

Corporate Risk Management Annual Report 2014/15

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. This Corporate Risk Management Annual report outlines the developments in the Council's risk management framework during 2014/15.
- 1.2 The report has been produced by officers to enable members to review the key improvements in risk management in the year and to assess the level of assurance that the Committee can provide to both the cabinet and Council that

RECOMMENDATIONS

- 2.1 To note the actions and the progress being made to enhance the risk management framework.
- 2.2 To advise Cabinet and Council that further work is required to properly embed a robust risk culture.
- 2.3 That all future annual reports are a joint report from the Chair of Audit and Accounts Committee and officers.

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 In April 2011, the establishment of the Insurance and Risk team was reduced from 2.8 fte to 1. However, given that there was no reduction in the level of insurance work required by the section, corporate risk management work had to be reduced. The problem was exacerbated with the work required for the renewal of the Council's main insurances in 2012/13 and a decision to establish a project to implement a move to greater self-insurance.
- 4.2 In 2013/14, Internal audit reviewed the progress made on embedding risk management at the Council following the 2009-10 audit and also considered the risk management culture of the organisation and how risk management was utilised during project work. The audit was only able to provide limited assurance to management due to a number of key control weaknesses identified.
- 4.3 The need for support with corporate risk management had already been identified. As part of the main insurance contract, the Council's insurer Zurich Municipal (ZM) provides a fund of £20k per annum to purchase risk management advice and training from its Risk Division. This funding was used to assist with 2 key areas of work:
- Risk Register Refresher –both strategic and operational risk registers would benefit from an external challenge with a potential view of a further refresh being performed in 6-9 months.
 - Assurance Mapping – within one of the service departments, whilst delivering the risk register refresher, there is an ideal opportunity to obtain information around assurances. As a result, an assurance map can be populated.
- 4.4 The Head of Governance and Assurance had identified several other areas where improvements in corporate risk management were required. The main areas reported through to this Committee in October 2013 were:
- Development of risk management policy/processes, e.g. risk appetite
 - Assessing the “Total Cost of Risk”
 - General risk management training/awareness sessions and bespoke risk management awareness/training e.g. Members training/awareness sessions, Contract Risk Management, risk appetite, reputation risk, partnership risk management, effective governance, Public Health and safeguarding risk management

The Internal Audit work also highlighted improvements that were required and these were built into the 2013/14 Annual Governance Statement action plan.

- 4.5 At the March 2014 Committee meeting, the Head of Governance and Assurance updated members on the work done by ZM and reported that he would bring a paper on the effectiveness of risk management to the next meeting.

Risk Management Development

- 4.6 At the meeting on 9 July 2014, a report from the Head of Governance and Assurance identified the characteristics of effective risk management and what needs to be in place in the Council to enable it. The report detailed the key elements of achieving a robust risk culture and outlined the “LILAC” approach, that although not really a model in itself, suggests that risk management activities will be embedded when the risk culture displays leadership, involvement, learning, accountability and communication.
- 4.7 The report also outlined the key priorities for 2014/15 which were to revise the composition and role of the Strategic Risk Group, review the Council’s risk management framework and re-assess the current risk management strategy. The risk management strategy has been updated by ZM as part of their annual consultancy work and will be reviewed by the strategic Risk Group. Members requested that the Head of Governance and Assurance bring a report to the next meeting which would outline 3 models of how the Council could assess the performance/effectiveness of its risk management framework.
- 4.8 At the meeting on 24 September 2014, Members received a report which identified 3 different models that the council could use to assess its risk management performance. The 3 models were:
- COSO Model - This framework suggests that effective risk management will be embedded when an organisation can demonstrate compliance with external drivers such as legislation, regulation etc. COSO is not intended to apply to the public sector.
 - ALARM model – Developed by the Association of Local Authority Risk Managers this model is designed to measure current performance against a recognised achievement level and act as a catalyst for improved risk performance within the organisation.
 - Risk Ladder – this model was being developed internally using the ALARM model as a base, but bringing in characteristics from other models and methods as well as good practice, to provide a Derby City Council specific model.

Members agreed that the “risk ladder model” was the most appropriate model for the Council. The Head of Governance and Assurance was asked to explore whether the risk ladder model would benefit from the inclusion of any elements of the private sector model. This assessment is currently on-going and is being reviewed by the Strategic Risk Management Group.

- 4.9 The Strategic Risk Management Group has undergone fundamental changes and now includes the Chair of Audit and Accounts Committee on its membership. The first meeting of the new Group was held on 13 October 2014. The key actions to come out of this meeting and the meeting held on 19 February 2015 were:

October 2014:

- a new terms of reference document was to be drafted
- to work up the risk ladder model and get approval from Chief Officer Group
- a future report to Audit and Accounts Committee is required to outline compliance with the Risk Management Framework. A quarterly review should then be carried out to monitor this.
- strategic risks need to be reported to Audit and Accounts Committee on a quarterly basis.
- the valuations of Council properties on the declared property list sent to the Insurer need to be reviewed.
- the risks around resilience within the Council need to be assessed
- resilience in terms of the insurance and risk management function needs to be reported to Audit and Accounts Committee.

February 2015:

- to review the Risk Management Handbook
- to review the Council's current appetite/tolerance for risk
- that the risks associated with the current information held on the Council's assets are properly assessed, particularly in terms of completeness for insurance purposes
- to explore the links between Enterprise Risk Management and the governance framework.

- 4.10 At its meeting on December 2014, Members received an update report 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 and requested an update at each future meeting on progress being made on improving resilience within the function. Committee took the decision to recommend that the Interim Strategic Director of Resources and Cabinet Member for Governance and Transformation provide extra resources to help build resilience in the Insurance and Risk Management service. A re-structure has been approved, with 3 new posts being added to the establishment to support the Principal Insurance & Risk Officer. The new establishment now has an additional 2 posts of Insurance and Risk Officer and a post of Insurance & Risk Assistant.

4.11 The Governance Working Group has identified risk management as one of the 9 building blocks for developing a robust and comprehensive corporate governance framework. The key developments the Group has built into the governance Action plan are:

- Risk Strategy – to review and update.
- Strategic Risk Register – to update the Strategic Risk Register, make sure it reflects Directorate registers and introduce regular reporting to COG and Members.
- Staffing – extra resource needed (linked to Information Governance, point 1).
- Risk Monitoring – to develop a robust framework.
- Risk reporting – to purchase and implement a new risk module on DORIS.

Future development of the risk management framework

4.12 The recruitment to the new structure is underway. Initially the posts were ring-fenced for those employees at risk of redundancy. This exercise resulted in an appointment being made to the Insurance and Risk Assistant post. The 2 posts of Insurance and Risk Officer now being advertised internally.

4.13 The key tasks that are planned for 2015/16 are:

- Review and revise the risk appetite and the risk tolerance for approval by Audit and Accounts Committee. The risk appetite has not been reviewed since 2011, while risk tolerance has remained open to departmental interpretation. It is essential that these are reviewed given the significant changes within the Council over the past 3 years.
- Determine the roles and responsibilities in respect of risk management for Council staff (initially within the Insurance & Risk Section) and the Corporate Risk Management Group.
- Create stronger links with other key departments to assess the viability of establishing Enterprise Risk Management within the Council.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer	N/A
Financial officer	N/A
Human Resources officer	N/A
Estates/Property officer	N/A
Service Director(s)	N/A
Other(s)	Chief Officer Group

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

1.1 None directly arising.

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.