

# CHESHIRE EAST COUNCIL

## Audit and Governance Committee

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**Date of meeting:** 27<sup>th</sup> March 2012  
**Report of:** Strategic Director Places and Organisational Capacity  
**Title:** Risk Management Update Report  
**Portfolio Holder:** Councillor David Brown, Performance and Capacity

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### **1.0 Report Summary**

1.1 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. The purpose of this paper is to provide the Audit and Governance Committee with a summary of the key corporate risks and risk management work undertaken since the last report so that it may undertake this oversight.

### **2.0 Recommendation**

2.1 The Audit and Governance Committee is requested to consider and review the update report on risk management which is for information.

### **3.0 Reasons for Recommendation**

3.1 In order to form an opinion on the effectiveness 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.

### **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.

## **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 process is working effectively.

## **10.0 Background**

10.1 It is considered good practice to include an update to Audit and Governance Committee at every meeting on progress against key risks. This monitoring should summarise general direction of travel in order to clearly demonstrate progress being made on specific risk items. If all is well then no discussion may be required; if all is not well then it is easy to identify the issues to pursue. A summary of the Council's Key Corporate Risks is provided below:

Risk Ref	Risk Title	Risk Owner	Strategic Lead	Net Risk Rating	Direction of Travel
KCR1	Service Delivery Prioritisation	Erika Wenzel	CLlr Wesley Fitzgerald	6 Medium	↓
KCR2	Financial Control	Lisa Quinn	CLlr Michael Jones	12 High	↔
KCR3	Community Safety	John Nicholson	CLlr Rachel Bailey	6 Medium	↑
KCR4	Vulnerable Children	Lorraine Butcher	CLlr Hilda Gaddum	12 High	↔
KCR5	Vulnerable Adults	Lorraine Butcher	CLlr Roland Domleo	12 High	↔
KCR6	Equality Gap	Lorraine Butcher	Councillors Domleo/Gaddum/Brown/Clowes	12 High	↑
KCR7	Partnerships	John Nicholson	CLlr David Brown	6 Medium	↔
KCR8	Health Partnerships	Lorraine Butcher	CLlr Janet Clowes	12 High	↔
KCR9	Education	Lorraine Butcher	CLlr Hilda Gaddum	9 Medium	↑
KCR10	Workforce	Paul Bradshaw	CLlr Peter Mason	9 Medium	↓
KCR11	Opportunities	Erika Wenzel	CLlr Wesley Fitzgerald	4 Low	↔
KCR12	Long-Term Planning	Erika Wenzel	CLlr David Brown	6 Medium	↓
KCR13	Organisational Change	Erika Wenzel	CLlr Wesley Fitzgerald	8 Medium	↓
KCR14	Information, Research Business Intelligence	John Nicholson	CLlr David Brown	12 High	↔
KCR15	Reputation	John Nicholson	CLlr David Brown	9 Medium	↓
KCR16	External Environment	Erika Wenzel	CLlr Wesley Fitzgerald	12 High	↔

10.2 Since the previous risk management update report to the Audit and Governance Committee the ratings for the following key corporate risks have been reviewed:

<u>KCR2 Financial Control</u>	
<i>“Risk that the Council fails to manage expenditure within budget and maintain an adequate level of reserves, thereby threatening financial stability and service continuity and preventing the achievement of corporate objectives.”</i>	No change to overall risk rating. The likelihood of this risk materialising remains high due to general economic uncertainties and risks associated with proposed changes in national funding arrangements and new legislation. This is therefore at the top end of 3 very likely. The impact on the corporate objectives if this risk materialised will always be a 4 critical.
<u>KCR3 Community Safety</u>	
<i>“Risk that ineffective management of community safety causes poor perception and poor provision of safety, leading to an increase in crime and anti-social behaviour and impacting on our ability to enhance the Cheshire East environment and improve opportunities for all.”</i>	Due to significant partner organisation changes, the likelihood of this risk occurring has increased from a 2 unlikely to a 3 likely but is at the lower end of this rating. The overall net risk rating has increased to 6 Medium Risk.

<u>KCR5 Vulnerable Adults</u>	
<i>“Failure to recognise and act accordingly to safeguard and mitigate the risks to vulnerable adults, resulting in an inability to ensure better outcomes in life for the most vulnerable , undermining the reputation of the Council and possibly resulting in significant legal and financial consequences.”</i>	The net risk rating remains at 12 High Risk.
<u>KCR10 Workforce</u>	
<i>“Risk that we fail to retain and motivate an effective and engaged workforce, such that the staffing infrastructure, including leadership and capacity within the organisation fails to support the Council in being excellent and achieving the corporate objectives.”</i>	The overall net risk rating has reduced to 9 Medium Risk. Implementation of a single set of terms and conditions is now complete so the likelihood of this risk materialising has reduced; further communication is to take place re car user assessments. The likelihood has reduced to the top end of 3 very likely and the impact remains the same.

10.5 For ease of reference a risk heat map showing the direction of travel for the risks from September 2011 to February 2012 is attached at **Appendix A** to this report.

10.6 The assessment methodology used to score the risks is also attached at **Appendix B** to this report for consistency and information purposes.

## **11.0 Other Work undertaken on Risk Management**

11.1 Corporate Risk Management Group – Self-review of Effectiveness

11.1.1 An effective Corporate Risk Management Group is one that successfully supports management, the Audit and Governance Committee and Cabinet to fulfill their responsibilities for adequate and effective risk management for the Council’s activities. The Corporate Risk Management Group recently undertook a self review to assess its effectiveness and the adequacy of its Terms of Reference, work plans and forums of discussion and communication. The Corporate Risk Management Group agreed to undertake regular assessments on an annual basis so that it may identify areas in which the Group and its processes might be more effective, or may highlight skills and/or knowledge gaps in the Group.

11.1.2 Each Corporate Risk Management Group member completed a self-assessment questionnaire and the Chair led a discussion on key points members wished to raise. Group members also raised matters of interest so that the Group could focus on areas which clearly required improvement or where there was variation in opinion.

11.1.3 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 it was sufficiently outward facing were identified and included on an improvement Action Plan. A copy of the Action Plan is available on Centranet should members of the Audit and Governance Committee wish to review this.

## 11.2 Internal Audit Report on the Management of Strategic Risk

11.2.1 The internal audit team recently undertook an audit on the management of strategic risk; a copy of the draft report for the audit was received and discussed by the Corporate Risk Management Group. 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 authority since early 2010, largely due to the creation of the Corporate Risk Management Group (February 2010), and the appointment of a Risk and Business Continuity Officer (September 2010). 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.

## 11.3 Risk Management Guidance for Report Writers

11.3.1 The Corporate Risk Management Group suggested that the report writing guidance and the risk scoring recommendation made for reports (as per the Audit and Governance Committee) be split into two separate pieces of work to take this forward. The Risk Manager is to speak to Democratic Services about the risk scoring for inclusion in the report template with possible linkage to setting risk appetite. In addition, the risk management guidance for report writers is to be circulated to the Corporate Risk Management Group and the risk management specialist members of the Audit and Governance Committee for comment, before submission to the Corporate Management Team for approval.

## 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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