

**AUDIT COMMITTEE – 19<sup>th</sup> September 2018**

**RISK MANAGEMENT ANNUAL REPORT 2017 / 18 AND FORWARD LOOK 2018 / 19**

**Executive Summary:**

Key Issues:

- I. The Risk Management Framework is currently under review and will be considered by the Audit Committee in 2018 (section 3.2);
  
- II. The Strategic Risk, Insurance and Governance Manager continues to lead on the provision of Risk Management, Insurance and Corporate Governance activities within the Council (section 5);
  
- III. All risks logged on the Council's Strategic Risk Register have been reviewed and updated twice during 2017 / 18 (section 6.1);
  
- IV. The Council's Risk Profile has slightly decreased (section 7.2);
  
- V. The Council is now using SharePoint to 'publish' all operational risk registers (section 9.2); and,
  
- VI. The 2017 / 18 Annual Governance Review was completed, and the subsequent Annual Governance Statement was signed and approved (section 11.3).

**AUDIT COMMITTEE – 19<sup>th</sup> September 2018**

**RISK MANAGEMENT ANNUAL REPORT 2017 / 18 AND FORWARD LOOK 2018 / 19**

**1. Purpose of the Report**

- 1.1 The purpose of this report is to summarise the activity in 2017 / 18 towards the achievement of the goals and objectives set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in 2018 / 19.
- 1.2 This report seeks to provide suitable assurances that the significant risks to the achievement of corporate objectives have been identified and are being appropriately managed within the comprehensive Risk Management Framework.

**2. Recommendations**

**2.1 It is recommended that the Audit Committee:**

- I. **Considers the Risk Management Annual Report, and the assurances provided, as part of its overall consideration of the Council's control framework for the purposes of the Annual Governance Statement;**
- II. **Considers whether any aspect of this report requires a more detailed report at a subsequent meetings; and,**
- III. **Continues to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2018 / 19.**

**3. Risk Management Framework**

2017 / 18:

- 3.1 The revised Risk Management Framework was presented to the Audit Committee at their meeting dated 19<sup>th</sup> April 2017. The revised Risk Management Framework was subsequently approved by Cabinet at their meeting dated 3<sup>rd</sup> May 2017.

2018 / 19:

- 3.2 A review of the Risk Management Framework is currently being undertaken, and this is programmed for consideration by the Audit Committee later in 2018.

**4. Risk Management Section**

2017 / 18:

- 4.1 The Council has temporarily extended its insurance broker arrangements for 2017 / 18.

#### 2018 / 19:

- 4.2 A full tender exercise will be undertaken in September 2018 to allow for the alignment of the insurance broker contracts for both the Council, and South Yorkshire Fire and Rescue.
- 4.3 As part of the Councils Financial Services restructure the Risk and Governance Manager role will formally absorb the management of the Insurance function from October 2018, becoming the Strategic Risk, Insurance and Governance Manager.

### **5. Risk Management Process**

#### Strategic Risk Register 2017 / 18:

- 5.1 A robust and dynamic Strategic Risk Register (SRR) sets the culture and tone for Risk Management across and throughout the Council. The engagement of SMT in the Risk Management process through the ownership and review of the SRR demonstrates a strong commitment to lead and champion Risk Management 'from the top' and to further reinforce the continuing development of a Risk Management culture.
- 5.2 The SRR was reviewed in March 2017, and was considered by the Audit Committee at their meeting dated 19<sup>th</sup> April 2017, and was subsequently approved by Cabinet at their meeting dated 3<sup>rd</sup> May 2017.
- 5.3 A further review of the SRR took place in October 2017, and this was considered by the Audit Committee at their meeting dated 6<sup>th</sup> December 2017, and was subsequently approved by Cabinet at their meeting dated 10<sup>th</sup> January 2018.

#### Strategic Risk Register 2018 / 19:

- 5.4 As with previous reviews of the SRR, the outcomes of future reviews will be reported to, and considered by the Audit Committee.

#### Operational Risk Registers 2017 / 18:

- 5.5 The Operational Risk Registers (ORRs) relate to the key risks to the provision of Council services. During 2016 / 17 these risk registers were formally reviewed on a half yearly basis, to ensure risk remained relevant and that identified risk mitigation actions were being implemented. The risks contained within the ORRs are aligned to individual Business Unit Business Plans.
- 5.6 Following the completion of each review, there is an expectation that 'red' risks (in terms of the 'current' and 'target' risk assessments) are escalated to Business Unit Management Teams for further consideration.

#### Operational Risk Registers 2018 / 19:

- 5.7 The Risk Management Section (RMS) will continue to ensure that ORRs are reviewed and updated on a half yearly basis.
- 5.8 The compliance against the requirements of the ORR review programme will be reported as part of the Annual Governance Review. The compliance with the ORR process is also included within the Risk Management Performance Indicators, detailed in section 10.6, and Appendix One of this report.

- 5.9 The Financial Services 'Core Offer' is pitched at Service Directors and senior managers, and aims to set out the depth and breadth of support available in terms of general financial management and associated control. The document details how the Financial Services Business Unit has had to adapt in order to operate within a much reduced resource envelope. As a result, the services now on offer are more focussed on enablement, and designed to provide Service Directors and senior managers with the tools, training, support and advice necessary to help them make more informed business decisions and subsequently be more effective in the management of operational risk.

Project Risk Management 2017 / 18:

- 5.10 Direct liaison with a number of significant projects by the RMS included:

- 'Better Barnsley' Programme / 'Glassworks' Programme;
- Property Investment Fund / Speculative Developments;
- Strategic Business Parks (including Junction 36 and 37 developments);
- Wentworth Trust.

Project Risk Management 2018 / 19:

- 5.11 The RMS will continue to support project managers in the robust management of project and programme related risks, on a needs basis. In a similar manner to Operational Risk Registers, it is envisaged that Service Directors and senior managers will be provided with the tools, training, support and advice necessary to help them make more informed business decisions and subsequently be more effective in the management of Project and Programme risk.

Partnership Risk Management 2017 / 18:

- 5.12 Liaison with the following key partners during 2016 / 17 allowed for the sharing of risk information, which was analysed, and fed back to both the partnering organisation, and the lead officer within the Council, responsible for the specific partnership:

- Barnsley Norse;
- Barnsley NPS;
- Barnsley Premier Leisure; and,
- Berneslai Homes.

- 5.13 Although not strictly a 'partnership', the RMS supports both the Barnsley Safeguarding Adults Board (SAB) and the Barnsley Children Safeguarding Board (BCSB) in their risk management arrangements.

Partnership Risk Management 2017 / 18:

- 5.14 It is envisaged that assurances will be sought from key partners during 2018 / 19, and the outcomes of any analysis undertaken by the RMS will be provided to the partnering organisation itself, as well as the lead officer within the Council, responsible for the specific partnership.

- 5.15 The issue of Partnership Governance was a key issue identified in previous Annual Governance Reviews, and a Partnership Governance Framework update is due to be presented to the Audit Committee later in 2018.

## 6. Risk Profile / Statistics

6.1 The corporate Risk Management process allocates a Category Score to each risk, based upon a combination of likelihood and the highest scoring impact; Category One (red) being the most severe, and Category Six (green) being the least.

### SRR and ORR Statistics:

6.2 A breakdown of SRR and ORR risks, by Category, as at June 2018 is shown below. This includes all Business Unit Risk Registers, along with the Councils Strategic Risk Register:

Risk Category	June 2018		July 2017		June 2016		May 2015	
	No.	%	No.	%	No.	%	No.	%
<b>1</b>	<b>38</b>	<b>10</b>	46	14	51	16	28	9
<b>2</b>	<b>51</b>	<b>14</b>	61	18	59	18	49	16
<b>3</b>	<b>89</b>	<b>24</b>	67	20	62	19	55	18
<b>4</b>	<b>108</b>	<b>30</b>	90	26	82	25	77	25
<b>5</b>	<b>75</b>	<b>21</b>	72	21	68	21	93	31
<b>6</b>	<b>2</b>	<b>1</b>	2	1	2	1	2	1
<b>Total</b>	<b>363</b>	<b>100</b>	318	100	324	100	304	100
<b>Average Risk Category Score</b>	<b>3.37</b>		3.22		3.19		3.53	

6.3 The latest statistics demonstrate a decrease in the overall risk profile for the Council for the current period (3.37) compared to the profile as at July 2017 (3.22). This is clearly attributable to the decrease in red risks (32% as at July 2017) compared to 24% as at June 2018.

Of note is the fact that the number of risks has increased during the period, from 318 in July 2017, to 363 in June 2018. This is in part due to risk registers now being published in SharePoint, which has encouraged a significant number of risk register reviews to take place.

The average Risk Category score metric details the average score for all risks of relevance logged for the period in question. The principle behind this metric is to identify and manage any trend in terms of the overall Risk Category score becoming more 'acceptable'. The closer this metric aligns to Category Six (being the most acceptable Risk Category score possible) the more assured the Council can be in ensuring risks are being managed down to acceptable levels.

### Project Statistics:

6.4 A breakdown of Project risks, by Category, as at June 2018 is shown below:

Risk Category	June 2018		July 2017		June 2016		May 2015	
	No.	%	No.	%	No.	%	No.	%
<b>1</b>	<b>20</b>	<b>8</b>	5	2	4	2	11	5
<b>2</b>	<b>38</b>	<b>15</b>	23	11	28	12	32	16
<b>3</b>	<b>47</b>	<b>19</b>	46	21	51	22	49	24
<b>4</b>	<b>54</b>	<b>21</b>	63	28	71	30	53	26
<b>5</b>	<b>89</b>	<b>35</b>	85	38	81	33	57	28
<b>6</b>	<b>5</b>	<b>2</b>	0	0	1	1	1	1
<b>Total</b>	<b>253</b>	<b>100</b>	222	100	236	100	203	100

<b>Average Risk Category Score</b>	<b>3.88</b>	3.9	3.84	3.57
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- 6.5 Whilst the overall number of partnership and project risks has seen an increase compared to July 2017, there has been no significant detrimental impact on the Council's risk profile in this area due to the increase in the number of red risks (28 in July 2017 rising to 58 in June 2018) being offset by the number of green risks (85 in July 2017 rising to 94 in June 2018).

## **7. Risk Acceptance, Escalation and Reporting**

### 2017 / 18:

- 7.1 The Council's Risk Acceptance model was revised as part of the overall refresh of the Risk Management Framework in April 2017. This document is intended to provide assurances to owners of risk, that as the Council becomes more willing to consider, and exploit opportunities there is an increased likelihood the Council will, at times, have to accept a higher level of risk.

### 2018 / 19:

- 7.2 As detailed in section 3.2, the Risk Management Framework will be reviewed later in 2018, and presented to the Audit Committee for consideration and approval.

## **8. Risk Recording**

### 2017 / 18:

- 8.1 Since the cessation of the Morgan Kai risk management database, the Council has been using a Microsoft Excel based system for the recording of risks and risk registers.

### 2018 / 19:

- 8.2 The recording of risks continues to be done via Microsoft Excel based system. All Operational Risk Registers have been 'published' within the Councils document management system SharePoint to assist in disseminating and sharing information.

## **9. Guidance, Training and Facilitation**

### 2017 / 18:

- 9.1 A number of service related training sessions have been delivered to colleagues within the Council relating to good practice in terms of Risk Management, insurance and corporate governance.

### 2018 / 19:

- 9.2 As part of the Financial Services 'Core Offer' a Risk Management training and awareness presentations has been developed and trialled with the Financial Services Management Team in June 2018. Following the successful delivery of this presentation, it will be rolled out to all Business Units and significant project groups during 2018.

## **10. Assurance and Performance Management**

### Integration with Other Processes 2017 / 18:

- 10.1 Details of all significant risks that are logged have been passed to the Internal Audit section to maximise opportunities to link Audit Planning with risk issues. This assists in ensuring that the annual Internal Audit plan is risk based, and focuses on the significant threats to effective service delivery.

### Integration with Other Processes 2018 / 19:

- 10.2 To complement the above, it is envisaged the developing Corporate Assurance Framework will also contribute to risk informed auditing.

### Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2016 / 17:

- 10.3 The Audit Committee considered and approved the 2016 / 17 AGS at their meeting dated 22<sup>nd</sup> September 2017. The document was then approved by Full Council at their meeting dated 28<sup>th</sup> September 2017.
- 10.4 The AGS benefitted from a detail improvement action plan, which the RMS has managed for the period. Updates from lead officers have been received on a regular basis, and an update to this Action Plan was presented to the Audit Committee at their meeting dated 17<sup>th</sup> January 2017.

### Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2017 / 18:

- 10.5 The AGR was undertaken in June 2018, and the outcomes of the review have been used to develop the draft AGS for 2017 / 18, which has been considered by the Audit Committee at their meeting dated 6<sup>th</sup> June 2018.
- 10.6 The final statement is due for consideration at their meeting dated 20<sup>th</sup> July 2018, before being considered and approved by the Full Council on 26<sup>th</sup> July 2018.

### Performance Management 2017 / 18:

- 10.7 It is important that the success of the Risk Management Strategy can be measured, and in order to do so, a series of completed performance indicators for 2017 / 18 are attached as Appendix One to this report.
- 10.8 The annual independent review of Risk Management arrangements in 2017 / 18 by Internal Audit was undertaken in December 2017. The audit provided an 'adequate' assurance opinion for the year.

### Performance Management 2018 / 19:

- 10.9 It is likely that performance indicators for 2018 / 19 will be reviewed in light of the Financial Services 'Core Offer' detailed in section 5.9.

## **11. Culture**

- 11.1 The prime objective of the Risk Management Policy is to facilitate the management of risks (and benefits and opportunities arising) in accordance with best practice, through a culture where responsible, informed and controlled risk taking is encouraged.

## **12. Risk Management Considerations**

- 12.1 Clearly the most significant and obvious risk to the Council is failing to embrace Risk Management as a vehicle to help process and deliver objectives in a cost effective and efficient manner. Adopting and constantly improving the Risk Management arrangements for the Council is a clear mitigation against this corporate risk.

## **13. Financial Implications**

- 13.1 Whilst there are no direct financial implications arising from this report, the impact of Risk Management should be recognised as a major contributor to achieving value for money and demonstrating the efficient use of resources.

## **14. Employee Implications**

- 14.1 Whilst there are no direct employee implications arising from this report, the Risk Management process relies entirely on all employees having a good awareness of their responsibilities for Risk Management and for those employees specifically tasked with Risk Management functions, it is essential that they are trained and supported to fulfil that role.

## **15. Appendices**

Appendix One: 2017 / 18 Performance Indicators

## **16. Background Information**

Previous Audit Committee Reports  
Risk Management Framework  
SharePoint – Risk Registers  
Training Records and feedback

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**Date:** 3<sup>rd</sup> September 2018

## Appendix One: 2017 / 18 Outturn Performance Indicators

Indicator	Quarter One (01/04/2017 – 30/06/2017)	Quarter Two (01/07/2017 – 30/09/2017)	Quarter Three (01/10/2017 – 31/12/2017)	Quarter Four (01/01/2018 – 31/03/2018)
<b>PROCESS:</b>				
% of Business Units completing Operational Risk Register Reviews	4 / 11 (36%)	1 / 8 (12.5%)	1 / 11 (9%)	2 / 8 (25%)
	6 / 11 (55%)	4 / 8 (50%)	5 / 11 (45.5%)	3 / 8 (37.5%)
	1 (9%)	3 / 8 (37.5%)	5 / 11 (45.5%)	3 / 8 (37.5%)
<b>Key: Red – Missed / Amber – Completed Out of Time / Green – Completed In Time</b>				
<b>CHANGES TO RISK PROFILE:</b>				
Deviance from <b>Average Risk Category Score</b>	2015 / 16: Average Risk Score: 3.22		<b>Direction of Travel</b>  	
	2017 / 18: Average Risk Score: 3.37			