



**Audit and Standards Advisory
Committee**
26 July 2018

**Report from the Chief Finance
Officer**

Risk Management Framework Review

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One : <ul style="list-style-type: none"> • Risk Management Criteria and Thresholds, 2014
Background Papers:	N/A
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1.0 Summary

- 1.1 This report provides the conclusions of a Risk Management Framework Review and feedback on a new approach that has been piloted with two departments. The final part of this report provides a draft implementation plan to embed and enhance Brent's Risk Management culture and provide ongoing assurance on the currency and validity of the Corporate Risk Register.

2.0 Purpose of the Report

- 2.1 In accordance with the terms of reference for the Committee, the report is presented to 'enable the Committee to monitor the effective development and operation of risk management and corporate governance in the Council.'

3.0 Recommendation

- 3.1 The Audit and Standards Advisory Committee is asked to note and comment on the draft implementation plan to embed the Risk Management Strategy.

4.0 Detail

- 4.1 A review of the risk management framework was undertaken as part of the internal audit plan approved by the Audit Committee in March 2017. The purpose of the review was to assess the effectiveness of the current RM framework and, if necessary, establish an appropriate road map to improve the service.
- 4.2 The review assessed the policy and procedures in place, the process and reporting of risk identification, treatment and monitoring, and finally the culture. A number of stakeholders were engaged and the risk management documentation was reviewed.

Summary of Findings

- 4.3. **Corporate strategy and risk appetite:** Risk management is considered at all levels of governance, but there is an opportunity to further embed risk management into decision making in a consistent, robust and rigorous manner. The principal risk register is felt to drive decision making, and be fully reflective of the risks faced by the council. It could be strengthened by incorporating “bottom up” risks from the organisation.
- 4.4. **Policy, roles and responsibilities:** Brent has successfully drafted the core components of RM documentation, including the policy and strategy, and risk register template for service completion, including incremental complexity that can be adopted as the maturity develops. Brent is also to be commended on establishing a network of Risk Champions although the responsibilities of risk owners, sponsors and champions could benefit from greater clarity. The risk function would benefit from articulating its’s vision and mission statement to help the organisation understand the value add that Risk Management can bring. The Policy would benefit from a more detailed guidance document, and the criteria may benefit from simplification to avoid losing staff good will. The policy needs to be modified to facilitate reporting between different governance levels.
- 4.5. **Method:** The Risk Management Framework sets out the key method for effective risk management and Brent has implemented regular risk reporting for reviewing and publically disclosing the principal risks to members and the public. However, most interviewees felt that the strategic risk register did not reflect the risks of the departments and, as mentioned above, could align better to the 2020 objectives. Consistency is required in process to ensure quality of inputs and value-adding outputs. Clearer reporting and visibility would ensure that risk insight is consistently emerging from the first line. Predictive risk monitoring (Key Risk Indicators) would greatly facilitate risk insight and value added.
- 4.6. **Tools and technology:** The excel risk registers are fit for purpose but not used on a consistent basis. The use of reporting tools could be enhanced/embedded.
- 4.7. **Training and awareness:** Key, selected staff would benefit from a short training programme or working sessions in risk management, the framework and facilitation skills.

- 4.8. **Culture:** There is genuine interest in risk management. However, for some, registers are seen as a 'tick box' rather than a value-adding exercise. Interviewees believe risk is genuinely considered but that there needs to be more explicit rigour and evidence of the process.
- 4.9. **Assurance:** Integration between the assurance plan and the corporate risk register could be strengthened by a corporate risk report that aligned more closely to the 2020 objectives

Proposed refinements to the current Risk Management Framework

- 4.10. To enable the risk management framework to be meaningful and helpful across all aspects of governance, we suggest running a series of targeted workshops for departments and services. The purpose of the risk workshop and risk register is to help teams to identify risks to strategic objectives at every level and then prioritise and track appropriate mitigating actions. The output would be a new/updated risk register. A good risk register can be translated to a report to offer management the opportunity to offer support, review and challenge the appropriateness and timeliness of actions to move risk exposure to an acceptable level.
- 4.11. We suggest a three tier approach:
- DMTs: The first stage would be to roll out DMT risk workshops to create representative risk registers by department to identify key risks and actions under way;
 - CMT: The second stage would be to use the department risk registers to form the basis of a new, aligned and meaningful corporate risk register for the council offering a bottom up approach. CMT will then have the opportunity to offer a 'top down' perspective and finalise the principal risk register, and
 - Services: The final stage would be to run risk workshops for heads of services, which can then inform/refine DMT risk registers to ensure alignment of risks.
- 4.12. At present, everyone in the council uses risk criteria and thresholds as set for 'CMT. We propose a new approach that allows each level of management (service, departmental and CMT) to set materiality thresholds which would allow departments to identify their priorities, identify risks to escalate/report, and thus generate more meaningful discussions. The concept is illustrated in the paragraphs below (using only 'reputational risk' thresholds for illustrative purposes):
- *for CMT the range could be from short term medium damage with criticism of the Council reported in national press coverage - one instance (1), to long term damage caused by negative publicity with high levels of criticism reported in the national press coverage for up to 5 days (5)*
 - *for DMTs: it could range from short term local reputational damage caused by high visibility local press coverage (headlines/front page) through to short term*

medium reputational damage caused by negative publicity reported by national press (one day)

- *At service level - the key would be to escalate when there is a real probability of high visibility of local press coverage.*
- 4.13. Once risk registers are in place at the relevant levels, work can commence on the principal risks to identify drivers and key risk indicators that can be used to assess movement in trends, and act as an early warning mechanism. This would also facilitate the articulation of a corporate risk appetite.
 - 4.14. We also recommend holding informal quarterly risk management training sessions, for employees to promote best practices for services and help facilitate greater consistency in risk management and alignment with the risk management framework. This would be supported by best practice guidance and links on the intranet.
 - 4.15. The current risk criteria and thresholds for CMT are provided in Appendix A. CMT are invited to comment on whether these are still appropriate. We propose to simplify the current probability scale to high, medium and low, and make a similar simplification for the impact criteria. We also recommend revising thresholds for the CMT risk map, once all the DMT risk registers are finalised, to ensure only the principal risks are escalated to CMT.
 - 4.16. The key benefit of the approach is to make the risk registers and risk reports meaningful for each level of governance, by setting appropriate risk thresholds for each service and department, which will enable them to prioritise actions and resource to ensure the achievement of objectives. In addition, the approach will allow greater transparency of risks allowing themes such as recruitment and retention, or lone working, to emerge. The key benefit of the reporting template is its simplicity – increasing the transparency of risks and thus allowing greater oversight and challenge of actions.

Pilot results

- 4.17. We have piloted the process outlined above across two areas – the Finance Service and the Regeneration and Environment department. Workshops with senior members of each department were run to identify and assess risks and then actions were identified and discussed with management.
- 4.18. The risk register has been deliberately simplified to facilitate discussion and encourage participation and ownership.
- 4.19. Feedback from participants has been positive, and in general the participants have suggested that other departments and services would benefit from the approach.

Implementation Plan

- 4.20. We ran DMT risk workshops in June and July 2018, and subsequently wrote a principal risk report. These will be repeated on an annual basis.

- 4.21. A risk based approach would be taken to offering services support in compiling risk registers. Training would be offered on a quarterly basis across all departments to enable risk champions and heads of service to lead their own risk workshops.

5.0 Financial Implications

- 5.1. The Strategy does not seek to increase the resources required to manage risk or facilitate the reporting of risk. It recognises the need for streamlined processes as resources within the Council reduce. The Audit and Investigation Service do not currently have a dedicated risk resource. The cost of implementing the new strategy can be achieved within the wider service budgets.

6.0 Legal Implications

- 6.1. All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015:

“A relevant authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.”

7.0 Equality Implications

- 7.1 None.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer