



# Report of the Director of Finance to the meeting of the Executive to be held on 7th January 2020

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## **Subject:**

**Council Risk Management Strategy**

## **Summary statement:**

This report details a revised Risk Management Strategy for approval by the Executive

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Director of Finance

## **Portfolio:**

**Leader of the Council and Corporate**

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**Overview & Scrutiny Area:**  
**Corporate**

## **COUNCIL RISK MANAGEMENT STRATEGY**

### **1.0 SUMMARY**

1.1 This report details a revised Risk Management Strategy (Appendix A) for approval by the Executive.

### **2.0 BACKGROUND**

2.1 The Council's first Risk Strategy was approved in 2003. However other than a revision in 2015 the Strategy has remained unchanged. It is the case that a number of improvements have been developed with the public reporting of the risk register and clearer accountability for risks within the Council. It is therefore believed to be appropriate to consolidate these changes with the adoption of a new Risk Strategy for the Council.

2.2 The revised Risk Strategy focuses on the following

- Linking with the District Plan
- Strong focus on how the Council works and the different risk environments the Council works in.
- The Risk Management process will be streamlined and focus more on controls
- The number of likelihood scenarios will be reduced
- Responsibilities will be amended to reflect current roles
- Reporting through CMT is identified
- Removal/great simplification of the risk appetite process and focused on RAG status, rather than having a target risk position to be achieved.

3.2 The revised Risk Strategy has been agreed with members of CMT, Risk Coordinators and several other key officers.

3.3 If the revised Risk Strategy is approved then the Risk Register will need to be amended to transfer the data into the new format.

3.4 Currently it is not envisaged that the revised Risk Strategy will result in any significant shift in the identified corporate risks.

### **4.0 FINANCIAL & RESOURCE APPRAISAL**

4.1 The recommendations of this report do not pose direct financial implications however indirectly improved risk and performance management arrangements should ensure that the Council is more successful in achieving its stated objectives.

### **5.0 RISK MANAGEMENT AND GOVERNANCE**

5.1 Risk Management is a key structure of the Council's governance framework which is monitored through the preparation of the Annual Governance Statement.

## **6.0 LEGAL APPRAISAL**

6.1 The Accounts and Audit Regulations 2015 require the Council to ensure it has a sound system of internal control which includes effective arrangements for the management of risk. The Council's financial control systems must include measures to ensure that risk is appropriately managed.

## **7.0 OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

Risk management assists in ensuring barriers to the delivery of services are reduced which in turn supports the achievement of equality and diversity.

### **7.2 SUSTAINABILITY IMPLICATIONS**

Risk Management will examine the sustainability of the Council's activity and ensures that mechanisms are in place to deliver business continuity.

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **7.4 COMMUNITY SAFETY IMPLICATIONS**

Community safety implications are considered when identifying strategic risks such as safeguarding.

### **7.5 HUMAN RIGHTS ACT**

The consideration of risk will take into account any Human Rights Act implications when appropriate.

### **7.6 TRADE UNION**

There are no specific implications for the Trade Unions arising from the report.

### **7.7 WARD IMPLICATIONS**

In general the Risk Management Strategy does not focus on individual ward issues.

### **7.8 IMPLICATIONS FOR CORPORATE PARENTING**

None

### **7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT**

None

## **8.0 NOT FOR PUBLICATION DOCUMENTS**

None

## **9.0 RECOMMENDATIONS**

- 13.1 That the Executive approve the adoption of a new Risk Management Strategy for the Council (Appendix A)

## **10.0 APPENDICES**

Appendix A Risk Management Strategy 2020

## **11.0 BACKGROUND DOCUMENTS**

Risk Management Strategy 10<sup>th</sup> August 2015  
Qtr. 2 Finance Position Statement for 2019-20 Executive Committee 5<sup>th</sup>  
November 2019



# **Council Risk Management Strategy**

**2020**



## **1. Introduction**

- 1.1 This document forms Bradford MDC's Risk Management Strategy for 2020. It sets out the District's and Council's strategic objectives and outlines how the Council applies its risk management processes to support the delivery of these objectives. In addition this strategy details the operational risk processes and responsibilities that assist the Council in the delivery of its services.

## **2. District and Council Plans**

### **2.1 District Plan 2016 -2020**

The Bradford District Plan sets out the long term ambition for the district and outlines the priorities for action. The District Plan is owned by the Bradford District Partnership (BDP) which involves the public sector, businesses and community partners working together. The priorities are

- a. Better skills, more good jobs and a growing economy
- b. A great start and good schools for all our children
- c. Better health, better lives
- d. Safe clean and active communities
- e. Decent homes that people can afford to live in.

As well as focusing on these priorities the partners of the BDP will

- Become Bradford ambassadors
- Enable community leadership and build resilience within communities
- Focus on prevention and early intervention to ensure peoples needs are met
- Provide work experience and support apprenticeship schemes
- Support employees to live healthier lifestyles
- Promote employee volunteering
- Improve organisational and business effectiveness through being more representative of our population

The risk strategy will be reviewed to reflect the plan agreed through the Health & Wellbeing Board to replace the District Plan, following agreement of a new 2040 Vision for the District next year. The risk strategy will also be reviewed to reflect the new Council Plan when it is agreed.

### **2.2 Council Plan**

As a key leader within the District, the Council supports the District Plan by adopting its priorities through the Council Plan

- a. Better skills, more good jobs and a growing economy
- b. A great start and good schools for all our children

- c. Better health, better lives
- d. Safe clean and active communities
- e. Decent homes that people can afford to live in

In addition the Council wants to be effective by being a well-run council, using all its resources to deliver its priorities, working closely with partner organisations, business, communities, families and individuals to make the most of all our district's resources, assets and opportunities. The Council will support wellbeing and independence through early action to prevent problems developing or stop them getting worse. Council activity will help to reduce inequality, providing opportunities for everyone and building an economy that works for all. The Council will use its money wisely and target resources at district priorities while supporting the development of cost-effective and innovative solutions.

### **3. Risk Management Strategy**

- 3.1 The Council Plan identifies where the Council wants to get to. Risks are events or action which will adversely affect or delay the Council's ability to achieve its objectives. By managing these risks both strategically and operationally the Council increases the likelihood of successful achievement of the Plan.
- 3.2 Risk management is a strategic tool and essential part of effective and efficient management and planning. Risk management needs to be embedded into the Council's culture, processes and structure and to ensure that opportunities are maximised and bureaucracy minimised. Risk management is not something new. The Council does it every day with every decision it makes. This approach assists effective risk management by being documented and managed in a coherent and transparent manner.
- 3.4 The objectives of the Risk Management Strategy are to:
  - Further develop risk management and raise its profile across the Council
  - Integrate risk management into the culture of the organisation
  - Embed risk management as part of all decision making processes
  - Manage risk in accordance with best practice
  - Create effective processes which provide the framework for the Annual Governance Statement and to provide continuing evidence that internal control systems are in place.

### **4. Statutory Requirements**

- 4.1 Under the Accounts and Audit Regulations 2015 the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk

- 4.2 The CIPFA / Solace guidance on “Delivering good governance in local authorities” recognises the need for managing risks and performance through robust internal control and strong public financial management. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.
- 4.3 Risk management needs to be recognised as an integral part of all activities and must be considered in all aspects of decision making. This must involve implementing robust and integrated risk management arrangements and ensuring that they are working effectively as well as ensuring that responsibilities for managing individual risks are clearly allocated
- 4.4 The risk management strategy and policies on internal control must be aligned with achieving objectives. This requires evaluation and monitoring of risk management and internal control on a regular basis, ensuring effective counter fraud and anti-corruption arrangements are in place. The effectiveness of the framework of governance, risk management and control is assisted by internal audit whilst the Council’s Governance and Audit Committee provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.

## **5. Annual Governance Statement**

- 5.1 The Council is required to produce annually a Governance Statement that supports the Council’s financial accounts which details the Council’s approach to risk management. Each Annual Governance Statement highlights specific risks which are monitored through the year and publicly reported to the Governance and Audit Committee. A number of new governance challenges will also be recognised and managed through the year.

## **6. Council Risk Management Framework**

- 6.1 From a management perspective the most important outcome from risk management is that internal controls are put in place which reduce the likelihood or the impact of a risk event. It is also important that the Council is aware of what its key risks are and is focusing realistically on the issues that create barriers for effective service delivery. As an organisation accountable to the local community, it is also important that the Council can demonstrate how the risks to citizens are managed, by reporting publicly on the risk management processes.

6.2 The Council's Risk Management Framework is detailed in Appendix 1. The core feature is the Council's Strategic Risk Register. This is fed by the risk management processes of Information Governance, Business Continuity, Health and Safety and the Council Plan Delivery Programme. The Council's Strategic Risk Register can also include information from the risk registers that support the Council's major projects including capital expenditure as well as the departmental risk registers supporting service delivery. Council Management Team through the CMT Action Tracker can respond to quickly emerging risks whilst the Governance and Audit Committee monitor risks through the Annual Governance Statement. Council Executive has overall responsibility for the Council Risk Strategy.

### **6.3 CMT Action Tracker**

The Council's key management process is the operation of the Council Management Team and the Action Tracker that monitors its activity. Most Council risks are continuing and reflect overall service delivery responsibilities, however some risks can develop quickly and require an immediate response. CMT Action tracker records these risks and the actions taken to eliminate or mitigate them as well as monitoring long term situations.

### **6.4 District Risks**

The District faces significant risks to the achievement of the district plan that often operate at a regional, national or global level. There is little the Council can do to manage these events so the focus needs to be on how to mitigate the negative consequences on the district or building up resilience to achieve the original objectives. As a key partner the Council may take the lead in facilitating activities to reduce the impact on the District. Such risks will therefore be defined as strategic risks within the Council.

### **6.5 Strategic Risks**

These risks impact on the overall vision/purpose/organisation/corporate and strategic priorities of the Council. They become the collective responsibility of corporate management and have a medium/long term perspective. Bradford will incorporate the results of strategic risk management work into corporate planning processes and formulation of the medium term financial strategy. Normally they will affect more than one department. In some cases Strategic Risks will be duplicates of District Risks which reflects the convergence of the District and Council's objectives. In other cases there may be operational risks that due to their financial value or reputational impact will be elevated to the strategic risk register.

## **6.6 Departmental Operational Risks**

These risks pertain to departmental strategy and objectives or impacting on day to day service delivery. They will normally be the concern at Departmental Management Teams (DMTs) as they will impact on the achievement of the Service Department Plan. Departmental risks may also be managed further down the organisational hierarchy dependent on the view of DMTs. Departmental risks will be incorporated into service or departmental strategic plans.

## **6.7 Council Delivery Programme Risks**

The Council has a new risk register from the Council Plan Delivery Programme. A number of the risks are duplicates of the Strategic Risk Register, however others reflect key operational risks that the delivery boards are looking to manage. This is linked into both budgetary pressures and service demands. The advantage of using the Council Plan Delivery Programme is that the risks within this will remain up to date.

## **6.8 Business Continuity Management**

As a Community leader the Council has a pivotal role if there are major events within the District. This would include major threats to the delivery of Council services as well as other situations such as extreme weather, flooding, evacuation, civil unrest, a hostile act, rest centre/humanitarian assistance centres and emergency management

All services have in place a Business Continuity Plan which are collated by the Emergency Management Team annually. These plans are owned by the relevant service Assistant Director. The Emergency Management Team coordinates the Council's approach to an incident/emergency and leads on the requirements of the Civil Contingencies Act 2004. The Act lists 7 areas of responsibility which are

- To make risk assessments,
- Create emergency plans,
- Communicate with the public,
- Co-operate with other responding organisations,
- Share information with other responders,
- Make Council business continuity arrangements
- Promote business continuity to businesses.

One key sub area is the Training and Exercising Group. They regularly develop exercises where plans are tested in a range of scenarios, such as incidents caused by bad weather, a CBRN (chemical, biological, radiological and nuclear) event, flooding and cover procedures such as resource sharing.

## 6.9 Health and Safety

Health & Safety is a fundamental part of good business management. The Occupational Safety Team helps managers and employees to manage risks in the workplace, meeting the requirements of health & safety legislation. This is supported by Council policies, procedures & guidance documents with risk being controlled through the following activities

- Provision of advice and guidance to help managers to fulfil their health and safety responsibilities
- Answering queries from employees and managers on health and safety issues
- Visiting establishments where necessary, to give advice on all aspects of new and existing health and safety policies and procedures
- Auditing health and safety performance within Services
- Collecting information on accidents and incidents to report to HSE where necessary facilitating staff safety training
- Collecting information and statistics and provide health and safety reports
- Interpreting and advising on new legislation impacting on the working environment
- Attending meetings to advise on occupational safety issues
- In cases where there is a risk of serious personal injury, Occupational Safety Advisers also have the authority to issue internal Health and Safety Prohibition Notices

## 6.10 Projects and Programmes

In order to achieve its objectives the Council needs to deliver on time limited projects and programmes. These can be capital building work, the implementation of a new system or the establishment of service innovation. These projects often have their own risk systems which operate independently which focus on the achievement of the project. These risks will not normally be incorporated into the Council's risk register though significant risks may be included if they are critical to the overall achievement of Council objectives.

## 6.11 Information Governance

The Council's approach to information governance is managed through the Information Assurance Group (IAG) which is chaired by the Council's Senior Information Risk Officer. A nominated Assistant Director from each of the Council's 6 Departments represent the Information Asset Owners within the Departments at the IAG and are responsible for cascading key messages and ensuring delivery of key actions. The IAG is supported by the Information Assurance Operational Network whose role is to implement the decisions of the IAG across the Council. The risk register records a separate set of risks

on information governance covering ICT security, developing appropriate information management arrangements and ensuring compliance with the Data Protection Act 2018 (GDPR).

## 7. Management of Individual Risks

The Council delivers a complex variety of services and this is reflected in the risks that it is required to manage. Whilst this strategy delivers an overall framework for managing risks, individual risks need to be managed in accordance with their nature, the potential consequences and, very simply, through what works.

### 7.1 Identification of Risk

The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental) process of risk assessment and analysis. The identified risks are subsequently prioritised to identify key issues for management action, which will be incorporated into the corporate and department planning process.

Risk identification begins by considering the following categories of possible risk areas

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political composition
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences of proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal	E-Gov. agenda, IT infrastructure, Staff/client needs,

	technological failures on the Council's ability to deliver its objectives	security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Professional /Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities including industrial relations	Staff restructure, key personalities, internal capacity, industrial relations
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves, opportunities for fraud & corruption
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	State of repair and use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

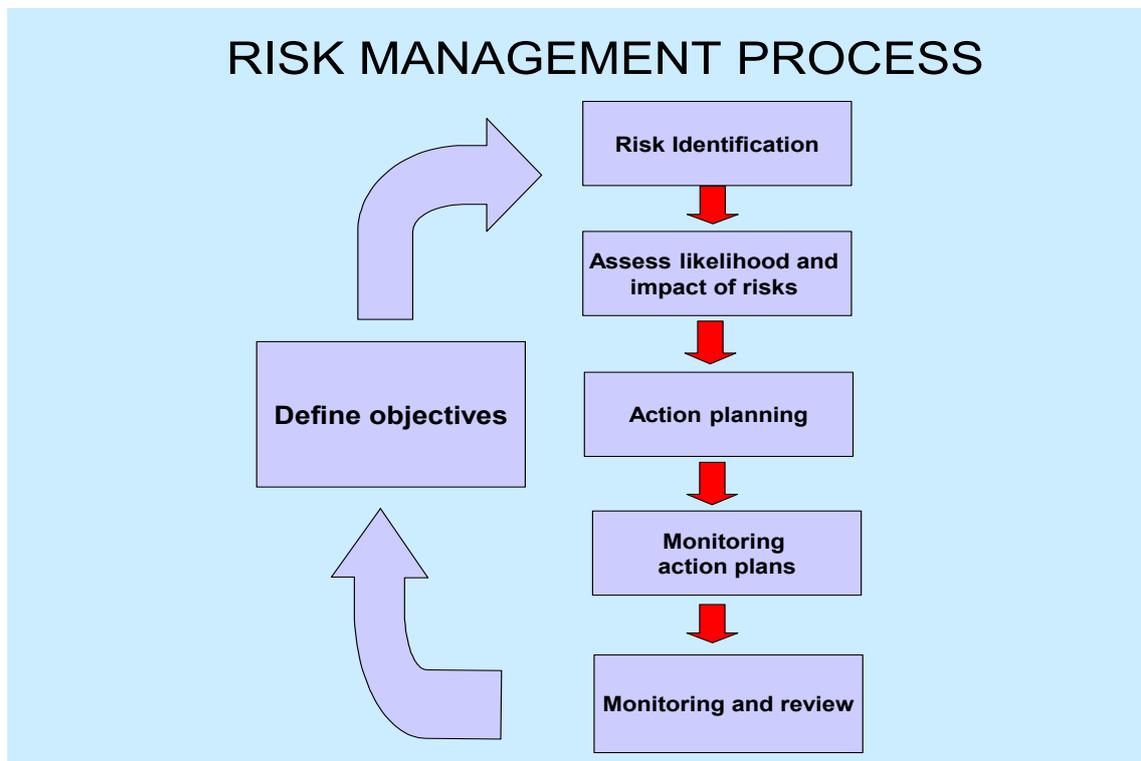
This acts as a prompt and a trigger for officers involved in the process to ensure a holistic approach to risk identification and that the risk process does not just concentrate on operational, financial or legal risks. Further explanations are included in Appendix 2.

## 7.2 Risk Management Process

Implementing the strategy involves identifying, prioritising, managing and monitoring risks; the following diagram visually depicts the risk management process. Most risks are capable of being managed, either by managing the likelihood or impact or both. The risk record (Appendix 3) identifies the actions and improvements that are required to be taken to improve the control environment supporting the risk.

These actions should not be seen as a separate initiative but should be incorporated into the business planning process. Bradford will incorporate the results of this strategic risk management work into corporate planning processes and formulation of the medium term financial strategy. Departmental risks will be incorporated into service or departmental strategic plans.

Few risks remain static. Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter priorities and the risk appetite. On going review is essential to ensure that the management action plan remains relevant.



## 7.3 Internal Control

The Council manages its risks primarily through the application of internal controls. These are mechanisms that enable the Council to operate in

accordance with its rules and regulations. Especially important for the Council is compliance. The internal controls required to manage the risk are recorded on the risk register.

For each risk an assessment needs to be undertaken of the actions and control in place including their adequacy. This needs to be followed by the identification of any actions to improve the position including the identification of who is responsible for any future developments along with timescales.

The appropriateness of the type and range of controls is dependent on the nature of the risk. Controls can be categorised in a variety of ways including preventative controls, detective controls and assurance mechanisms. A further analysis is included in Appendix 2

## **7.5 Management actions**

When managing individual risks they will normally be dealt with in one of four ways. The Council will look to tolerate, terminate, treat or transfer the risk, in some cases several mechanisms will be combined to manage the risks. Further analysis is included in Appendix 2.

## **7.6 Recording of Risk**

The Council currently holds its risk register on Pentana, the Council's Performance Management System. This allows the risks to be reported and updated on a regular basis. It is also the case that risks are also recorded on other systems. Whilst this may be appropriate, it is important that management are aware, when and how this is operating, including how risks are escalated when required, especially those of a strategic nature.

The risk record for every risk on Pentana is detailed in Appendix 3. Each risk is profiled and prioritised as follows. The risk scenarios are ranked according to the likelihood of the risk occurring and its impact if it did occur. Details of the risk profiles are recorded and monitored using Pentana. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

Likelihood	A				
	B			○	
	C				
	D				
		IV	III	II	I
	Impact				

### Likelihood:

Reference	Category	5 Year Percentage	Description
A	Very High	>75%	An event that will probably happen at some point in time and will eventually reoccur.
B	High	50% to 75%	An event that may happen or reoccur
C	Medium	25% to 50%	An event that is unlikely to happen and if it does will not present a future risk
D	Low	<25%	An event that will probably never happen

### Impact

Reference	Category	Description
I	Catastrophic	Health and Safety Serious Injury or Death Scenario, Recovery difficult, requires outside intervention, Non delivery of key objective, significant detrimental impact on staff, major financial loss, prosecution, major project cancelled, sustained adverse publicity
II	Critical	Major disruption to service delivery. Authority Wide impact on residents, financial loss, major project delayed, negative impact on staff
III	Significant	Breach in statutory duty , potential improvement notice , client dissatisfaction, financial loss, delay to key project
IV	Marginal	Minor inconvenience for services and staff, services quickly restored

### Risk Score

Risks are assigned a score for both likelihood and the impact as follows. The risk score is calculated by multiplying the likelihood score with the impact score (each scores 1 to 4 with increasing seriousness). Risks with a score of 9 or over are determined as red and require management action to reduce or manage the risk. Scores between 6 and 8 (inclusive) are at amber and need monitoring. Risks with a score below 6 are assessed as green and should be viewed as under control.

## **7.7 Reporting of Risk**

The Council's Corporate Risk register will be reported quarterly to the Executive in the Council's Finance and Performance Reports which are also taken to CMT. CMT are responsible for setting a reporting timetable, so that CMT are aware of significant changes to the risk register and where and to whom risks are reported. CMT will report and monitor on specific concerns through CMT's recommendation tracker. Departmental Management Teams should also be receiving regular reports on risk to ensure appropriate management arrangements are in place. Service management and project management will report on risks in accordance with operational needs.

## **8. Responsibilities for Risk Management**

### **8.1 Executive**

Executive are responsible for governing the delivery of services to the local community, understanding the strategic risks the Council faces and approving the risk management strategy. The Leader of the Council and the Chief Executive are required to undertake a review to ensure that financial management and governance arrangements and the systems of internal control are adequate and effective and report the findings through the production of the Annual Governance Statement. Portfolio Holders should be aware of both strategic and departmental risks that impact on their areas of responsibility.

### **8.2 Governance and Audit Committee**

The Governance and Audit Committee are responsible for considering the effectiveness of the risk management arrangements, control environment and associated antifraud and anti-corruption arrangements. The Committee seeks assurance that action is being taken on risk related issues determined by auditors and inspectors and needs to be satisfied that the Annual Governance Statement properly reflects the risk environment and actions to improve it.

### **8.3 Strategic Directors and CMT**

The Corporate Management Team recommends the strategy and framework for the organisation to operate within but also has responsibility for the identification of corporate risks and ensuring that effective arrangements are in place to mitigate these risks. CMT is responsible for

- Recommending to Executive the Risk Management Strategy
- Supporting and promoting risk management throughout the Council
- Actively identifying and assessing strategic risks on a regular basis
- Introducing appropriate management plans to mitigate risks and where relevant, incorporating these into the Corporate Plan
- Assessing the adequacy of actions and controls in place to address the risks and additional management action plans should these be assessed as inadequate
- Making recommendations for changes to policy and procedures and resource redirection where appropriate
- Confirming, in writing on an annual basis, to the Executive that the Council's corporate and operational risk profiles have been reviewed and updated and that assurances have been received from senior departmental management, that key risks have been effectively managed
- Appointing risk coordinators to facilitate the process within each department
- Ensuring that the risk management process is part of all major projects and change management initiatives

### **8.4 Central Risk Management Team**

The central risk management team which is located in the Department of Corporate Resources will support all aspects of risk management by

- Undertaking an annual review of the risk management strategy
- Implementation of strategic risk management within the overall framework of the risk management strategy
- Coordinate and update the corporate risk register to enable CMT to undertake their roles and provide exception reporting on departmental risk management progress

- Support corporate and departmental risk coordinators and strategic directors to undertake their roles
- Establish any links between departmental and corporate risk registers and action plans and ensure consistency of approach
- Be aware of weaknesses identified in the Annual Governance Statement ensuring that adequate and effective controls are in place and reported to the Governance and Audit Committee
- To research and identify best practice in risk management and to provide guidance and support on introducing risk management measures and techniques

### **8.5 Departmental Risk Coordinators**

Each Department is represented by a risk coordinator. The role of the Departmental Risk Coordinator is to:-

- Support their Strategic Director in implementing a practical and workable approach to risk management
- Implement, maintain and review the adequacy and accuracy of the Corporate or Departmental risk register on behalf of the Strategic Director
- Facilitate the department's continuous process of identifying, assessing and prioritising new risks/ opportunities as they occur and communicating them as appropriate to the Department's Management Team in order that the risk registers can be updated
- Ensure that any required changes to departmental or corporate risk registers are endorsed and minuted by Department Management Teams
- Present a quarterly progress report to their management teams
- Disseminate information on the major risks to all staff within the service department
- Prepare management action plans as appropriate to support the Annual Governance Statement monitoring arrangements
- Meet with other risk coordinators on a regular basis to discuss and develop best practice
- Confirm, in writing on an annual basis, to their Strategic Director that to the best of their knowledge and belief the Corporate and Departmental risks have been identified and regularly assessed

Training will be provided for Risk Coordinators on their responsibilities and the new Strategy.

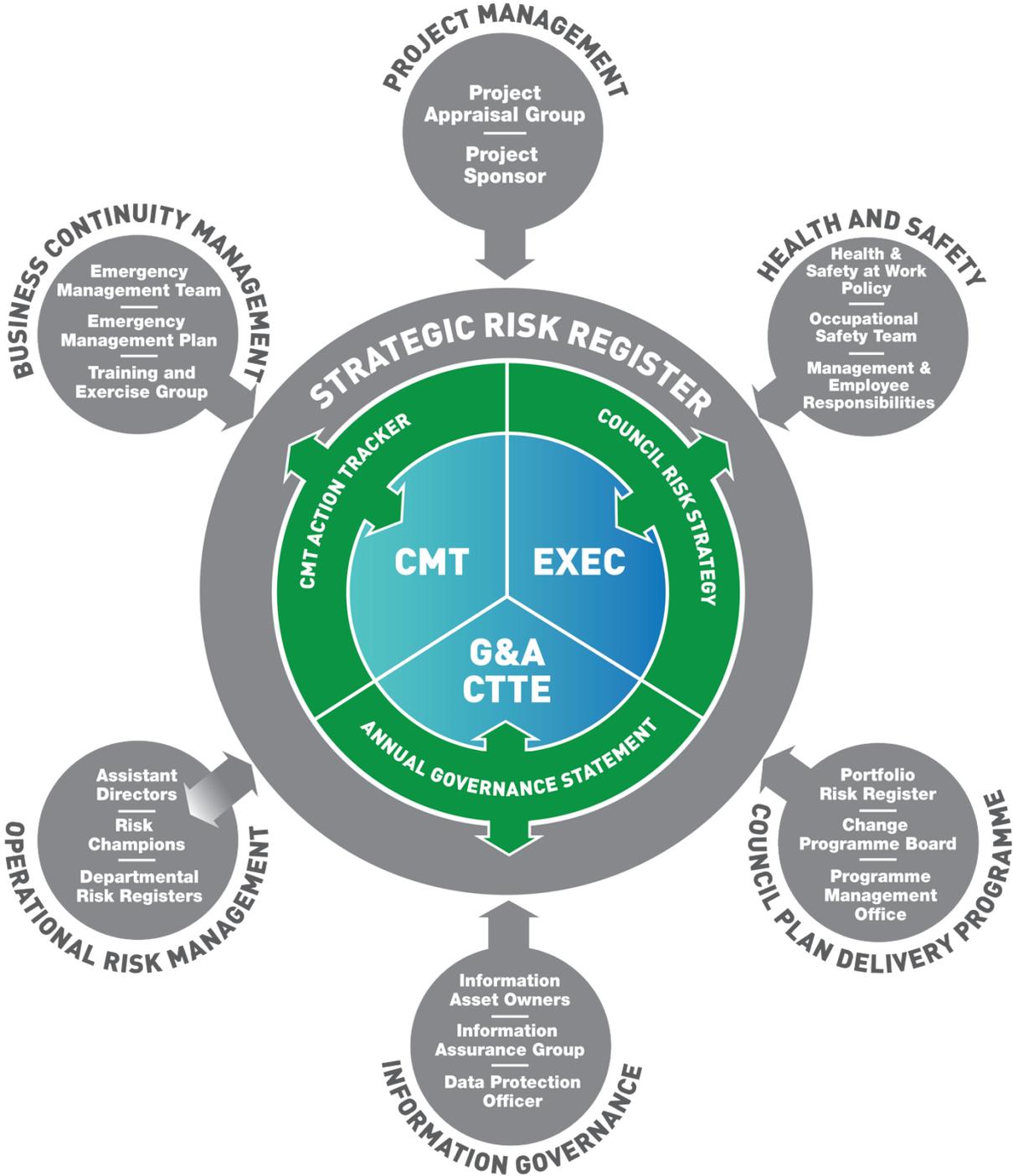
## **8.6 Role of Internal Audit**

Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and Members, when appropriate, on the effectiveness of controls. Internal audit will also need to feed the results of the corporate and departmental risk analysis into its annual audit plan.

## **9 Conclusion**

Key risks managed by the strategy will be incorporated into the Council's Annual Governance Statement. The strategy will be reviewed on an annual basis.

### Council Risk Management Framework



### Risk, Internal Controls and the Treatment of Risk

#### 1. Identification of Risk

The identification of risk must be based on a sound understanding of its definition – the threat that an event or action will adversely affect the Council's ability to organise effectively and achieve its objectives or obstruct opportunities to achieve maximum sustainable value from all the activities of the organisation.

In identifying risk there is often a tendency to confuse risks which may impact on the delivery of an objective with failure to deliver that objective. This over simplified approach tends to lead to the re-statement of the strategy for delivering the objective as the controls and action plan to mitigate the risk. The underlying risks are not, in fact, identified and the potential benefits of risk management techniques may not be obtained.

Failure to deliver an objective is an outcome, not a risk.

#### 2. Types of Control

**Preventive Controls** are designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure departmental objectives are being met. Examples of preventive controls are:

- Segregation of Duties: Duties are segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions (approval), recording transactions (accounting) and handling the related asset (custody) are divided.
- Approvals, Authorizations, and Verifications: Management authorizes employees to perform certain activities and to execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed or executed by employees. A supervisor's approval (manual or electronic) implies that he or she has verified and validated that the activity or transaction conforms to established policies and procedures.
- Security of Assets (Preventive and Detective): Access to equipment, inventories, securities, cash and other assets is restricted; assets are periodically counted and compared to amounts shown on control records.

**Detective Controls** are designed to find errors or irregularities after they have occurred. Examples of detective controls are:

- **Reviews of Performance:** Management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up.
- **Reconciliations:** Where an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary.
- **Physical Inventories**
- **Audits**

### **Assurance Mechanisms**

One important area of control is assurance. These are types of control that enable management to satisfy themselves that their operations are happening as they should be. These forms of control are normally inspection based such as statutory reviews or audits. This provides core evidence to management that key risks are being managed to an acceptable level.

## **2. Treatment of Risk**

Most risks are capable of being managed either by managing the likelihood or impact or both. A few risks have to be avoided or transferred.

These are described briefly below

- **Terminate/avoid the risk**

Some risks will only be treatable or contained by terminating certain activities.

- **Tolerate/accept the risk**

Options for dealing with risks are limited, or the cost of taking any action may be disproportionate to the potential benefit gained thus the organisation tolerates the risk.

- **Treat/reduction of the risk**

The majority of risks tend to belong to this category. The Council aims to contain the risk to a more acceptable level. The introduction of effective internal controls looks to ensure that risks are mitigated to more manageable, acceptable levels.

- **Transfer/sharing of risks**

It may be possible to transfer some risks. This is feasible through insurance provisions or perhaps paying a third party to take the risk in another way. The Council operates insurance arrangements with Zurich Municipal where Property, Public , Employee and Motor risks are managed along with a number of other specialised risks.

Council Risk Record

Risk Code & Title					Current Risk Matrix																																		
Description					<table border="1"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>A</td> <td style="background-color: #00FF00;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>B</td> <td style="background-color: #00FF00;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FF0000; text-align: center;">○</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>C</td> <td style="background-color: #00FF00;"></td> <td style="background-color: #00FF00;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FFFF00;"></td> </tr> <tr> <td>D</td> <td style="background-color: #00FF00;"></td> <td style="background-color: #00FF00;"></td> <td style="background-color: #00FF00;"></td> <td style="background-color: #00FF00;"></td> </tr> <tr> <td></td> <td>IV</td> <td>III</td> <td>II</td> <td>I</td> </tr> <tr> <td></td> <td colspan="4" style="text-align: center;">Impact</td> <td></td> </tr> </table>			Likelihood	A					B			○		C					D						IV	III	II	I		Impact				
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Type Of Risk	District		Strategic		Operational																																		
Potential Effect of risk						Likelihood	Impact																																
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Latest Amendment/Update																																							
Actions/controls under development																																							

<b>Ownership Managed By</b>	
<b>Risk Administered By</b>	

## Explanation of Fields

<b>Field</b>	<b>Explanation</b>
<b>Risk Code &amp; Title</b>	This is a brief title and unique identifier of the risk
<b>Description</b>	The description details the nature of the risk, and the likely impact if the event occurred.
<b>Type of Risk</b>	The risk can be District, Strategic or Operational or a combination of the three.
<b>Potential Effect of risk</b>	This details the consequences of the risk if the event occurred such as service interruption, consequences to staff , cost, statutory duties and inspections and delays to projects / programmes .
<b>Internal Controls</b>	Internal controls are business activities, policy, actions, processes or defined responsibility that enable the Council to achieve its objectives or that support the Council's governance arrangements and maintain its public accountability.
<b>Assurance Mechanism</b>	Whilst an assurance mechanism is a form of internal control it has the added dimension that it provides management with evidence that the Council is operating in accordance with its objectives. It is therefore a primary indication of Council performance often with a statutory element such as an inspection result.
<b>Latest Amendment/Update</b>	When was the risk record last check or amended
<b>Actions/controls under development</b>	Internal Controls which are planned to be in place to either reduce the impact or likelihood of a risk occurring or to deliver higher levels of assurance.
<b>Ownership Managed By</b>	This will normally be the Strategic Director, Director or Assistant Director.
<b>Risk Administered By</b>	It will normally be the Risk Coordinator
<b>Likelihood</b>	This is the probability of an event happening and whether it is Very High, High, Medium or Low
<b>Impact</b>	This is the consequences and potential harm if the event does take place and can be categorised as either catastrophic , critical, significant or marginal dependent on service interruption, consequences to staff , cost, statutory duties and inspections and delays to projects / programmes
<b>Score</b>	The position in the Risk Matrix is based on the Score 1 to 4 each for likelihood and Impact
<b>Total Score</b>	The position in the Risk Matrix is based on the Score 1 to 16 allocated to a risk for likely hood and impact The total score is calculated by multiplying the likelihood with the impact score. Risks with a score of 9 or over are

	determined as red and require management action to reduce or manage the risk. Scores between 6 and 8 (inclusive) are at amber and need monitoring. Risk with a score below 6 are assessed as green and should be viewed as under control
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