

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th June 2012
Report of: Corporate Risk Management Group
Subject/Title: Annual Report on Risk Management
Portfolio Holder: Councillor David Brown

1.0 Report Summary

- 1.1 This is the annual report of the Corporate Risk Management Group to the Audit and Governance Committee. The Audit and Governance Committee has a key role in providing an oversight of the effectiveness and 'embedding' of risk management processes, and in testing and seeking assurance about the effectiveness of control and governance arrangements. In order to form an opinion on these arrangements, it needs to establish how key risks are identified, evaluated and managed, and the rigour and comprehensiveness of the review process. This report records the work of the Corporate Risk Management Group for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The report covers the financial year from 1 April 2011 to 31 March 2012 and includes any significant issues up to the date of the preparation of the report.

2.0 Recommendations

- 2.1 The Audit and Governance Committee is requested to consider and review the annual report of the Corporate Risk Management Group which is for information and discussion.
- 2.2 Part of the work of the Group included an annual review of the Risk Management Policy, although the Policy remained fit for a purpose a number of minor amendments have been made to strengthen the Policy. The Audit and Governance Committee is requested to approve the minor changes made to the Risk Management Policy (as attached at **Appendix A**) as a result of the annual review, for onward ratification by Cabinet.

3.0 Reasons for Recommendations

- 3.1 The recession, economic environment and ongoing changes in the public sector bring about a heightened expectation in relation to the Council's risk management and corporate governance framework. Cheshire East Council is publicly accountable and must be able to demonstrate effective management of the kinds of risks which threaten the achievement of its strategic objectives, the effectiveness of its operations, the reliability of its

financial reporting and the security and value of its assets. It is important that Cabinet is aware of and has sufficient understanding of the key risks facing Cheshire East Council so that it may operate as effectively as possible and takes account of key risks when making decisions.

- 3.2 Being able to demonstrate effective systems for managing risks is a critical step in producing supportable statements of internal control for annual reporting purposes. The benefit of a strong risk management framework from a governance viewpoint is that it gives a greater level of confidence that management have properly and adequately fulfilled their responsibility in operating an effective system of internal control. In order to form an opinion on the effective operation of the Council's risk management arrangements, the Audit and Governance Committee needs to establish how key risks are identified, what the key risks are and how they are evaluated, managed and reviewed, the work of the Corporate Risk Management Group helps to provide assurance of this.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 N/A

6.0 Policy Implications (including carbon reduction and health)

- 6.1 Risk management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework. A risk around carbon management and climate change has been included on the Council's significant risk register as a cross-cutting risk. A specific risk around health partnerships is included as a key corporate risk on the Council's corporate risk register.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 None in relation to this report, a risk around financial control is included as a key corporate risk on the corporate risk register.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 As well as the need to protect the Council's ability to achieve its strategic aims and to operate its business, general principles of good governance require that it should also identify risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework, and this report is aimed at addressing that requirement.

9.0 Risk Management

- 9.1 This report relates to overall risk management; the Audit and Governance Committee should know about the most significant risks facing the Council and be assured that the risk management framework (which includes the role and work of the Corporate Risk Management Group) is operating effectively. The content of this report aims to mitigate the following risks:-

Key Risks
That Cheshire East Council fails to properly develop, implement and demonstrate an effective risk management framework
That Cheshire East Council fails to apply its risk management policy consistently across the Council
That Cheshire East Council fails to recognise risk or make correct decisions to tolerate, treat, transfer or terminate risk due to poor risk management

10.0 Background

10.1 Corporate Risk Management Group Membership

- 10.1.1 Membership of the Corporate Risk Management Group for 2011-12 was as follows:

Cllr David Brown – Portfolio Holder (Chair)
Vivienne Quayle - Head of Performance, Customer Services and Capacity
Julie Davies - Human Resources Strategy & Policy Manager
Peter Hartwell - Head of Safer & Stronger Communities
Christine Mann - Finance Manager
Jackie Gray - Shared Services Manager
Juliet Blackburn - Performance & Partnerships Manager
Pauline Walsh - Manager of Joint Commissioning & Standards (Adult Services)
Diane Taylor - Partnerships & Planning Manager (Children & Families)
Catriona Thompson - Head of ICT Security
Sandra Smith - Compliance Unit Manager
Jon Robinson - Audit Manager
Joanne Butler - Risk Manager

- 10.1.2 Membership of the Group is reviewed annually as part of the self review of effectiveness and as and when required during the year if there are any leavers or role changes. As a result of the self-assessment, for 2012-13, membership of the Group will also include a legal representative colleague on a trial basis to establish the value of this for both parties.

10.2 Corporate Risk Management Group Meetings

10.2.1 Meetings of the Corporate Risk Management Group to consider risk management took place on:

- 17 May 2011
- 19 July 2011
- 8 September 2011
- 3 November 2011
- 19 January 2012
- 1 March 2012

10.3 Corporate Risk Management Group Terms of Reference

10.3.1 The Group's Terms of Reference were maintained during the year, some minor amendments to the responsibilities and updates to membership were made on an ongoing basis. A formal review of the Terms of Reference was undertaken as part of the self-review of effectiveness and was found to be adequate and fit for purpose.

10.4 Risk Management Policy

10.4.1 Cheshire East Council is required to ensure that it maintains a sound system of internal control. As part of the work of the Corporate Risk Management Group, the following key principles of effective risk management have been applied.

Effective risk management:

- covers all risks - governance, management, quality, reputation and financial, however it is focused on the most important key risks
- produces a balanced portfolio of risk exposure
- is based on a clearly articulated policy and approach
- requires regular monitoring and review, giving rise to action where appropriate
- needs to be managed by an identified individual and involve the demonstrable commitment of senior officers and members
- is integrated into normal business processes and aligned to the strategic objectives of the Council

10.4.2 The Corporate Risk Management Group reviewed and updated the Council's Risk Management Policy at its meeting on 17 May 2011. The updated Risk Management Policy was approved by Cabinet at its meeting on 5 September 2011. It was agreed that the Risk Management Policy be reviewed on an annual basis and so was reviewed by the Group at the meeting held on 11 May 2012. During the year, queries and suggestions about the Risk Management Policy were received that were considered as part of the Policy review. The outcome of the review was that although the Policy remained fit for purpose a number of minor amendments could be made to strengthen the Policy. The amendments are highlighted for ease of reference in the attached copy of the Policy at **Appendix A** to this report.

10.4.3 Consideration was given as to whether the inclusion of the Business Continuity Strategy as a sub section of the Risk Management Policy was the right place or if this needed to be a separate Policy. The CRMG agreed that it should remain as a sub section of the Policy but suggested that this be reviewed and updated for the next annual review by the Emergency Planning Team.

10.4.4 **Audit and Governance Committee is requested to approve the minor changes made to the Risk Management Policy** as a result of the annual review, for onward ratification by Cabinet.

10.5 Key Corporate Risks

10.5.1 During the year, the Corporate Risk Management Group considered and discussed the Council's key corporate risks to ensure that risks were assessed consistently across the Council and to monitor the implementation of actions to mitigate the risks to acceptable levels. A number of risks were added to and removed from the key corporate risk register during the year; some of the removed risks later re-emerged.

10.5.2 At each meeting during the year, the Audit and Governance Committee received a risk management update from the Corporate Risk Management Group, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of risks. A copy of the key corporate risk heat map including risk description and risk scorings is attached at **Appendix B** to this report for information.

10.5.3 The Audit & Governance Committee requested that it receive a short briefing at each meeting from the Risk Owners / Managers of the highest key corporate risks. (For this purpose, short briefing means attending the meeting and being able to talk through the risk stewardship template to explain the risk and controls.) The key corporate risks presently scored as High and the corresponding Risk Owners / Managers are as follows:-

- KCR2 Financial Control - Lisa Quinn / Chris Mann
- KCR4 Vulnerable Children - Lorraine Butcher / Cath Knowles & Kate Rose
- KCR5 Vulnerable Adults - Lorraine Butcher / Lucia Scally
- KCR6 Equality Gap - Lorraine Butcher / Lucia Scally
- KCR8 Health Partnerships - Erika Wenzel / Lorraine Butcher & Heather Grimbaldeston
- KCR14 Information, Research and Business Intelligence - John Nicholson / Vivienne Quayle & Juliet Blackburn
- KCR16 External Environment - Erika Wenzel / John Nicholson

10.5.4 The most up to date version of the risk stewardship template for key corporate risk 2, Financial Control, will be available for discussion with the Risk Owner during the Audit and Governance Committee meeting.

10.6 Significant and Cross-cutting Risks

10.6.1 The Corporate Risk Management Group provides a medium for ensuring that significant and cross-cutting operational risks that may affect the achievement of the Council's objectives are escalated and reviewed alongside the Corporate Risk Register. Significant and cross-cutting risks identified by the Group so far include the following risk titles:-

- Data Protection
- Freedom of Information
- Succession Planning
- Project Management
- Carbon Reduction
- Technological Opportunities

10.6.2 Work is presently underway to assess these risks and to record existing and future planned mitigating actions; these risks will then be escalated accordingly.

10.7 Specialist Risk Areas – Health & Safety, Insurance and National Fraud Initiative

10.7.1 The Group received an informative briefing from Cheshire East Health & Safety Team on the role and work of the team and on the health and safety risks faced by Cheshire East Council. Colleagues from Risk, Insurance and Health and Safety agreed to share details on trends and issues with a view to identifying any risk 'hot spots'.

10.7.2 The Insurance Team also gave a briefing to the Corporate Risk Management Group on claims and the insurance fund. It was thought that an analysis of claim volumes and trends over the previous two financial years could help to focus and direct resources. Robust risk management was seen as vital in safeguarding both the insurance fund and the Council's reputation with insurers. A range of claims reports were to be made available to Services on a quarterly basis to support risk management initiatives and to help services focus on emerging trends.

10.7.3 Following the corporate insurance tender, completed in March 2012, a total of £260k annual savings has been secured against the 2011/12 premiums. A number of factors have contributed to these savings and helped to raise Cheshire East's profile in the insurance market, including the following:-

- The Council was able to demonstrate to the insurance market that it is a well managed Authority in terms of its insurable exposures and management of risk. It should be noted that services were asked to participate in Risk Clinics early on in the process which were used to glean information to support the tender exercise and which were highly

successful due to the willingness of services to participate and inform the process.

- Availability of the Corporate Risk Register and the Risk Management Policy.

10.7.4 During the year the Corporate Risk Management Group also received updates from the Internal Audit Team on the progress and findings of the national fraud initiative. This included information on identified errors / frauds from the exercise and areas of risk that recommendations had been made to improve controls.

10.8 Risk Management Framework Improvements

10.8.1 The Group discussed weaker areas of the risk management process and requested that guidance on risk management be drafted for report writers.

10.8.2 Presently, key corporate risks are identified and assessed through one to one discussions with risk owners and through discussion in the Corporate Risk Management Group meetings. Ideally the identification of risks should be both from a top-down strategic risk approach with the bottom-up operational risks meeting somewhere in the middle. Work is underway to assist Services with identification of risk alongside service planning. The Corporate Risk Management Group suggests that Cabinet and CMT undertake a risk workshop to review the key corporate risks to achieving the Council's objectives and to update the key corporate risk register.

10.8.3 The Group agreed that a number of workshops be held with Directors and their relevant Management Teams to review collated risk registers, agree an overview of the risk exposure that the business areas face, and allocate a risk appetite level, using a scale of 1 to 5 (1 being Zero risk appetite and 5 being High risk appetite). For each business area a qualitative high level statement of risk preferences would then be defined.

10.8.4 An annual self-review of effectiveness was undertaken by the Group through means of a general discussion and use of a proforma questionnaire for assessment. The overall opinion of the self-assessment review was that whilst the Corporate Risk Management Group worked effectively as a Group, potential enhancements to ensure that the Group was sufficiently outward facing were identified and an action plan had been drafted accordingly.

10.9 Internal Audit – Management of Strategic Risk

10.9.1 The Corporate Risk Management Group received a copy of the Draft (for discussion). Internal Audit Report on the audit of the Management of Strategic Risk. An audit opinion of Satisfactory Assurance was given in the report. The audit conclusion was that there have been considerable improvements in the management of strategic risk within the Council. The report included a number of suggested actions to help consolidate this

positive foundation for risk management, and encourage the development and extension of risk management into managing other levels of the risk hierarchy, and supporting the business planning framework.

11.0 Corporate Risk Management Group Summary

- 11.1 The purpose of the Corporate Risk Management Group is to assist the Council with the management of risks to achieving its strategic priorities and service delivery by reviewing all matters concerning the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The work of the Corporate Risk Management Group over the year has assisted and demonstrated improvements to the Council's risk management framework, but there are further developments to be made to progress the level of risk maturity of the Council.
- 11.2 It is important that risk management is not seen as a burden to the Council, the benefits of a high level of risk maturity are that internally it promotes good management by encouraging consistent and systematic management behaviour to identify and assess risk and take advantage of opportunities. Active risk management means that projects and initiatives are better managed and unnecessary opportunistic risks are avoided. A consistency of approach, owing to an embedded risk management framework, will promote and facilitate better cross-functional working between administrative support and service functions within the Council. Consequentially, it adds value by improving communication and raising a greater awareness of projects, initiatives and activity.

12.0 Access to Information

- 12.1 The background papers relating to this report can be inspected by contacting the report writer:

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