd principles.

3. RECOMMENDATION

3.1 The Committee is requested to receive this report as an update on the progress made by the Council in order to take advantage of the opportunities for improvement outlined in the letter from the Wales Audit Office.