

Report to the Audit and Governance Committee

Meeting to be held on 25 January 2016

Electoral Division affected: None

Risk and Opportunity Register

(Appendices 'A', 'B' and 'C' refer)

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Executive Summary

At its meeting hold on 28 September 2015 the Committee received a report providing an update in relation to a number of key issues that had started to emerge in 2014/15 which were also relevant to the External Auditor's Value for Money conclusion.

It was reported in relation to risk management that whilst risk management happens "in practice" there was a need for the Council to embed a systematic approach to identifying strategic risks and opportunities. It was therefore reported that a proposed corporate approach to reporting in relation to these issues was being developed and would be provided to the Committee for consultation.

This report sets out the proposed approach and presents at Appendix 'A' a draft Risk and Opportunity Register for the Committee to consider and comment upon.

Recommendation

The Committee is asked to comment upon:

1. the draft Risk and Opportunity Register at Appendix 'A'; and
2. the proposed approach to reporting on risk and opportunities set out in Appendix 'B'.

Background and Advice

At its meeting held on 30 June 2015 the Committee approved the Council's Annual Governance Statement (AGS) for 2014/15. The AGS noted a number of emerging governance issues including the need to embed a systemic approach to identifying and managing strategic risks and opportunities.

In this regard Management Team engaged Grant Thornton to facilitate a workshop for the purposes of identifying strengths and weaknesses in current practice;

consider the trend and current pitfalls across the sector; identify the key strategic risks facing the Council and consider the mitigation measures already in place or which should be introduced; and consider the practical next steps to formalise arrangements.

The workshop identified that whilst risk management happens "in practice" and that all major decisions are based on an appropriate analysis of risks and opportunities, effectively protecting the public, the lack of a clear and systematic corporate approach is a weakness. It also identified that Elected Members do not receive appropriate risk management information and training, that risks relating to key partnerships are not fully understood or managed, and that a risk register should be regularly reviewed and communicated to all relevant parties.

It was reported that a Risk and Opportunity map was therefore in draft and work in hand to set the right governance structures, assign clear responsibilities and roles, agree the corporate approach and provide appropriate training.

It was proposed to classify risks and opportunities on a "PESTLEDO" basis:

- **Political** – government or local policy commitments
- **Economic** – meeting financial commitments, budgetary pressures etc
- **Social** – Changes in socio-economic trends
- **Technological** – the capacity to deal with the pace of technological change, the use of technology to manage demand
- **Legislative** – changes in the law
- **Environmental** – Environmental consequences of progressing the Council's objectives
- **Demographic** – demographic changes in the locality
- **Organisational** – internal risks not imposed by the external environment

A draft Risk and Opportunity Register based on these principles is at Appendix 'A'. The draft Register has been developed by Management Team and relevant directors/heads of service, providing a brief, high level description of risks and opportunities along with the current controls and further proposed mitigating actions. The Register also includes "risk scores" for both before and after the application of mitigating actions based on the scoring matrix contained in Appendix 'B'.

At its meeting held on 28 September 2015 it was reported to the Committee that a Risk Management intranet site was under development and it was proposed that the corporate approach to reporting on risk and opportunity should be on the basis that Risk and Opportunity reports would be provided to Management Team on a quarterly basis, following which the reports would then go to the Cabinet Committee for Performance Improvement and then to the Audit and Governance Committee.

An indicative timetable for the proposed reporting framework during 2016/17 is contained in Appendix 'B'.

In agenda item 9 the Committee is also asked to approve an Internal Audit Plan for 2016/17. The report notes that the processes supporting the Risk and Opportunity Register is still being developed to ensure that the register is robust and sustainable

and to ensure that the register is an adequate reflection of the Council's most significant risks being addressed at a given point in time. In due course this will serve as an active log of the most significant matters requiring management attention because the risks recorded are deemed not to be sufficiently mitigated and therefore not yet under effective control. The draft Internal Audit Plan itself includes the preparation and use of the Risk and Opportunity Register as a key component of an overall assurance opinion.

The report also notes that the Risk and Opportunity Register is relevant to the draft Audit Plan in recording areas where the Internal Audit Service should assess the adequacy and effectiveness of the actions proposed to mitigate the Council's most significant risks and the progress being made in their implementation. Where risks have been mitigated, or are believed to have been so, they may not then be recorded in the Risk and Opportunity Register and must then be identified through other means.

Where management understands controls to be in place around significant risks, particularly those over the greatest risks or operating in a large number of individual instances, the Internal Audit Service should provide assurance that these controls are adequately designed and operating effectively.

A risk and control framework proposed by the Chief Internal Auditor is at Appendix 'C'. The objectives of the framework are as follows:

- Regularly identify the most significant unmitigated risks to the organisation.
- Assess the impact and likelihood of the most significant unmitigated risks realistically and with a reasonable degree of accuracy.
- Identify and implement appropriate mitigating actions – tolerate, treat, transfer, terminate (or take the opportunity) – at the right level of ownership to be effective, at minimum cost.
- Accept only the risks the organisation intends to and has the appetite for.
- Regularly present a systematic summary of the most significant unmitigated risks to the organisation to the appropriate committee and into the public domain.
- Achieve good corporate governance through effective oversight of the Executive Leadership and senior officers, and their accountability to the Council as a whole.

Based on the principles set out in the risk and control framework at Appendix 'C' and having regard to the risk scoring principles set out in Appendix 'B' the Committee are asked to comment on the draft Risk and Opportunity Register and also on the proposed reporting framework and timetable at Appendix 'B'.

Implications:

This item has the following implications, as indicated:

Risk management

As set out in the report.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A