

Corporate Risk Management Arrangements - Changes to the Management of Risk

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: It is recommended that:

The Audit Committee note the developments in the Corporate Risk Management arrangements as set out below.

1. Introduction

- 1.1 At a recent Leadership Group meeting it was agreed that the County Treasurer would become the Lead Officer for Risk Management; this coincided with an Internal Audit review of the Risk Management Function. In summary, the view of the audit report was that Risk Management has become a more marginal activity, rather than a necessary part of service planning that helps to identify and manage potential risks. Risk Management (like many other functions) has had to deal with staffing reductions and this has probably reduced its effectiveness and impact across the Council.
- 1.2 This report summarises the key recommendations of the Internal Audit report, and the action being taken. These actions have been agreed by Leadership Group and cover four key areas as follows:-
 - Leadership, Management and Governance arrangements;
 - Roles and Responsibilities;
 - Risk Management Processes; and
 - Risk Management Framework.

2. Leadership, Management and Governance Arrangements

- 2.1 Recently there has been some confusion over the respective Risk Management roles of the Audit Committee and the Corporate Services Scrutiny Committee, probably linked to the use of the word “corporate” in different contexts. The Internal Audit made three recommendations in this area - the Council should ensure that there is a clear distinction between the Risk Management roles and responsibilities for the Council’s Committees; that the profile of Risk Management is raised across the organisation; and that members of the risk management group are given training to increase their knowledge and skills.
- 2.2 To address this, the risk management process will need to become more formal and, annually, as part of the same Committee cycle, a report should be taken to each Scrutiny Committee that sets out the risks for that Service Area. These risks will be reviewed by the appropriate Scrutiny Committee and then collated into a composite report going to the Audit Committee which will highlight the top 10 risks faced by the Council and the mitigating actions. The Audit Committee should then satisfy itself as to the process, the equivalence of risk assessment and the effectiveness of mitigation.

- 2.3 The membership of the officer led Risk Management Group will be reviewed to ensure the right representative from each Chief Officer grouping of services is obtained. The Group role is to collate and monitor risks, ensure consistency of assessment, provide peer challenge and prepare the Risk Registers that will go to Scrutiny Committees; training and guidance will be required to enable this role to be performed effectively. Meetings will be chaired either by the County Treasurer or the Head of Devon Audit Partnership.

3 Risk Management Processes

- 3.1 The Audit report made a number of more detailed recommendations. These will be implemented to give the following outcome:-
- All risks would be captured including those that lie with Public Health and the Devon Pension fund that are currently not part of the main risk register.
 - There would be more standardisation of the description and assessment of risks.
 - All risks would be reviewed at least once a year. However, this would not prevent some risks being updated if circumstances changed or new risks being added or deleted as events took place.
 - Service areas would need to take account of risk that resided with third parties such as partners and contractors if that risk could have a significant adverse impact on service delivery.

4. Risk Management Framework

- 4.1 The Audit report compared the risk management framework in Devon with that of other Local Authorities. It suggested that Devon should follow the lead of many other councils and adopt a “three lines of defence model”. This splits risk management into three distinct functions –

The ownership and management of risks
The oversight of risk
The independent assurance of risk

- 4.2 By adopting this framework Service Managers, through service plans, and cabinet members, through their portfolios, would become the owners and managers of risk. CLG and the Risk Management Group would have oversight of risk and the Audit Committee would provide an independent assurance on the process for managing risk.
- 4.3 The Audit report also suggested that this tighter definition of the risk management function is matched by a streamlining of the risk management policy so that it is condensed into a shorter, sharper policy.

5. Roles, Responsibilities and Future Support

- 5.1 The staff support given to the risk management function has gradually reduced over the years. To address this, the Service Level Agreement with Devon Audit Partnership has extended to include the governance of Risk Management arrangements.
- 5.2 Appendix 1 to this report sets out the tasks that DAP are expected to undertake. The administration of risk management is to remain with the existing DCC officer.

6. Conclusion and Recommendations

- 6.1 The Public Sector faces considerable risks and challenges and the world of Local Government is not immune from this. Recent events tell us that fires and floods do happen, and computers and systems do get hi-jacked. We need to be aware of our risks and have a realistic understanding of what we may encounter and how to deal with the impacts. The planned actions in this report will allow the County to improve its Risk Management arrangements.

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Electoral Divisions: All
Appendices Appendix A: Risk Management Support