

## **Risk Management Annual Report 2016/17**

### **SUMMARY**

- 1.1 One key role of this Committee is to consider, approve and monitor the effective development and operation of risk management in the council. The Risk Management Annual Report outlines the developments in the Council's risk management framework for the period 1 April 2016 to 30 September 2017 and identifies areas for future development.
- 1.2 The Council's risk management framework is currently being independently reviewed to assess the level of compliance with good risk management practices.

### **RECOMMENDATIONS**

- 2.1 To establish a working party of members from this Committee and officers to assess and report back to this Committee on the outcomes from the independent review of the Council's Risk Management framework.
- 2.2 To advise Cabinet and Council that further work is required to properly embed a robust risk culture.

### **REASONS FOR RECOMMENDATIONS**

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

### **SUPPORTING INFORMATION**

#### **Background**

- 4.1 Risk management is now a well-established requirement of good corporate governance. It must be an essential part of the way the Council operates – put simply we need to firstly identify and then prioritise our risks, taking practical steps to manage these. Risk Management features heavily in audit inspections and assessments and as a result it is even more important to show that good risk management procedures and systems are in place.
- 4.2 Insurance and risk management are intrinsically linked. Risk management was initially developed as a way to mitigate increasing insurance costs. Modern practice recognises insurance is the most common way for transferring potentially unknown financial impacts of certain risks from the council to the insurer for a known fixed premium. Therefore a strong risk management programme is mutually beneficial. This is the reason why the responsibility for the Council's risk management framework had dovetailed with the Council's insurance function.
- 4.3. From April 2011 to June 2015, the Council's Insurance and Risk function consisted of 1 officer. The prime responsible for this officer during that period was the insurance service. Risk Management work was not seen as a sufficiently high priority. At its meeting in December 2014, Audit and Accounts Committee received an update report from the Head of Governance and Assurance which included the key issues facing the Insurance and Risk function. Members of the Committee expressed concern that the service needed to be better resourced to provide resilience in the Insurance and Risk Management function.
- 4.4 Recruitment to a new structure was completed in October 2015 with an additional 3 officers in post by January 2016. The additional staff were responsible for the day to day running of the insurance function, freeing up the newly created post of Insurance and Risk Manager to be able to devote time to the co-ordination of risk-related functions for Council services.
- 4.5 The 2015/16 annual report acknowledged that Risk Management has not been fully embedded into the Council's governance arrangements. This had been compounded by a weak risk management culture within the Council, which had impacted on progress for improvement making it slower than we would like.
- 4.6 The initial focus was to establish a firm foundation for Risk Management within the Council. This involved reviewing and updating the Council's guidance on risk management, identifying strategic risks and Improving the monitoring of risks at all levels throughout the Council (Strategic, Operational and Project).

## **2016/17**

- 4.7 The Council's External Auditor has identified in its audit plan for the year ending 31 March 2017 (presented to this Committee on 19 September 2017) issues with the Council's risk management processes that "presents a significant risk in respect of the Council's arrangements for managing risks effectively, and the ability to make informed decisions".

- 4.8 Progress on embedding risk management processes has not been as effective as was originally planned. A number of fundamental deficiencies needed to be addressed and these actions are still on-going. The section on future developments will outline these.
- 4.9 The key developments in the period have been:
- The Council's Risk Management Strategy and the Risk Management Handbook have been reviewed and updated. These were both approved by this Committee at its meeting on 22 March 2017.
  - The Council's Strategic Risk Register was reported to the November 2016 meeting of this Committee.
  - The strategic risks have been added to the Council's performance management system (DORIS) and are reviewed on a quarterly basis.
  - Working more closely with departmental management teams assisting them in improving their approach to Risk Management approach and to better understand their risks.
- 4.10 Development work has been on hold since July 2017 when the Insurance and Risk Manager left the Council. The Director of Governance has put in interim measures to address this.

### **Future Developments**

- 4.11 Greater emphasis needs to be placed on the quality of the risk registers and the provision of assurance to senior management and Committee that the risks are being properly reviewed and monitored in line with the guidance in the Risk Management Handbook.
- 4.12 One of the key tasks for 2017/18 will be to address the gaps in the Council's risk management procedures. An independent review of the Council's risk management framework is currently on-going. Initial work has focussed on mapping all identified strategic and directorate risks against the Council's objectives and priorities. Given the Committee's responsible for providing assurance to the Council on the effectiveness of the risk management framework, Members should be involved in reviewing the outcomes of the independent consultants at an early stage. For this reason it is suggested that a working party is established of representatives from this Committee together with officers to oversee the review and report through to Committee on the actions required. This Committee will be responsible for the approval of recommended actions.

- 4.13 There needs to be a formal review of both corporate and directorate risk. A process is in place to aid all directorates in capturing their key risks and assess their significance. The Council's prescribed methodology is used to assess and prioritise key risks and to focus attention on those risks that require attention. One area for development is to improve the flow of risk information whereby significant risks are examined at directorate level and any risk that remains significant after existing controls are taken into account (residual risk) are reported quarterly to the Chief Officer Group so that they can be considered further. The Council does not currently have a Risk Group to provide this formal review and scrutiny of strategic and directorate risks.
- 4.14 The Council will be utilising a "risk management fund" that its main insurer, Zurich Municipal (ZM), holds. This fund has been established as part of the insurance contract that the Council has with ZM, whereby £20,000 of premium payments that the Council make are put into the fund annually. The Council can then procure risk management services directly from ZM using this fund.

## OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

<b>Legal officer</b>	N/A
<b>Financial officer</b>	N/A
<b>Human Resources officer</b>	N/A
<b>Estates/Property officer</b>	N/A
<b>Service Director(s)</b>	N/A
<b>Other(s)</b>	N/A

  

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 The cost of the work being procured from Zurich Municipal will be funded directly from a risk management fund that ZM holds for providing risk management services to Derby City Council (see paragraph 4.14).

**Legal**

- 2.1 None directly arising

**Personnel**

- 3.1 None directly arising

**IT**

- 4.1 None directly arising

**Equalities Impact**

- 5.1 None directly arising

**Health and Safety**

- 6.1 None directly arising

**Environmental Sustainability**

- 7.1 None directly arising

**Property and Asset Management**

- 8.1 None directly arising

**Risk Management**

- 9.1 A robust risk culture needs to exist within the Council, supported by a risk management framework that is embedded into all processes.

**Corporate objectives and priorities for change**

- 10.1 Risk management is fundamental in supporting the successful delivery of corporate objectives by underpinning all aspects of the Council's governance arrangements.