

# CHESHIRE EAST COUNCIL

## REPORT TO: AUDIT & GOVERNANCE COMMITTEE

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**Date of meeting:** 27 June 2013  
**Report of:** Kim Ryley, Interim Chief Executive  
**Title:** Annual Report on Risk Management from the Corporate Risk Management Group  
**Portfolio Holder:** Councillor David Brown

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### 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 2012 to 31 March 2013 and includes any significant issues up to the date of the preparation of the report.

### 2.0 Decision Requested

- 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 endorse the minor changes made to the Risk Management Policy (as attached at **Appendix A**) as a result of the annual review, for onward approval by Cabinet.

### 3.0 Reasons for Recommendations

- 3.1 Risk management is central to good governance and effective strategic management. 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. Risk Management provides a structured, consistent and continuous process across the whole of Cheshire East Council for identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of the Council's 3 Year Plan objectives and outcomes.
- 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. This in turn gives confidence to both Members and staff to support a higher appetite for risk, at a time when major change is necessary and desirable. 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**

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.

#### **7.0 Financial Implications**

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

#### **8.0 Legal Implications**

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.

9.2 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 2012-13 was as follows:-

Cllr David Brown, Portfolio Holder for Policy & Performance (in the Chair)  
Vivienne Quayle, Head of Policy & Performance  
Julie Davies, HR Strategy & Policy Manager  
David Upton, Organisational Change Manager  
Peter Hartwell, Head of Safer & Stronger Communities  
Christine Mann, Finance Manager  
Jackie Gray, Shared Services Manager  
Juliet Blackburn, Performance & Partnerships Manager  
Sue Crompton, Performance Standards and Information Manager (Adult Services)

Diane Taylor, Partnerships & Planning Manager (Children & Families)  
Catriona Thompson, Head of ICT Security  
Julie Openshaw, Legal Team Leader (Places, Regulatory and Compliance)  
Jon Robinson, Audit Manager  
Joanne Butler, Performance and 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 2013-14, membership of the Group will be revised to include a balanced mix of Commissioner and Provider roles so that the Corporate Risk Management Group has sufficient understanding of the Council.

#### 10.2 Corporate Risk Management Group Meetings

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

- 11 May 2012
- 20 July 2012
- 28 September 2012
- 16 November 2012
- 4 January 2013
- 15 March 2013

10.2.2 Attendance at the Corporate Risk Management Group meetings averaged 71% over the 6 meetings.

#### 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 Group's 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 11 May 2012. The updated Risk Management Policy was approved by Cabinet at its meeting on 20 August 2012. 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 23 May 2013. 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 **Audit and Governance Committee is requested to endorse the minor changes made to the Risk Management Policy** as a result of the annual review, for onward approval by Cabinet.

10.5 Key Corporate Risks – Threats and Opportunities

10.5.1 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.

10.5.2 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.

10.5.3 At the end of February, Cabinet and the Corporate Management Team (CMT) undertook a risk and opportunity workshop and began to review the key corporate risks to achieving the Council's objectives and outcomes. The workshop included a refresher presentation on the principles of risk management. This included a reminder that the definition of risk concerns possible future events (both threats and opportunities) which may adversely, or beneficially, affect the Council's ability to achieve its objectives. Corporate risk summary descriptions and risk ownership have been assigned, as attached at **Appendix B** to this report for information, and work is presently underway to assess these risks and to record existing and future planned mitigating actions; these risks will then be prioritised accordingly and a risk "heat map" produced.

10.5.4 The presentation provoked discussion around risk appetite and the maturity of the Council in dealing with risk. Cabinet and CMT agreed that the Council should strive to consistently reach the level of maturity of risk managed, as a minimum standard. At present, the level of risk maturity for Cheshire East is judged to be between risk aware and risk defined which gives a good foundation to further embed risk management and improve the quality of risk identification.

Risk Naive	Risk Aware	Risk Defined	Risk Managed	Risk Enabled
No formal approach or processes developed for risk management, avoidance and lack of engagement.	Scattered silo based approach to risk management using standalone processes, reactive approach.	Risk appetite defined. Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers.	Enterprise approach to risk management developed and communicated, risk embedded in key processes. Active engagement and risk based decision making.	Risk management and internal controls fully embedded into the operations. Regular review and improvement of risk processes, fully committed to risk management and confident risk taking.

10.5.5 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 most up to date version of the

risk stewardship template for corporate risk 11, Commissioning and Service Delivery Chain Risk is attached at **Appendix C** to this report for discussion with the Risk Owner/Risk Manager 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 during the year included the following risk titles:-

- Information Assurance
- ICT Dependency
- Carbon Reduction

10.6.2 *Bribery Act 2010*: During the year, the Corporate Risk Management Group also considered a formal assessment of where the Council perceives that it is at higher or lower risk of being susceptible to bribery, and any further actions required in its approach to managing bribery risk. In accordance with the Bribery Act 2010, the Council has adopted risk-based approach to managing bribery risks which will be reviewed on an annual basis. Bribery is a criminal offence and as an organisation Cheshire East Council is committed to the prevention, deterrence and detection of bribery. The findings of the assessment were that there are no areas of the business at high risk of bribery, and no areas for high level concern with regard to the four key offences under the act. There were some areas where the impact of the risk was considered to be high but in these cases the assessment was that it was unlikely that this risk would materialise, which resulted in a medium risk assessment rating. No further specific improvement to controls were highlighted as necessary as a result of the bribery risk-assessment.

10.6.3 At the last meeting of the Audit and Governance Committee, Members asked about the Council being prepared for the changes arising from the Welfare Reform Act. It was agreed that the risk register from the Welfare Reform Working Group would be brought to the next meeting. This is attached at **Appendix D** to this report for information.

#### 10.7 Specialist Risk Areas – Insurance and National Fraud Initiative

10.7.1 The Insurance Team 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. The most significant area of insurance claims was covered under the Council's Public Liability policy. This includes Highways related 'trips and slips', 'pothole' damage claims as well as the normally more complicated and long-tailed 'Abuse' & 'Failure to Remove' related insurance claims.

10.7.2 The Group was informed that it was becoming apparent that the current economic conditions were impacting on the level and type of claims being notified to the Council. Current financial pressure on all Council Services to work within reduced budget provision represents both a potential financial and reputational risk to the Council in terms of increasing claim volumes as services are streamlined, re-defined and resource levels reduced. Emerging risks and trends were around cyber risk and child abuse claims.

10.7.3 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 In order to strengthen the risk management framework and to support staff with integrating risk management into normal business processes, the Group agreed and published the following guidance on risk management on the Centranet:-

- Risk management guidance for report writers
- Self-challenge questions for report writers
- Risk management guidance for policy makers
- Self-challenge questions for policy makers

10.8.2 The Performance and Risk Manager has been working alongside the Programme Management Office to provide advice and guidance on risk management, as part of the Council's new project and programme management methodology. A number of workshops have been held with Project Management Teams to identify and articulate project risks. Risk registers are included as part of the standard templates for project managers and advice and guidance on risk management has been given through the technical enablers group (TEG) and in the project management handbook.

10.8.3 Risk register templates are also included as part of the standard planning documentation for Business Units, as part of the 3 year planning for unit areas. Advice and guidance on this has been made available on the Centranet for managers and staff.

10.8.4 Weaker areas of the risk management framework identified for the Corporate Risk Management Group to action with Managers over the next year include:-

- strengthening of the Council's cultural understanding that risk management is about effectively managing risks that could affect the achievement of the Council's objectives and is concerned with identifying not only threats to success but also opportunities for benefits.
- ensuring that objectives are clearly articulated and are continually referred back to, as these are the foundation in determining which risks are relevant, and the level of impact associated with each threat or opportunity
- whilst there had been some improvement over the last year in the use of operational risk registers and better quality risk definitions, work was still required on capturing the mitigating action and controls so that risks could be properly scored and the most significant risks escalated accordingly through the Corporate Risk Management Group. It is likely that this will need strengthening further this year as completed Business Unit Plans are reviewed.
- further work needs to be undertaken to agree an overview of the risk exposure that the business areas face, and to determine a risk appetite level for each business area or significant project including both a statistical guide and a qualitative high level statement of risk preferences.

10.8.5 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, these actions continue to be undertaken.

## **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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