

# ISLE OF ANGLESEY COUNTY COUNCIL

<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>10 DECEMBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>RISK MANAGEMENT</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>RISK &amp; INSURANCE MANAGER</b>
<b>ACTION:</b>	<b>FOR INFORMATION</b>

## 1. BACKGROUND

1.1 It was recognised that risk management was not fully embedded throughout the Council and as such a consultant was engaged to undertake a review.

1.2 Richard Baker of Caerus Consulting undertook the review in September and October 2014.

## 2. RISK MANAGEMENT REVIEW

2.1 The Review involved a desk top review of current policies, procedures and risk registers, and interviews with Heads of Service and other key officers.

2.2 The findings of the Review were presented to SLT, Penaethiaid, and the Executive in October and a copy of the report to the Executive is included in Appendix 1 of this report.

## 3. POST REVIEW PROGRESS

3.1 The Council Leader, Chair of Corporate Scrutiny and the Vice-Chair of the Audit Committee have been consulted with in relation to clarifying the role and responsibilities of those committees. The Terms of Reference of these committees are being reviewed to ensure they reflect the discussions held.

3.2 New Risk Management Policy and Guidance documents are currently being consulted upon with the aim that they are approved and adopted at the earliest opportunity.

3.3 Risk Management training was delivered to SLT, Heads of Services and their direct reports, together with some project managers during November 2014.

**3.4** Facilitation is currently being sought to support Services to review and update their Service Risk Registers.

**4. ADDITIONAL ACTIONS**

**4.1** Training is to be arranged for all Members in early 2015.

**4.2** Facilitation is to be arranged to support senior managers to review and update the Corporate Risk Register.

**5. RECOMMENDATIONS**

**5.1** The Committee is requested to note the content of this report.



Caerus Consulting

Risk Management & Corporate Governance

Doing business with integrity

# **Isle of Anglesey County Council Risk Management Review**

**Exec Cabinet Review – 20<sup>th</sup> Oct 2014**

# Purpose & Agenda

## Purpose

- To share findings from the Risk Management review to date
- To receive feedback on Risk Management strengths and weaknesses
- To gain support from the Exec Cabinet for recommendations and next steps

## Agenda

- Observations to date
- Initial recommendations
- Next steps
- Appendix – project approach

# Risk Management review – initial observations

## Initial observations from desktop review and Head of Service interviews

- While risk management processes are in place there is inconsistency in their application across the authority and it is recognised that further work to embed risk management is needed
- Services
  - Not all services have up-to-date risk registers in place
  - Many risk registers have actions with long overdue target dates, implying they are not regularly updated or actions not being taken. This highlights a weakness in the RM processes
  - While Service risk registers mostly in place they are not used to actively manage risk in the Service. Often completed for business plan process
  - Services are often rolling forward risk registers without identifying new or emerging risks
- The application of risk management across the Council is inconsistent
  - Use of risk assessment criteria, number and detail of risk description, different templates for risk registers, identification of existing controls, use of inherent and residual risk, etc
  - Risk registers include risks and issues. Including issues can mean that risks get less visibility and result in 'risks' seemingly becoming more significant the closer they get to milestones.
  - Confusion over risk language – leads to poor content, which leads to poor attention or engagement
  - Frequent use of 'risk of not achieving an objective' – without further assessment this is not a helpful approach to identifying risks (objective trap)

# Risk Management review – initial observations

## Initial observations from desktop review and Head of Service interviews

- Relationship between Service Risk and Corporate Risk
  - It is not clear how the Corporate and Service risk registers relate
  - The process for aggregation between Projects, Services and Corporate is unclear resulting in these processes not appearing to be joined up
  - There are many higher rated (Red) Service risks than Corporate Risks. A clear risk appetite has not been established
  - Heads of Service are not aware of Corporate risk register nor process for escalation or feedback
  - Cross Service risks could be better managed at Pennaethiaid
- Planning and Performance processes alignment
  - Risk is not well aligned to the planning and performance management process, budget process or scorecard. This is leading to duplication, inefficiency and confusion
  - The role of the Performance Review Group for risk management is not effective. Given the overlaps bringing the risk and performance functions together would have some advantages
  - There is some alignment between the approach to project risk management and the wider management of risk, although this can be improved
- Partnerships and joint working
  - Risk is not always formally considered in partnership and joint working – as this increases and responsibility becomes separate from service delivery this will need to be improved

# Risk Management review – initial observations

## Initial observations from desktop review and Head of Service interviews

- Risk Management Strategy – roles and responsibilities
  - Reporting and review of risk in the quarterly performance management meetings not happening effectively
  - SLT is not reviewing new/changed corporate risks quarterly routinely
  - SLT quarterly reporting to Exec, Audit Cttee and Scrutiny Cttee not a routine process
  - Service risk escalation to SLT unclear, with RMG now disbanded and PRG not fulfilling this role. Some facilitation and quality assurance will be needed during the improvement process
  - Risk not routinely included in key decision reports
  - No regular review and sign-off of risk appetite at Exec Cabinet
  - Not clear that Exec Cabinet are holding SLT to account for RM nor receiving reports on top risks
  - Reviews with Directors and Portfolio members not consistent – good challenge process
- Senior staff are not all familiar with Risk Management Strategy, which can be better signposted in induction
- Culture of delivery, follow-up and accountability seems poor

# Risk Management review – Initial recommendations

- Clarify clear roles and responsibilities for risk management, including for Members
- Improve ownership at SLT and HoS level
  - Reinforce the business case for management buy-in and improve SLT sponsorship
  - Review and approve risk criteria as risk appetite and to better support prioritisation
- More clarity of relationship between Corporate and Service risk
  - More focused risk reporting and escalation and feedback
  - Use of Heads of Service forum to engage senior management in risk
- Improve consistency of risk management across the Authority
  - Training to raise the level of understanding about risk and risk management (eg risks and issues, controls, ranking)
  - Revise risk register format
  - Risk function and 'risk champions' to help facilitate the process (consider role of risk function)
- Focus on actions to manage risk and their delivery, and the effectiveness of controls
- Alignment with the planning, budgeting and scorecard
  - Align action planning and monitoring indicators and avoid duplication
  - Build relationship with key risk management processes; project risk management and partnerships and joint ventures
- Revise and simplify the Risk Management Policy and Guidance to reflect current needs



# Risk Management review – Short term deliverables

- Risk training (SLT, Heads of Service and direct reports) Q4 2014
- All Service risk registers updated and signed-off Q4 2014
- Risk Management Policy and Guidance updated Q4 2014
- Forward road map Q4 2014
- Corporate risk register updated and signed-off Q1 2015
- Member reporting of risk progress and Corporate Risks Q1 2015

# Risk Management review – key next steps

- Meeting with Audit and Scrutiny Chairs, Vice Chairs and Leader (TBA)
- Training (Nov - tba)
  - All SLT, Heads of Service and direct reports - 18, 19, 25, 26 Nov
  - Awaiting slot for members
- Risk Management Policy update – draft ready for training
- Service risk register update – as part of business planning (Dec, Jan)

# Appendix

## Project Approach

# Approach

## Planning & desktop review

### Activities

- Review corporate risk register and Risk Policy and Guidance
- Review meeting to adapt:
  - Approach and focus
  - Participants and timeline
- Full desktop review of risk & relevant performance documents
- Meet to discuss:
  - Desktop review and risk management framework assessment
  - Risk register review
  - Risk appetite criteria review
  - Review the risk management strategy and 'business case'
  - Future state requirements

### Deliverables

- Agreed approach, focus, participants and timeline
- Risk management framework assessment
- Draft assessment of status of risk management maturity
- Reinforced risk management 'business case'

## Redesign the RM approach

### Activities

- Draft risk appetite criteria
- Prepare senior officer and key stakeholder interviews:
  - Draft briefing pack
- Conduct senior officer and key stakeholder (eg Members) interviews:
  - Review current status of risk management
  - Identify barriers to success
  - Gain support for future state
- Draft report and workshop preparation:
  - Draft risk management review summary report
  - Agree briefing pack
  - Agree risk appetite criteria
  - Draft workshop programme
- Finalise workshop preparation:
  - Agree briefing pack
  - Agree risk management review workshop material
  - Agree workshop programme

### Deliverables

- Agreed risk appetite criteria
- Agreed senior management and Exec workshop programme
- Draft risk management review summary report
- Draft risk register gaps

## Engage with management

### Activities

- Deliver senior officers workshop to:
  - Review risk management strengths and weakness, future aspirations and obstacles
  - Review redesigned risk management approach
  - Secure support and buy-in for change
- Revise summary report and recommendations for change
- Meet with Exec group to:
  - Review summary report and recommendations
  - Secure support and buy-in for change

### Deliverables

- Agreed risk management framework current and future assessment
- Summary report and agreed recommendations for change
- Support and buy-in for 'new' RM approach

## Finalise RM redesign

### Activities

- Draft report:
  - Risk management re-design
  - Risk appetite criteria
  - Risk escalation approach
  - Risk embedding recommendations and implementation plan
- Meeting to sponsor to:
  - Review summary report, recommendations and implementation plan
- Submit final report

### Deliverables

- Review and agree RM redesign and implementation plan
- Agree with sponsor RM redesign and implementation plan

1 Sept → 15 Sept → 13 Oct → 27 Oct → End Oct

# Appendix - Understanding your needs

## Understanding your needs

The Council recognises that risk management is a key tool to making informed decisions and deliver its objectives and although the Council has policies and procedures in place to manage risks there have been issues in embedding risk management throughout the organisation.

In order to assist embedding risk management into the organisation I understand your needs are:

- Review the existing Risk Management Strategy and Guidance and propose improvements to them.
- Engage with Members, Managers and Services to improve their understanding and approach to risk management. A copy of the Council's current senior management structure is enclosed for ease of reference.
- Review the current Service Risk Registers, assist in identifying gaps in the risks identified, and suggesting a method for ensuring consistency in the language used to describe risks and the likelihood and impact scoring.
- Review the arrangements for escalating Service, Project and Partnership risks to the Corporate Risk Register, recommending improvements into these arrangements.
- Review the Corporate Risk Register and assist in identifying gaps in the risks identified.

## Risk Management framework

The review will be based upon reviewing your approach against all aspects of our good practice risk management framework (below).

