

Forward

This is the Council's Risk Management Strategy. This strategy aims to improve the effectiveness of risk management across the Council. Effective risk management will allow us to:

- have increased confidence in achieving our key priorities and targets
- reduce the threat of risks to an acceptable level
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- improve our corporate governance arrangements

This document provides a comprehensive picture of how Oxford City Council is taking responsibility to manage its risks and opportunities using a structured and focused approach. It covers:

- what we mean by risk management
- why we need a Risk Management Strategy
- our philosophy towards risk management
- how we will implement the Strategy
- how our risk management framework will operate
- roles and responsibilities
- training requirements
- how we will measure success

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Leader of the Council

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| Report Details: | |
|-----------------|---|
| Title | Oxford Risk Management strategy |
| Description | Sets out responsibilities and approach to managing risk |
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| Version | 4.0 |

1. Introduction

Why is Risk Management Important?

1. Risk management is not only a statutory requirement, but a fundamental part of good management. As such its implementation is crucial to the Council, and essential to its ability to discharge its various functions, as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds, a significant employer, and a major component part of the local community.
2. Risk management at Oxford City Council is about improving our ability to deliver our strategic objectives by managing our risks, taking advantage of our opportunities and creating an environment where risk management is at the heart of operational activities and delivery.
3. Risk management is a key part of corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving those objectives. Good risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals.

The regulatory background

4. The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. The Accounts and Audit Regulations established requirements related to systems of internal control, and the review and reporting of those systems.
5. Regulation 4 of the Accounts and Audit Regulations 2003 required that from 1 April 2003, *“local authorities shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”*

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices.”
6. In discharging these requirements, the guidance states that “Authorities should consider the risks to achieving objectives and ensure that controls are in place to mitigate them through the application of a risk management process”. Furthermore, local authorities should also collect assurances “that allow it to form conclusions on the efficiency and effectiveness of operations and mitigate future financial and service delivery risks.” These assurances should underpin the Statement on Internal Control.

In June 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) published Delivering Good Governance in Local Government: Framework. Through this framework an integrated annual governance statement is introduced from 2007/08 (SIG). This subsumes the requirements of the Accounts and Audit Regulations noted above for the production of a statement on internal control. The governance statement covers all significant corporate systems, processes and controls.

While Risk Management at Oxford City Council is not a compliance exercise, there is an expectation that we put sound risk management arrangements in place.

The benefits of risk management

7. The benefits of successful risk management include:

Better operational performance

- increased number of targets achieved
- stronger internal controls
- improved service delivery
- increased positive feedback from stakeholders
- improved planning through anticipation of risks

Improved financial performance

- increased percentage of objectives achieved
- reduced level of fraud
- improved income generation
- better budget management

Improved human resources management

- reduced staff turnover
- reduced days lost to sickness

Improved corporate governance and compliance systems

- reduction in legal challenges
- improved score on CPA and other inspections

Improved insurance management

- reduced cost of insurance premiums
- lower number and levels of claims
- reduced uninsured losses

8. Further advice and assistance on risk management is available from the Head of Finance (who is also the overall Council's "Risk Champion") and members of the Risk Group.

2. Aim and Objectives

Aim

9. The aim of this strategy is to improve our ability to deliver our strategic priorities by managing areas of uncertainty, taking advantage of our opportunities and creating an environment that adds value to ongoing operational activities.

Our Philosophy

10. Notwithstanding the requirements of the Statement of Internal Governance, given the nature of our operations and activities and the number and significance of our projects and initiatives, effective risk management is an essential part of our role.
11. We recognise that we are in an important position as a leader of local communities, a deliverer of public services, a custodian of public funds and a partner to other bodies who, like us, strive to make Oxford a better place to live, work and visit.
12. On the one hand, our raison d'être is to deliver first class services, to lead and innovate and provide a catalyst for the development of our region – to achieve this, we may need to take risks that others will not. Calculated risk-taking to enhance performance and achieve our desired outcomes is fundamental to our way of working and aligns us in our risk management strategy with the most forward looking public sector bodies.
13. At the same time we are a public body, accountable to our local communities, operating in a governance framework set and monitored by the Audit Commission. This, rightly, requires us to comply with the highest standards on legal and financial matters, and to be able to account in detail for our decisions and actions. Our risk management strategy must recognise this framework.
14. In summary, our risk management strategy is to achieve the balance in our culture, management arrangements, resource allocation and controls that support our people and partners in achieving our objectives, and ensure we operate successfully within our governance framework. Setting and promulgating this overall approach to risk management is the responsibility of the Full Council, but must be implemented by us all.

Risk Management Objectives

15. Our philosophy is to formalise in a simple manageable way, to build competencies and develop our approach as we become more experienced and skilled. As part of this philosophy, our objectives are to:
 - Develop risk management and raise its profile across the Council
 - Integrate risk management into the culture of the Council and make it part of all decision making processes
 - Actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
 - Provide a framework and support so that risks do not become an inhibiting factor in decision making

- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

16. To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Policy on an annual basis
- Establishing clear accountabilities, roles and reporting lines across all directorates
- Providing staff across the Council with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council
- Developing arrangements for the reporting and recording of risks
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and delivery agents are aware of the Council's expectations on risk

17. We will review the Risk Management Strategy annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any amendments will be recommended to the Audit and Governance Committee to take forward for approval by the **City Executive Board**. A Risk Management Policy is attached at Appendix A.

3. Definitions

18. This section provides a brief definition of the terms used within this risk strategy and the definitions that Oxford City Council is working to.

Risk

19. There are lots of definitions of risk in circulation. For example the Office of Government Commerce and the British Standards Institute define risk as:

“Risk is a condition, an act, situation or event with the ability or potential to impact on units/departments by either enhancing or inhibiting corporate/departmental performance, attainment of corporate/departmental objectives or meeting stakeholders’ expectations”.

While this is a comprehensive definition, in simple terms a risk is something that, if it happened, could prevent us from achieving our objectives.

Risk management

20. There are numerous slightly different definitions of risk management, which essentially cover the same points. Oxford City Council’s approach to risk management is based upon best practice and is defined as:

“the process of assessing, minimising and managing the risks in order to deliver outcomes successfully”

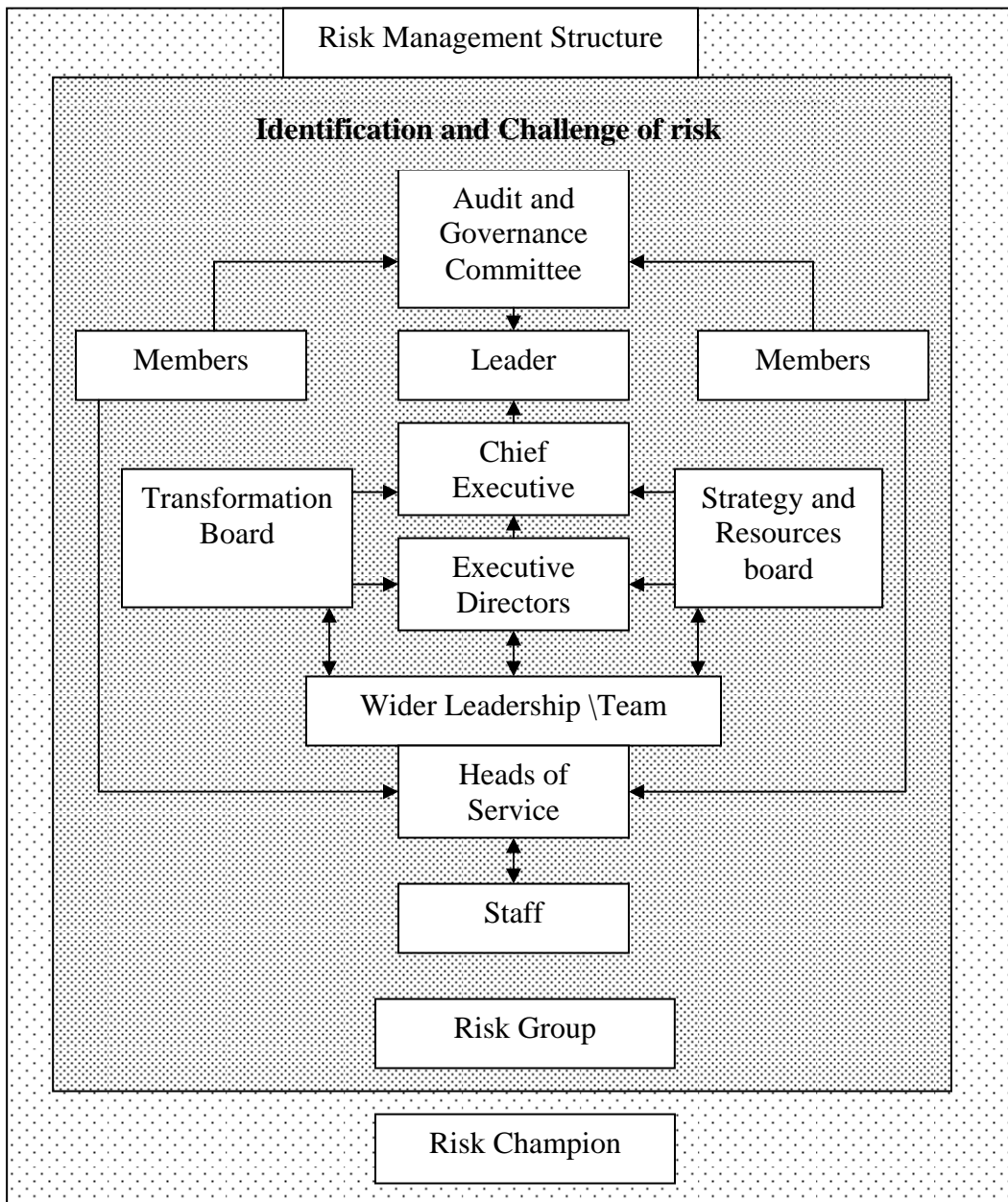
21. This definition has been drawn from the definitions used by many of the agencies that advise on best practice in relation to risk management.

4. Roles and Responsibilities

22. Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with:

- the Leader and City Executive Board
- the Chief Executive and Executive Directors.

In order to ensure the successful implementation of this policy, responsibilities for risk management have been documented in Appendix B. In the diagram below the overall framework of roles is detailed:

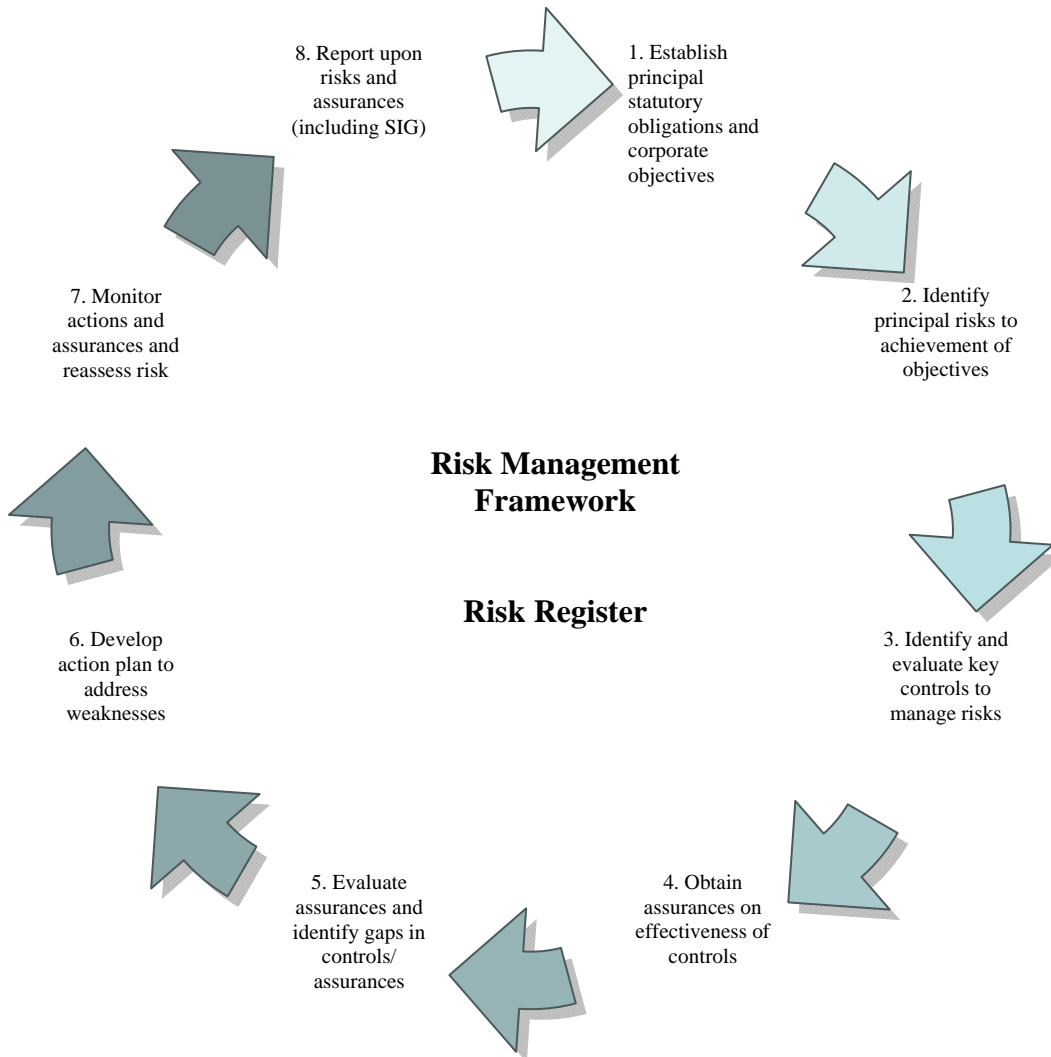


5. Risk Management Framework

A. Strategic Risk Framework

23. To ensure the risk management process is effective and consistent it must occur within an overall framework.

24. Oxford City Council’s strategic risk management framework consists of eight stages as set out below:



25. Paragraphs 26 - 42 provide an overview of each of these stages.

Strategic Priorities

26. The starting point for risk management is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Therefore effective risk management should be clearly aligned to the strategic planning process, and should take into account the environment within which the Council operates. Our priorities are set out in the Corporate Plan and more detailed planning is within the Medium Term Financial Strategy (MTFS).

Identifying and assessing risks

27. Identifying risks involves the identification of the potential risk and the source of the risk, as well as assessing its likely impact.

28. In order to ensure complete identification of risks it is advisable to consider risk from both a strategic and an operational perspective. This involves identifying potential opportunities and risks relating to the achievement of corporate and directorate objectives. These may arise because of the general environment in which we are operating or in relation to specific decisions being made or options being considered. The types of risks that may be considered are noted below (this list is by no means exhaustive). Further categories are given at Appendix C.

| | | | |
|--|---|---|---|
| Financial risk e.g. "level of reserves is not sufficient in light on ongoing financial forecast" | Project appraisal risk e.g. "projects are selected that do not deliver VFM" | Partnership capacity risk e.g. "partners may not have the skills to deliver on specific objectives" | Economic uncertainty e.g. "Levels of fees from income and charges may reduce" |
| Performance risks e.g. "agreed actions do not deliver intended results" | Project management risk e.g. "projects deadlines are missed" | Operational risks such as staffing, IT and security risks e.g. "key IT systems fail" | Contractual risks e.g. "A contractor may not be able to deliver services as agreed in the contract" |

29. Risks should be prioritised according to their likelihood and potential impact. In considering impact, we should think about the impact on:

- Reputation
- Financial Resources
- Staff morale
- Performance objectives
- Customers and stakeholders
- Health and Safety etc

Those risks that are both highly likely and of high impact are likely therefore to be the principal risks to achievement of the objectives of the authority. At this stage, we also consider the causes of risks i.e. what are the events that might trigger the risk arising?

A risk may arise because of a number of unrelated factors. The Council uses a five by five matrix to determine the level of risk – see Appendix D for more detailed definitions. This means there are 25 possible risk categories.

Table 1 – Oxford City Council Risk Matrix

| | | Impact | | | | | |
|-------------|---|----------------|-------|----------|-------|--------------|--|
| | | Insignificant | Minor | Moderate | Major | Catastrophic | |
| | | 1 | 2 | 3 | 4 | 5 | |
| Probability | 5 | Almost Certain | | | | | |
| | 4 | Likely | | | | | |
| | 3 | Possible | | | | | |
| | 2 | Unlikely | | | | | |
| | 1 | Rare | | | | | |

30. In the first instance, the Council assesses risks without taking into account the effectiveness of current controls. This is known as inherent or gross risk. For the most part, strategic risks are likely to have a significant impact and likelihood of occurrence if they are not controlled, so most risks will have a very high level of risk if we imagine that there are no controls in operation.

Control analysis

31. Controls are those systems, policies and procedures that management put in place to provide some assurance that objectives will be achieved and risks managed (many of which will already be in place). For each risk and potential causes, a control analysis will need to be undertaken.

32. Controls may be both preventative and detective. A list of example controls is included in Appendix E. Once controls have been matched to each risk then each risk should be revisited, and controls ranked as to their effectiveness (High/Medium/Low) and a new risk ranking (refer again to Table 1) established based on the impact and likelihood given the existing control structure in place. The new risk score will help demonstrate the strength of controls in place and is known as the residual risk. The example below highlights this in graphical form whereby the strength of controls in place means that a risk initially ranked as Very High/High is now ranked as Medium/Low.

| | Insignificant | Minor | Moderate | High | Very High |
|----------------|---------------|-------|----------|------|-----------|
| Almost Certain | | | | | |
| Likely | | | | | |
| Possible | | | | | |
| Unlikely | | | | | |
| Rare | | | | | |

Risk – IT system fails resulting in service disruption.
Causes – Power down
Controls – back up generator

Movement in risk

33. Where the revised risk score is not acceptable then further action will be required. Further action can be categorised into four headings.

- Transfer - Involves transferring risk which may be done through insurance or transferring to a third party.
- Accept - In the event that the ability to control risks is limited or the cost of taking action outweighs the potential benefits, risks may be tolerated so no further action is proposed.
- Reduce - Most risks will fall into this category. The aim of treatment is to contain the risks to an acceptable level as eradication is not possible. Risks are treated through a series of internal controls.
- Avoid - In extreme cases, risks may be uncontrollable to the point where terminating the activity is the only way of managing the risk. This may not always be possible where activities form part of the organisation's statutory duties.

In deciding to reduce risk, proposed actions will be recorded on the risk register on the form of an action plan which will include:

- Action required;
- Responsibility for action;
- Timescales;
- Resources required.

Where the revised risk score is acceptable, no immediate action is required but the risk will need to be monitored via the early warning indicators/assurance plan noted on the risk register (see below).

Obtaining assurances on the effectiveness of key controls – monitoring the risk register and action plans

Step 1 - Identifying assurance needs

34. The Accounts and Audit Regulations 2003 state that authorities should establish procedures to provide sufficient assurance that risks are being managed, in other words that the system of internal control is operating effectively.
35. For each risk identified, there will be a series of “early warning indicators” or “assurance mechanisms” put in place. These indicators/mechanisms will be designed to highlight whether controls are operating effectively and whether there is a problem, which requires further action. They may include:

Management assurance activity

- KPI's
- Project status reports
- Performance Matters
- Management monitoring reports
- Business Continuity plan (both for the Council as a whole and Corporate Boards individual plans for parts of it)
- Disaster Recovery Plan

External assurance activity

- Customer feedback
- Staff surveys/MORI results
- Independent surveys/research
- Performance outcome results
- Internal audit reports
- External audit reports
- Inspection reports

Step 2 - Continuous monitoring of risks and action plans

36. In order to ensure that the risk register and action plans are still relevant, they will need to be monitored on a regular basis and at least quarterly. This will involve the following steps:

- Updating the risk register to add new risks, delete risks or amend risk ratings
- Updating the assessment of controls
- Documenting the results of assurance work to confirm that the controls/mitigations identified against each risk are operating as intended. In the event that the above evidence indicates that there may be a problem then risk scores will need to be revisited and a management decision made as to whether further action is required.
- Assessing the progress made in implementing agreed actions and or the assurance provided through the source of assurance. Where action has been completed or satisfactory assurance obtained, then the risk scores should be revisited.
- Reporting on the current status of risks to the members of the Wider Leadership Team, City Executive Board and Audit and Governance Committee.

Step 3 - Evaluating Assurance

37. Having received assurance from various sources, the Audit and Governance Committee will review the level of assurances in relation to key risks and ask the following questions:
- What are the results of assurance work?
 - Are there any gaps in assurance over key risks?
 - Do assurances indicate that there are improvements required in the control environment?
38. The Audit and Governance Committee will then prepare an annual report to the Leader and Chief Executive, prior to the signing of the Statement on Internal Governance, commenting on the effectiveness of risk management arrangements and giving a view on the adequacy of internal control arrangements.

Preparing the Statement on Internal Governance (SIG)

39. The Accounts and Audit Regulations 2003 require the publication of a SIC within the financial statements. This represents the end result of the review of internal control including the process of risk management.
40. Guidance in relation to the publication of the SIC is detailed in CIPFA: The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003.
41. Prior to the preparation of the Statement on Internal Governance , each Director and Service Head should produce their own assurance statements highlighting key risks, how these have been managed and the assurance mechanisms in place (see also paragraph 43).

Documenting the risk management processes

42. In documenting the risk management process, the register template at Appendix F should be used for Corporate Risks.

Further guidance on using this form may be obtained from the Head of Finance.

B. Risk Management activity at Service level

43. The City Council has had a process in place which requires Heads of Service to prepare an annual assurance statement at the end of each financial year. This statement confirms that appropriate consideration of risk has been carried out in the year. In addition, it sets out any known significant risks, and control weaknesses. An example is shown at Appendix G
44. As part of the Service Transformation planning cycle individual service areas also complete a risk register. This risk register is included in the individual Service Transformation Plans with direct links made to achieving both corporate and service objectives.

The methodology for identifying risks is similar to that as described in paragraphs 27-38.

In documenting the risk management process, the register template at Appendix H should be used, along with the risk matrix at Appendix I.

45. As part of the overall risk management processes, Heads of Service should review service risk registers on an ongoing basis and at least quarterly, identifying the levels of assurance being gained as part of risk management actions and activities. Where risks are not being managed effectively, such as mitigating actions not providing assurance, or an increase in risk profile occurs, Heads of Service have the responsibility of escalating such cases to Executive Directors who must consider each case with a view for inclusion within the Strategic Risk Register.
46. The general threshold for escalation is that the residual risk score is 10 or above (this is the residual impact score multiplied by the residual impact score) – this will apply to service, project and programme risks.
47. The output of quarterly reviews of service risk register updates will be collated and reviewed by the Strategy & Resources Board as part of its remit for oversight of risk management.

C. Risk Management activity at Project and Programme level

48. The Business Transformation Strategy informs the objectives of the Transformation Programme and provides the framework for enabling the delivery of Oxford City Council's strategic objectives for improving value for money and improving performance of services

49. The Transformation Programme Risk Management Framework defines how projects and the Transformation Programme will be appropriately risk assessed in line with corporate guidance and as part of good practice standards for project and programme management
50. Risks to the objectives of the Transformation Programme will be escalated to the Transformation Programme Risk Register. Risks to corporate objectives or the objectives of the Business Transformation Service Plan will be escalated to the Business Transformation Service Plan Risk Register. The Transformation Board reviews project and programme risks monthly.

6. Risk management activity and the control environment

51. Governance is the system by which councils direct and control their functions and relate to their communities. In other words, the way in which they manage their business. The fundamental principles are openness, integrity and accountability. This Risk Management Strategy forms part of Oxford City Council's corporate governance arrangements and is a key part of the control environment.
52. Risk management is not something which is new to the Council. Most of the Council's activity is directed at managing risk although it may not always be described as such. Some examples of existing risk management activity are noted below:

Internal Control

53. Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of objectives.
54. A council's system of internal control is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. All staff are involved in exercising internal controls whether it be sending reminder letters to chase up outstanding debts, authorising invoices for payment or monitoring the achievement of KPI's.

Performance Management

55. Risk management is closely aligned to Performance Management. By managing performance and monitoring against targets, key risks will be managed on an ongoing basis. The Council has a well developed performance management process that includes reporting to the City Executive Board and Scrutiny Committees. Staff and Councillors can:
- Access performance information via Corvu
 - Read the monthly Performance Matters financial and performance reports

Financial Management

56. The Council undertakes a range of risk management activity to manage its financial risks including establishing financial policies and procedures, putting in place arrangements to enforce compliance such as authorisation levels, delegated limits, rules for procurements and a budget monitoring process that ensures the Council achieves its spending plans.

Project and Programme Management

- 57 The Council carries out a number of key projects to ensure that it can achieve its aims and objectives. As part of overall project management processes, risks associated with projects are identified. These risks are reviewed and managed by Project Sponsors and related Project Boards to ensure that the Council achieves the specific project aims and objectives. Overall programme management in accordance with the Business Transformation Strategy delivers risk management through the Transformation Programme Risk Management Framework.

7. Monitoring and Key Indicators of Success

58. Oxford City Council's Risk Management Strategy will be reviewed annually. Progress against the actions identified to mitigate risks will be monitored quarterly. Annual review and quarterly monitoring will be to the appropriate forum i.e. Executive Directors/ Wider Leadership Team, Audit and Governance Committee etc.
59. The ultimate measure of effective risk management is that the Council:
- has resilience to deliver its services and core objectives
 - is protected from the possibility of being impacted by an unforeseen risk
 - is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
 - is able to take cost-effective measures to reduce or eliminate the effects of negative risk
 - is able to identify, and take maximum advantage of, the occurrence of positive risk.
60. Oxford City Council will use both outcome and process based risk performance indicators to monitor the success of its Risk Management Strategy.
61. The outcome based risk management performance indicators are:
- no major unforeseen disasters, and foreseen risks should not have significantly greater impact than predicted and accepted
 - greater ability to manage foreseen risk effectively
 - all members agree that they are sufficiently informed about risk management to ensure they can undertake their role
 - the council achieves its Corporate Plan targets
 - projects delivered to agreed outcomes
 - positive direction of travel on management key risk areas
62. The process based risk management performance indicators are:
- that the council receives an improved score as part of its CPA Use of Resources assessment.

8. Training

63. To effectively embed risk management across the whole of the organisation, members and staff will need to continue to gain the appropriate skills. As part of performance appraisal, the training needs of members and staff will be considered. The Learning and Development team will oversee the delivery of risk management training as with all training provided by the Council. It is however recognised that:

- key members of staff and Members will need specific training on the methodology and the skills required;
- other staff will need general awareness training to develop the “hearts and minds” element of the process and reinforce a culture of effective risk management across the organisation.

Appendix A

Risk Management Policy Statement

Oxford City potentially faces a wide range of risks, threats and hazards that can limit its capacity to fulfil the delivery of the Corporate Plan and associated objectives. Oxford City will therefore pro-actively manage those risks (both strategic and operational) in a balanced, structured and focused way. Oxford City Risk Management objectives will be to:-

-
- ensure risk management is part of strategic and operational management decision making, planning and implementation;
 - manage risks in accordance with best practice, as part of good corporate governance;
 - take account of internal and external changes that may impact on the organisation's risk profile;
 - respond to risk in a balanced way, mindful of the risk level, risk reduction potential, cost/benefit, and relationship to resource constraints and limitations;
 - raise awareness for the need for risk management.
-

These objectives will be met by:-

- establishing clear roles and responsibilities;
- providing training and support for those under-taking risk management activities;
- identifying risks and ensuring the identified risks are monitored and reviewed on a continuous basis in line with Oxford City's processes of accountability;
- reviewing the effectiveness of the risk management policy and strategy regularly.

Appendix B

Roles and Responsibilities

| ROLE | RESPONSIBILITIES |
|---|--|
| The City Executive Board | <ul style="list-style-type: none"> • Oversee effective risk management across the Council • Agree Oxford City Council's Risk Management Strategy • Ensure that a strategic risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored • Ensure that the risk strategy and strategic risk register are reviewed at least annually • Approve the SIG |
| Audit and Governance Committee | <ul style="list-style-type: none"> • Ensure that risk management is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors through regular review of the risk register • Approve an annual statement on the risk management processes in place, their effectiveness, and details of any improvements required • Advise the City Executive Board on the content of the SIG • Review assurances that risks are being managed on behalf of the City Executive Board |
| Other Members | <ul style="list-style-type: none"> • Scrutinise the Executive's decisions to ensure that they meet the requirements of effective risk management • Facilitate a risk management culture across the Council by encouraging officers to present options within in a risk framework • Take decisions that have regard to risk management implications |
| Chief Executive and Executive Directors | <ul style="list-style-type: none"> • Lead risk management across the Council • Advise members on effective risk management and ensuring that members receive regular monitoring reports on the status of risks |

| ROLE | RESPONSIBILITIES |
|--|---|
| | <ul style="list-style-type: none"> • Recommend to members a risk management strategy • Ensure effective implementation, monitoring, and review of the Council's Risk Management Strategy • Identify and manage the strategic risks and opportunities facing the Council through establishing a strategic risk register and agree this with the City Executive Board • Be responsible for ensuring that the Council fully complies with all Corporate Governance requirements, including the Annual Statement of Internal Governance |
| Executive Directors | <ul style="list-style-type: none"> • Ensure that risk management, within their Directorate, is implemented in line with the Council's Risk Management Strategy • Appoint a risk officer for their directorate to progress effective risk management that adheres to corporate guidelines, across their directorate • Identify and manage risks within their Directorate and ensure that mitigating actions are regularly reported • Prepare annual assurance statements for their Directorate |
| Risk Champion (Head of Finance) and Risk Group | <ul style="list-style-type: none"> • Advise on risk management arrangements • Oversee the delivery of risk management training • Assist the Audit and Governance Committee in reviewing the effectiveness of risk management arrangements |
| Risk Manager | <ul style="list-style-type: none"> • Support all staff including directorate risk officers in delivering risk management activity • Ensure timely update of risk registers for reporting to Audit and Governance Committee • Preparation of Corporate reports on risk management • Developing links between service registers and corporate risk register |
| Strategy and resources Board | <ul style="list-style-type: none"> • Review and challenge Corporate Risks and related scores |
| Transformation Board | <ul style="list-style-type: none"> • Ensuring projects are appropriately risk assessed in line with corporate guidance • To review risk assessments throughout project lifecycle |

| ROLE | RESPONSIBILITIES |
|---|--|
| Wider Leadership Team/ Heads of Service | <ul style="list-style-type: none"> • Review corporate risk register challenging risks contained there in as a collective group, agreeing key corporate risks for reporting to Audit and Governance Committee • Ensure that risk management within their area of responsibility is implemented in line with the Council's risk Management Strategy • Identify, analyse and profile risks arising from their areas of responsibility within their Service Plans, and prioritise and initiate action on them • Report systematically and promptly, to the Director, any perceived new risk or failures to existing control measures • Report the results of their unit risks to directors via team meetings in order to provide assurance on the effectiveness of controls in place to mitigate or reduce risks • Prepare annual assurance statements for Directors in line with corporate guidance |
| Staff | <ul style="list-style-type: none"> • Understand their accountability for individual risks • Understand how they can enable continuous improvement of risk management and risk awareness. • Report systematically and promptly to their manager any perceived new risks or failures of existing control measures • Ensure that internal controls are robust and operating correctly |
| Internal Audit | <ul style="list-style-type: none"> • Audit the key elements of the Council's Risk management process • Use the results of the Council's risk management process to focus and inform the overall internal audit plan • Assist the Council by offering risk management support and advice |

Appendix C

| Generic Project Risk Categories to Consider when Identifying Risks | |
|--|---|
| Strategic and commercial: | Under performance to spec |
| | Mgt performance failure |
| | Contractor collapse |
| | Insolvency of promoter |
| | Supplier fails to meet contractual obligations |
| | Insufficient capital |
| | Insufficient revenue |
| | Market fluctuations |
| | Fraud, theft |
| | Partnership failure |
| | Non-insurable situations |
| Economic, financial and market: | Exchange rate fluctuation |
| | Interest rate instability |
| | Inflation |
| | Shortage of working capital |
| | Failure to meet projected revenue targets |
| | Market developments that adversely affect plan |
| Legal & regulatory: | Changed legislation invalidates assumptions in plan |
| | Failure to obtain appropriate approval or consent |
| | Unexpected regulatory controls or licensing requirements |
| | Changes in tax or tariff structure |
| Organisational, mgt & human factors: | Mgt incompetence |
| | Inadequate corporate policies |
| | Inadequate adoption of mgt practices |
| | Poor leadership |
| | Key personnel have inadequate authority to fulfil their roles |
| | Poor staff selection |
| | Vested interests create conflict and compromise overall aims |
| | Individual or group interests given unwarranted priority |
| | Personality clashes |
| | Indecision or inappropriate decision-making |
| | Lack of operational support |
| | Inadequate or inaccurate information |
| | Health & safety constraints |
| Political: | Change of government or council policy |
| | Change of government or council administration |
| | War and disorder |
| | Adverse public opinion or media interest |
| Environmental: | Natural disaster |
| | Storms, floods, tempests |

| Generic Project Risk Categories to Consider when Identifying Risks | |
|---|---|
| | Pollution incidents |
| | Transport problems including air, rail and road vehicle collision |
| Technical, operational & infrastructure: | Inadequate design |
| | Professional negligence |
| | Human error or incompetence |
| | Infrastructure failure |
| | Operation lifetime lower than expected |
| | Residual value of assets lower than expected |
| | Increased dismantling or decommissioning costs |
| | Safety being compromised |
| | Performance failure |
| | Residual maintenance problems |
| | Scope 'creep' |
| | Unclear expectations |
| | Breaches in security or information security |
| | Lack of or inadequacy of business continuity |

Appendix D

Risk Methodology

The 5 by 5 matrix below is used to assess Corporate Risks

| Probability | Event is expected to occur in most circumstances | >80% | Almost Certain | 6 | 5 | 10 | 15 | 20 | 25 |
|-------------------|---|--|---|---|--|-------|----------|-------|--------------|
| | Event will probably occur in most circumstances | 60-80% | Likely | 4 | 4 | 8 | 12 | 16 | 20 |
| | Event should occur at some time | 20-60% | Possible | 3 | 3 | 6 | 9 | 12 | 15 |
| | Event could occur at some time | 10-20% | Unlikely | 2 | 2 | 4 | 6 | 8 | 10 |
| | Event may occur only in exceptional circumstances | <10% | Rare | 1 | 1 | 2 | 3 | 4 | 5 |
| | | | | | 1 | 2 | 3 | 4 | 5 |
| | | | | | Insignificant | Minor | Moderate | Major | Catastrophic |
| Life | Resolution would be achieved during normal day to day activity | Resolution would require input from regional management team | Resolution would require input from Executive team | Resolution would require the mobilisation of a dedicated project team | Resolution would require input from the Board | | | | |
| Finance | Less than 1% error impact | 1% to 3% impact | 3% to 10% impact | 10% to 20% impact | Greater than 20% | | | | |
| Environment | On-site environmental exposure immediately contained | On-site environmental exposure contained after prolonged effort | On-site environmental exposure contained with outside assistance | On-site environmental exposure contained with outside assistance | Environmental exposure offsite with detrimental effects | | | | |
| Reputation | Little to no frequency press | Series of articles in local frequency press | Controlled negative frequency media coverage | Short term negative national media coverage | Extensive negative national media coverage | | | | |
| Regulatory | Minor breaches by individual staff members | No fine and no suspension to scheduled services | Fine but no suspension to scheduled services | Fine and suspension to scheduled services | Significant suspension to services over an extended period of time | | | | |
| Management effort | An event, the impact of which can be absorbed through normal activity | An event, the recovery of which can be achieved but management effort is required to minimise the impact | A significant event which can be managed under normal circumstances | A significant event which with proper management can be contained | A disaster with potential to lead to collapse of the business | | | | |
| Impact | | | | | | | | | |

Appendix E

Control Menu

A control can be described as “any method, procedure, equipment or other things that provide additional assurance that objectives will be achieved”. Controls may take different forms, some examples are given below.

| | |
|--|--|
| <p>Purpose: Definition and Communication</p> <ul style="list-style-type: none"> • Clearly defined mission, vision • Clearly defined values • Clear service objectives • Clear personal objectives • Clear policies • Communication of objectives throughout the organisation • Policy on corporate conduct, values and standards | <p>Direct Controls</p> <ul style="list-style-type: none"> • Physical safeguarding of assets • Reconciliations • Segregation of duties • Restricted access • Internal checks • Supervision |
| <p>Commitment</p> <ul style="list-style-type: none"> • Job descriptions • Performance contracts • Performance appraisal system • Promotion/advancement policies • Clear accountability lines • Disciplinary and reward policies | <p>Indicator/measurement</p> <ul style="list-style-type: none"> • Customer surveys • Benchmarking • Complaints systems • Internal complaint/query systems • Supervisor measurement |
| <p>Planning and risk assessment</p> <ul style="list-style-type: none"> • Short, medium and long term planning • Contingency planning • Disaster recovery plans • Corporate risk management process • Corporate approach to continuous improvement | <p>Employee well-being morale</p> <ul style="list-style-type: none"> • Employee surveys • Team meetings • Personal and career planning • Management feedback systems |
| <p>Capability/Continuous learning</p> <ul style="list-style-type: none"> • Recruitment and selection procedures • Training methods and strategy • Career planning • Performance evaluation | <p>Process Oversight</p> <ul style="list-style-type: none"> • Committee reporting • Management monitoring/supervision |

Appendix F

Example Corporate Risk Register

| Risk 1 Failure to ensure sufficient management capacity and capability | | | | | | | | | | | | | | | | | | | | | | |
|---|----------------------|---------------------|----------------------|--------------------|-----------------------|-------------------|-------------------|--|-------------------|-------------|-----------------|---------------------------|---------------------------|---------------------|---|------------------|----------------|---------------------|----|----|----|----|
| CP All | | | | | | | | | | | | | | | | | | | | | | |
| Impacts | | | | | | | | | | | | | Lead Officer | | Actions | | | | | | | |
| Account Unit | Management direction | Performance | Impaired Performance | Breach of Contract | Staff morale | Govt intervention | Financial Control | Reputation | Health and Safety | Environment | Strategy change | Initial Impact Score | Initial Probability Score | Lead Officer | Action/Assurance | Required outcome | milestone date | accountable officer | q1 | q2 | q3 | q4 |
| ■ | ■ | ■ | ■ | | ■ | ■ | ■ | ■ | | ■ | | 4 | 4 | HOS Human Resources | Ongoing review of actions and assurance mechanism | | | | | | | |
| Impact Score: 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic | | | | | | | | | | | | | | | | | | | | | | |
| Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain | | | | | | | | | | | | | | | | | | | | | | |
| Causes | | Mitigating Controls | | | Control Owner | Effective Score | Action/Assurance | Required outcome | Date | Officer | Q1 | Q2 | Q3 | Q4 | | | | | | | | |
| | | | | | | Low | | | | | ☹ | ☹ | ☹ | ☺ | | | | | | | | |
| | | | | | | Medium | | | | | | | | | | | | | | | | |
| | | | | | | Medium | | | | | | | | | | | | | | | | |
| | | | | | | Medium | | | | | | | | | | | | | | | | |
| | | | | | | High | | | | | | | | | | | | | | | | |
| Net risk score after mitigating actions | | | | | Net probability score | | 4 | Revised risk score based upon effectiveness of action and assurances | | | | revised probability score | | 4 | 4 | 4 | 4 | | | | | |
| | | | | | Net impact score | | 3 | | | | | revised impact score | | 3 | 3 | 4 | 2 | | | | | |

Appendix G

The System of Internal Control

Financial Year Ended 31st March xxx

I acknowledge responsibility for ensuring that an effective system of internal control is maintained and operated in the Service. The system of internal control is based on a framework of regular management information, risk management processes, financial regulations, administration procedures, management supervision, and a system of delegation and accountability.

In particular the system includes the following controls:

- **The existence of a risk register, which identifies key risks that threaten the achievement of objectives and analyses controls in place to manage them;**
- Regular reviews of performance against targets set out in the Corporate and Service Transformation Plan;
- Compliance with Financial Procedures;
- Comprehensive budgeting systems;
- Procurement of expenditure in accordance with regulations;
- Adherence to codes of conduct;
- Detailed project appraisal procedures against which all projects are assessed;
- Monitoring of the performance of projects, programmes and outcomes generated;

The controls identified above are supported by the following Sources of Assurance:

- My monitoring of risk management activities;
- Risk assessments;
- Regular reports showing actual performance against targets set out in the Corporate and Service Plan;
- Monthly management accounts showing comparisons to budget;
- The work carried out by internal/external audit;

Opinion

On the basis of the above I am satisfied that there is an effective system of internal control in place, except for the matters listed below, to manage the principal risks identified:

Please insert any exceptions here for example

- Completing outstanding actions identified by internal audit;
- Implemented effective procedures for project monitoring;

Signed: Head of Service

Date:

Signed: Executive Director/Chief Executive

Date:

Appendix H

Example Service Plan Risk Register

| No. | Risk Description Link to Corporate Obj | Gross Risk | | Cause of Risk | Mitigation | Net Risk | | Further Management of Risk: Transfer/Accept/Reduce/Avoid | Monitoring Effectiveness | | | | C F | |
|--|---|------------|---|---------------|---|--|---|---|--------------------------------------|-------------|-------------|-------------|-------------|---|
| | | I | P | | | I | P | | Q 1 | Q 2 | Q 3 | Q 4 | | |
| Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic | | | | | | Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost C | | | | | | | | |
| 1 | | I | P | | Mitigating Control: Level of Effectiveness: (HML) | I | P | Action: Action Owner: Mitigating Control: Control Owner: | Outcome required: Milestone Date: | Q 1 ☹ | Q 2 ☹ | Q 3 ☹ | Q 4 ☹ | I |
| 2 | | | | | Mitigating Control: Level of Effectiveness: (HML) | | | Action: Action Owner: Mitigating Control: Control Owner: | Outcome required: Milestone Date: | | | | | |
| 3 | | | | | Mitigating Control: Level of Effectiveness: (HML) | | | Action: Action Owner: Mitigating Control: Control Owner: | Outcome required: Milestone Date: | | | | | |
| 4 | | | | | Mitigating Control: Level of Effectiveness: (HML) | | | Action: Action Owner: Mitigating Control: Control Owner: | Outcome required: Milestone Date: | | | | | |

Appendix I

Risk Methodology

The 5 by 5 matrix below is used to assess Service Area Risks

| Probability | Event is expected to occur in most circumstances | >90% | Almost Certain | 5 | 5 | 10 | 15 | 20 | 25 | | | | | | | | | | | | | | | | |
|---|---|----------|----------------|---|---------------|--|----------|-------|--------------|--------|---|--|--|--|--|---|--|--|--|--|--|--|--|--|--|
| | Event will probably occur in most circumstances | 50-90% | Likely | 4 | 4 | 8 | 12 | 16 | 20 | | | | | | | | | | | | | | | | |
| Event should occur at some time | 30-50% | Possible | 3 | 3 | 6 | 9 | 12 | 15 | | | | | | | | | | | | | | | | | |
| Event could occur at some time | 10-30% | Unlikely | 2 | 2 | 4 | 6 | 8 | 10 | | | | | | | | | | | | | | | | | |
| Event may occur only in exceptional circumstances | <10% | Rare | 1 | 1 | 2 | 3 | 4 | 5 | | | | | | | | | | | | | | | | | |
| | | | | | 1 | 2 | 3 | 4 | 5 | | | | | | | | | | | | | | | | |
| | | | | | Insignificant | Minor | Moderate | Major | Catastrophic | | | | | | | | | | | | | | | | |
| Time | Resolution would be achieved during normal day to day activity | | | | | Resolution would require input from senior management | | | | | Resolution would require input from Head of Service | | | | | Resolution would require the mobilisation of a dedicated project team | | | | | Resolution would require input from the Executive Director/Chief Executive | | | | |
| Finance | Less than 1% or no impact on service budget | | | | | 1% to 3% impact on service budget | | | | | 3% to 10% impact on service budget | | | | | 10% to 20% impact on service budget | | | | | Greater than 20% on service budget | | | | |
| Environment | On-site environmental exposure contained | | | | | On-site environmental exposure contained after protracted effort | | | | | On-site environmental exposure contained with outside assistance | | | | | Off-site environmental exposure contained with outside assistance | | | | | Environmental exposure offsite with detrimental effects | | | | |
| Reputation | Letter to local industry press | | | | | Series of articles in local industry press | | | | | Extended negative local industry media coverage | | | | | Short term negative national media coverage | | | | | Extensive negative national media coverage | | | | |
| Regulatory | Minor breaches by individual staff members | | | | | No fire and no disruption to scheduled services | | | | | Fire but no disruption to scheduled services | | | | | Fire and disruption to scheduled services | | | | | Significant disruption to services over an extended period of time | | | | |
| Management effort | An event, the impact of which can be absorbed through normal activity | | | | | An event, the consequences of which can be absorbed but management effort is required to minimise the impact | | | | | A significant event which can be managed under normal circumstances | | | | | A critical event which with proper management can be averted | | | | | A disaster with potential to lead to collapse of the business | | | | |
| | | | | | | | | | | Impact | | | | | | | | | | | | | | | |