

Report to: Audit and Standards Committee

Date: 14th September 2020

Title: Review of Risk Management

Report of: Chief Internal Auditor

Ward(s): All

Purpose of report: To report to committee on the plan to address risk management practices.

To present the updated Risk Management Policy for approval.

Officer recommendation(s): To consider and comment on the proposed actions in Appendix A

To consider and adopt the updated Risk Management Policy

Reasons for recommendations: The council is committed to having appropriate risk management processes in place and ensuring these are embedded across the authority.

Contact Officer(s): Name: Jackie Humphrey
Post title: Chief Internal Auditor
E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk
Telephone number: 01323 415925

1 Introduction

1.1 A new contract with Zurich, to provide insurance for the council, began in April 2019. As part of this contract the council was offered a free review of the effectiveness of the risk management arrangements. This was considered a timely offer as the risk management policies for both Lewes and Eastbourne needed to be aligned and the process as a whole was in need of review. Zurich were therefore requested to undertake the review.

2 Situation at the time of the Zurich review

2.1 The council has a strategic risk register which is reviewed quarterly by the Corporate Management Team (CMT) with any changes made being reported to this committee.

2.2 Projects are managed on a piece of software, called Pentana Performance, within a framework which includes maintaining a risk register.

2.3 In the past, service level risk registers were included as part of the Service and Financial Planning forms and so were completed annually. A few years ago these were taken out of the Service and Financial Planning documents and were put onto Pentana Performance (then called Covalent). Managers were asked to keep these up to date, preferably quarterly but at least annually. However, although there were pockets of good practice, the majority of risk registers were not kept up to date and eventually they were removed from Pentana altogether. It is therefore probable that service areas no longer maintain risk registers other than for projects or the Health and Safety risk registers. This does not mean that risks are not being managed but they are not being recorded.

3 The risks of not having an embedded risk management framework.

3.1 An embedded risk management framework is important as it aids safeguarding the council financially, legally, politically and reputationally.

3.2 If risk registers are not held at a service level then these risks may not be identified or managed to reduce likelihood or impact. The identification of risk allows planning and preparation. Recording risks in one place can also help to identify how risks impact on one another.

3.3 There should also be a link between service level and strategic risk registers as each should inform the other. If they do not then it is possible that risks at the strategic level will not be managed at the service level and emerging risks may be missed from the strategic risk level.

4 The review by Zurich

4.1 Documents relevant to risk management were sent to Zurich, these included the risk management policy and the strategic risk register. A representative of Zurich came to the offices in October 2019 and undertook face to face interviews and some by phone. Those interviewed were: Corporate Performance Specialist, Head of Business Planning and Performance, Chief Finance Officer, Performance and Programmes Lead and the Chief Internal Auditor.

4.2 The review looked at six categories:

- leadership and management
- strategy and policy
- people and training
- processes and tools
- risk handling and assurance
- partnership, shared risk and projects.

The results of the review were used to create a score for these categories from 1 – 5 and showed these on a diagram.



KEY

- Level 1 – Engaging
- Level 2 – Happening
- Level 3 – Working
- Level 4 – Embedded
- Level 5 – Driving

4.3 The report from Zurich highlighted six areas for improvement:

- appoint acknowledged risk management “owner” to lead the process
- align risk strategy framework across both councils and relaunch
- run CMT and Member risk awareness sessions
- raise profile of risk management generally across the authorities
- more proactive risk identification and horizon scanning through all levels
- clearer understanding of acceptable risk appetite.

4.4 From these main points, 13 recommendations were made. A summary of the findings is shown below:

4.5 Leadership and management The importance of risk management is understood at senior level. Changes, both political and internal, indicate it would be beneficial to facilitate training and awareness. Due to time constraints and other priorities it was felt that CMT did not always drive risk management downwards. The risk appetites of the two councils differ.

4.6 Strategy and policy Documentation is fragmented and does not reflect the current joint working arrangements. There are currently two separate strategies with plans in place to rewrite into one strategy across both

authorities. The revised framework should emphasise the importance of escalation and wider communication.

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| 4.7 | Processes and tools | The Pentana system is used to record risks and produce reports. It is possible that the reporting function could be used more effectively (perhaps to wider stakeholders). The cessation of the service level risk registers on the system has left a gap where it seems Heads of Service are not recording risks outside of projects. |
| 4.8 | Risk handling and assurance | The strategic risk registers (SRRs) are high level and there is a possibility that risks are not identified or escalated where necessary. Managers lower than CMT level do not have sight of the SSRs so may be unaware of the high level risks that impact their area. Risk consideration in Theme Plans may have become a box ticking exercise and it is possible that risk based decisions are not offered enough objective challenge. |
| 4.9 | People and training | Staff have reasonably good levels of knowledge. There is no formal training programme in place and it is not felt that one would be beneficial. The culture across the authorities is more open and honest than previously and people would not be deterred from talking about risk. |
| 4.10 | Partnerships, shared risks and projects | Whilst interviewees provided some level of assurance that risks were well understood and managed, particularly within projects, it was clear that a structured framework and methodology for managing and reporting risks in contracts and partnerships was not consistently in place. |

5 Actions

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| 5.1 | A report on the recommendations made by Zurich was taken to the CMT for discussion and to agree responses to the recommendations. |
| 5.2 | Appendix A shows the recommendations made by Zurich, the comments from CMT and the proposed actions, owners and timescales for implementing these. |
| 5.3 | The committee is asked to consider and comment on the proposed actions. |

6 Risk Management Policy

- 6.1 Before the majority of the actions listed on the appendix can be undertaken it is important to ensure that there is an adequate and up to date policy in place. Therefore the existing policies of Lewes District and Eastbourne Borough councils have been aligned and updated and one new policy covering both authorities has been produced. The Risk Management Policy, appended to this report, covers the aims and objectives for carrying out.
- 6.2 Councils are required to have a sound system of internal control and this includes risk management. Adopting proportionate risk management procedures will enable the authority to demonstrate that full consideration has been given to risks which could affect service delivery and achievement of strategic aims and objectives.
- 6.3 The Risk Management Policy lays down the framework for the identifying, recording and monitoring of risks. It also sets out roles and responsibilities and the arrangements for identifying, evaluating, controlling and monitoring of those risks.
- 6.4 The risks will be recorded at service area level and the risk assessments will be held on performance software. At this level the risks should be regularly reviewed at departmental team meetings.
- 6.5 Any risks with a high risk score remaining after mitigating actions have been taken (residual risk score) will be reported on to Corporate Management Team to be considered quarterly as part of the review of the strategic risk register.
- 6.6 Once the updated policy is agreed and adopted it will be published on the intranet and all staff will be made aware that it has been updated and published. Following this the actions listed in the action plan will be undertaken which will mainly involve ensuring that adequate training is given to staff and members.
- 6.7 Once adequate training has taken place the Internal Audit team will ensure that they request the risk register for every area audited and ensure that it is set up and adequate. The Chief Internal Auditor will also ensure that consideration is given to service area risks when the strategic risk register is discussed by the Corporate Management Team.
- 6.8 The committee are asked to consider and adopt the attached Risk Management Policy.

7 Financial appraisal

- 7.1 There are no financial implications arising from this report.

8 Legal implications

- 8.1 This report demonstrates compliance with regulation 3 of The Accounts and Audit Regulations 2015, which requires the Council to operate a sound system of internal control, including effective arrangements for the management of risk.

9 Risk management implications

9.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

10 Equality analysis

10.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

11 Appendices

- Appendix A - Action Plan
- Appendix B - Risk Management Policy

12 Background papers

None