



Northumberland County Council

AUDIT COMMITTEE

28 NOVEMBER 2018

Risk Management

Report of Allison Mitchell – Chief Internal Auditor

Cabinet Member: Councillor Nick Oliver – Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to provide Audit Committee with an update on progress with the development, implementation and embedding of risk management within the County Council.

Recommendations

It is recommended that Audit Committee note the contents of the report.

Link to Corporate Plan

Effective risk management is central to the achievement of all priorities included in the Northumberland County Council Corporate Plan 2018-21.

Key issues

1. As part of the County Council's approach to strengthen its corporate governance arrangements throughout the organisation, a review of the arrangements and approach to risk management has been undertaken.
2. Since Spring 2018, a fundamental review of the County Council's risk management has been performed. As part of this process:
 - 2.1 A refreshed **risk management hierarchy** has been established. This hierarchy identifies, monitors and manages risk at three key levels:
 - a) Corporate Level
 - b) Service Strategic Level
 - c) Service Operational Level
 - 2.2 An **updated risk methodology and approach** has been introduced including a new risk matrix and scorecard to measure risks, and new templates for

recording risks. The risk management team has then provided support to service areas throughout the Council in using this new risk methodology.

- 2.3 Through this process, refreshed risks are being identified and allocated to Executive Director 'risk owners'. Risk detail in respect of each risk is being documented with the responsible Executive Director and appropriate Portfolio Holder from the Cabinet.
3. Risk information has been shared with Cabinet Member Portfolio Holders. Risks will be kept under continuous review in conjunction with the relevant Executive Director and Portfolio Holder for each risk and reviewed at regular intervals.
4. The new process is embedding, and an early internal audit of the new arrangements is planned for the final quarter of 2018/19. The results of this audit will be reported to Audit Committee in the usual way. This will assist Audit Committee in understanding how the risk management process is operating and provide an internal audit opinion to Audit Committee on the efficiency and effectiveness of these arrangements.

Background

1. The Accounts and Audit Regulations 2015 set out the Authority's responsibilities for effective risk management, which is part of its sound system of internal control.
2. The County Council's approach to risk management has been reviewed with reference to available good practice. Following this review, a refreshed risk management hierarchy has been established. This hierarchy identifies, monitors and manages risk at three key levels:
 - a) Corporate Level
 - b) Service Strategic Level
 - c) Service Operational Level

A diagram of the hierarchy is attached as Appendix 1. It includes definitions of the risks to be managed at each level and sets out responsibilities for owning and managing those risks. In addition, it depicts that project and partnership risks are being identified, monitored and managed at all levels of the hierarchy across the organisation.

3. A new format for documenting corporate risks has been introduced. This emphasises actions that can be taken by nominated risk owners to manage and reduce risk. This method provides clarity in understanding the benefit that will be gained by actions to mitigate risk and thereby inform their prioritisation.
4. A new risk matrix and scorecard have been developed, and are attached as Appendix 2. This helps risk owners to assess the nature and extent of a perceived risk.
5. Appropriate officer and Cabinet risk owners have been identified. Corporate risks will be reviewed on an approximate six monthly cycle.
6. A strengthened and streamlined approach to risk management is now being cascaded through all levels in the risk hierarchy. This will lead to a more consistent and effective approach to risk management throughout all aspects of the Authority's business.
7. An internal audit of the risk management process is planned for quarter 4 of 2018/19. The outcomes from this audit will be reported to Audit Committee in the usual way.

Implications

Policy	Effective risk management supports the effective implementation of all policy decisions.
Finance and value for money	Effective risk management will help ensure that the County Council is better able to manage its resources and deliver value for money.
Legal	The Accounts and Audit Regulations 2015 place a responsibility upon all local authorities to ensure that they have a sound system of internal control which includes effective arrangements for the management of risk.
Procurement	No direct implications from this report.
Human Resources	No direct implications from this report.
Property	No direct implications from this report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	An equalities impact assessment is not applicable to this report as it does not constitute a key decision.
Risk Assessment	Embedding risk management will reduce the level of risks that may prevent the achievement of the Council's objectives.
Crime & Disorder	No direct implications from this report.
Customer Consideration	No direct implications from this report.
Carbon reduction	No direct implications from this report.
Wards	All

Background papers:

The Accounts and Audit Regulations 2015, April 2015

CIPFA/SOLACE "Delivering Good Governance in Local Government Framework 2016 Edition"

Report sign off.

	initials
Monitoring Officer/Legal	N/A
Executive Director of Finance & S151 Officer	N/A
Relevant Executive Director	N/A
Chief Executive	N/A
Portfolio Holder(s)	N/A

Author and Contact Details

Allison Mitchell, Chief Internal Auditor

01670 623884 / 0191 6435720

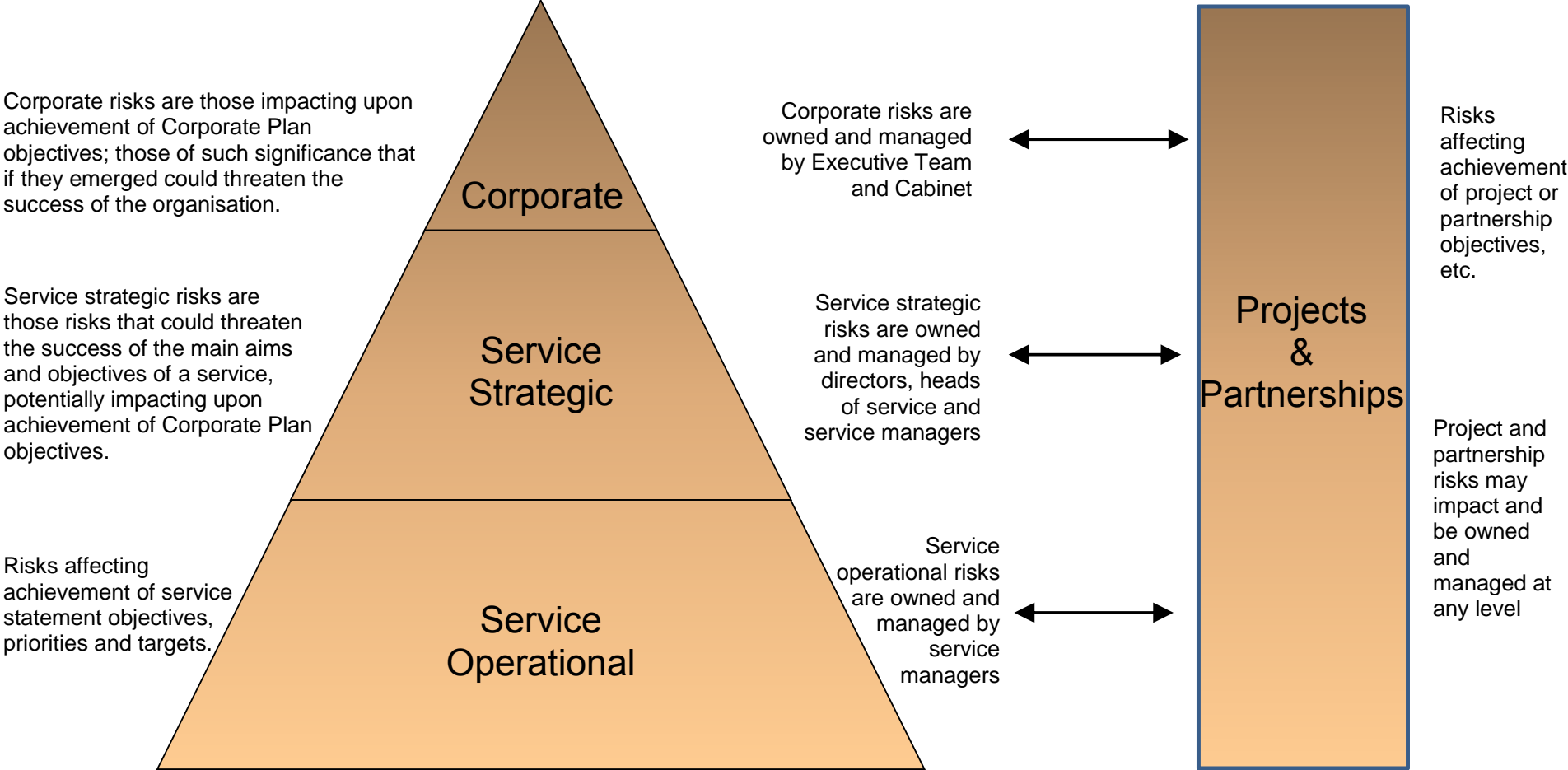
Allison.Mitchell@northumberland.gov.uk

Barbara McKie, Group Assurance Manager

01670 623884 / 0191 6435750

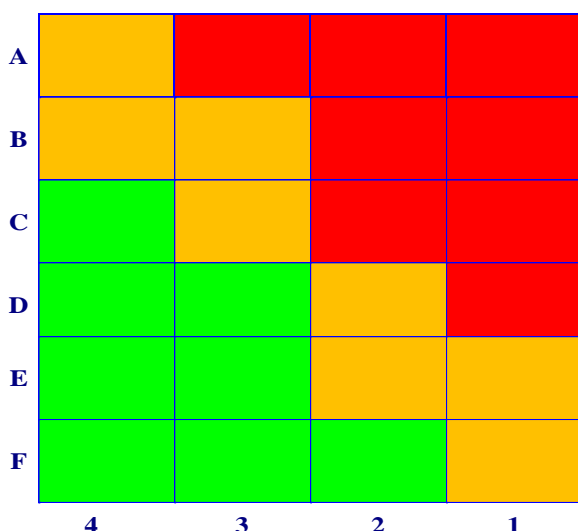
Barbara.McKie@northumberland.gov.uk

Northumberland County Council Risk Management Hierarchy 2018



APPENDIX 2

LIKELIHOOD		PROBABILITY	INDICATOR	
A	Very High / Certain	85% to 100%	Regular occurrence. Circumstances frequently encountered	
B	Highly Likely	60% to 85%	Highly likely to happen at some point in the next 1 – 3 years.	
C	Medium / Likely	30% to 60%	Likely to happen at some point in the next 1 – 3 years. Circumstances occasionally encountered	
D	Low / Possible	15% to 30%	Only likely to happen once every 3 or more years.	
E	Very Low / Rare	5% to 15%	Has happened rarely	
F	Negligible / Almost Impossible	0% to 5%	Has never happened.	
IMPACTS				
	4	3	2	1
	Minor	Moderate	Significant	Major
Financial Impact	£100k - £500k Budget exceeded by less than 10%	£500k - £1m Budget exceeded by 10% - 50%	£1m - £10m Budget exceeded by 50% - 100%	>£10m Budget exceeded by over 100%
Service Provision	Minor service delay; short term disruption to minor service	Major element of service not provided for 1 day, minor element not provided for 1 week.	Major element of service not provided for 1 week, longer term disruption to minor element.	Longer term disruption to major service element.
Project	Minor delay - days	A few milestones missed	A major milestone missed	Project does not achieve objectives and misses majority of milestones
Legislative / Contractual	Failure to meet minor terms of contract	Breach of minor contract; failure to meet significant contract terms	Breach of significant contract; element of legislative requirement not achieved.	Statutory requirement not achieved.
Health & Safety	Sticking plaster / first aider; sickness < 3 days	Broken bones / illness; sickness > 3 days	Extensive serious / permanent injury; sickness > 4 weeks	Loss of life / large scale major illness
Governance	Some elements of governance framework ineffective	Some elements of governance framework criticised by external body	Criticism of all governance arrangements by external body	Ineffective governance arrangements
Staff Morale	Mild impact on morale	Some hostile relationship and minor non-cooperation	Industrial action	Mass staff leaving / unable to attract staff
Reputation	Short term adverse public opinion; minor letters; no media attention.	Adverse local media	Persistent adverse local media coverage; adverse national publicity	Remembered for years!
Government Relations	Minor local service issues	Poor Assessment(s)	Service taken over temporarily	Service taken over permanently



Corporate risks considered high priority normally to be managed down in the medium term - reviewed every 6 months.

Service risks:

Red risks are to be managed down as a matter of urgency – reviewed every 3 months.

Amber risks are to be managed down in the medium term and monitored – reviewed every 6 months.

Green risks considered low priority but are also monitored – reviewed every 12 months.

Project risks are to be managed down and reviewed in line with specific project timescales.