

Confident, Capable Council Scrutiny Panel

13 June 2018

Report title	Strategic Risk Register	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Wards affected	All	
Accountable director	Claire Nye, Strategic Director	
Originating service	Audit Services	
Accountable employee(s)	Peter Farrow	Head of Audit Services
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Report to be/has been considered by	None	

Recommendations for noting:

The Confident, Capable Council Scrutiny Panel is recommended to:

1. Note the Council's process for maintaining its strategic risk register.

1.0 Purpose

- 1.1 To inform the Confident, Capable Council Scrutiny Panel of the process undertaken in the compilation and maintenance of the Council's strategic risk register.

2.0 Background

- 2.1 At the April Confident, Capable Council Scrutiny Panel meeting, it was agreed by Members that they wished to receive a report on the Council's strategic risk register.
- 2.2 The former Chair of the Confident, Capable Council Scrutiny Panel Councillor Louise Miles was particularly interested in a number of specific questions, and these have been addressed in paragraph 3 below.
- 2.3 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.4 The responsibility for the monitoring of the Council's strategic risk register predominantly sits with the Audit and Risk Committee. Within the Committee's terms of reference, there is a statement of purpose which states:

"The purpose of our Audit and Risk Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place".

The terms of reference go on to state part of their role is:

"To monitor the effective development and operation of risk management in the Council".

"To monitor progress in addressing risk-related issues reported to the committee".

- 2.5 In order to help discharge this role, the strategic risk register is presented to each meeting of the Audit and Risk Committee, who review the register and obtain assurance that key risks are appropriately managed. They also take the opportunity to conduct deep dives by 'calling-in' certain risks for a more detailed review at their next meeting.
- 2.6 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.7 A summary of the strategic risk register that was last presented to the Audit and Risk Committee in March 2018 is included at Appendix 1 of this report. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.

3.0 Progress, options, discussion, etc.

3.1 Specific questions raised by the former Chair of the Confident, Capable Council Scrutiny Panel:

What is the process for adding items to the strategic risk register and how well is this process working in his view? Do items get missed?

There is a two-way process for adding items to the strategic risk register. Risks are either suggested by senior managers and added to the register or identified by Audit Services through their audit work and horizon scanning.

The process is working well, a new Risk Management framework is being developed and the Senior Auditor responsible for risk management has been working with management teams to embed risk management across the Council. As a result, more officers are approaching Audit Services with potential risks, it is anticipated this will increase further as the risk management process becomes more embedded.

In our opinion, items do not get missed and risks are included on the register as they emerge. This is demonstrated by how quickly risks relating to public safety, such as *'safety concerns around the City's tower blocks'* and *'Fire Safety – Public Buildings'* risks were included on the register following the fire at Grenfell Tower.

Are Managers / Service Directors efficient in contacting Audit with items for the register?

As stated above an increasing number of managers and service directors are contacting Audit Services to include items on the strategic risk register. Audit Services are aiming to further develop this by updating the Risk Management framework and continuing to work with senior managers and leadership teams to help embed risk management.

When items are added to the strategic risk register what measures are put in place to reduce the risks and ensure the risk is appropriately managed?

When risks are added to the strategic risk register a risk owner is identified and a risk score is allocated to each risk, mitigating actions, controls and gaps in control are discussed with the risk owner on at least a quarterly basis and documented on risk-maps. Risk-maps are monitored regularly to ensure that controls are being adhered to and mitigating actions put in place. Where appropriate, target dates to reduce risk scores are set, these are monitored to ensure that risks are reduced in accordance with plans.

Where target dates are not met, and controls and mitigating actions are not put in place issues are reported by Audit Services to the Strategic Executive Board (SEB) and the Audit and Risk Committee, in some instances risks scores are increased accordingly.

Is there anything which the Council should be doing better in relation to the production and management of the strategic risk register?

Audit Services are in the process of reviewing and updating the Risk Management framework, once this has been finalised we will be able to ensure that all directorates are following the same procedures with regards to risk management. Adoption of a clear and concise Risk Management framework should also help to embed risk further into the organisation, help ensure that key risks are not omitted from the strategic risk register and that there is a clear and transparent process for risks moving between the strategic risk register and directorate risk registers.

How do Audit manage the subjective nature in identifying the appropriate level of risk for items and when does something become enough of a risk to be placed on the register?

Risks are ultimately owned and scored by the risk owners in conjunction with Audit Services, senior managers and directors. All scores are based on discussions with key officers at all levels.

Risks are scored by assessing the likelihood of the risk occurring and its potential impact. A '5 by 5' risk matrix approach, rating the likelihood and impact of each risk from 1 – 5 using the criteria set out below:

Risk Scoring – Impact

Impact	Score	Descriptor
Low	1	Minimal loss, delay inconvenience or interruption. Can be easily and quickly remedied
Low / Medium	2	Minor loss, delay, inconvenience or interruption. Short to medium term effect.
Medium	3	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover.
Medium / High	4	Major impact on costs and objectives. Serious impact on output / or quality. Medium to long-term effect and expensive to recover.
High	5	Critical impact on the achievement of objectives and overall performance. Critical impact on costs and / or reputation. Very difficult and possibly long-term to recover.

Risk Scoring – Likelihood

Impact	Score	Descriptor	
Low	1	Rare (0-5%)	This risk will only materialise in exceptional circumstances.
Low / Medium	2	Unlikely (5-25%)	The risk will probably not materialise.
Medium	3	Possible (25-60%)	The risk may materialise at some point.
Medium / High	4	Likely (60-80%)	The risk will probably materialise.
High	5	Almost certain (80%+)	The risk will materialise in most circumstances.

The two ratings are then multiplied to give a final score for each risk. Scores can be plotted onto the risk matrix below to identify whether risks are red, amber or green.

Likelihood	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
		Impact				

How often does the strategic risk register get checked and updated?

The strategic risk register is monitored and updated on an ongoing basis, new risks can be included on the register and risk scores can move up and down at any point.

How often does the Audit and Risk Committee see the strategic risk register and is there is enough Member oversight of the register? Who else sees the register and what is their role?

Reports on the strategic risk register are presented to the Audit and Risk Committee on a quarterly basis, prior to presentation to the Committee, reports are issued to each Leadership Team and a report is presented to SEB. In addition to receiving quarterly reports, the Committee also 'call-in' individual risks where they feel they require additional assurance and the relevant risk owner will attend the next Committee meeting.

Does the Council dedicate the appropriate level of resources to manage risk?

Audit Services are responsible for monitoring and updating the strategic risk register and preparing reports for the leadership teams, SEB and the Audit and Risk Committee. The team have a Senior Auditor who is responsible for the strategic risk register with support provided from the Head of Audit Services the Audit Business Partners.

Directorate risk registers are managed by individual directorates with support from Audit Services.

How does our strategic risk register management processes compare to other Councils and are we doing more than we are statutory required to do?

A comparison to other Councils have identified similar processes, the majority of councils also present their risk registers to their respective Audit Committees. The Council's Head of Audit also acts in that role in a number of other organisations including Sandwell Metropolitan Borough Council, West Midlands Combined Authority, West Midlands Fire Service and the West Midlands Pensions Fund, this also allows a reasonable comparison to be made. There are no specific statutory requirements with regards to risk management, although it is widely regarded as good practice to maintain such a register.

An explanation of how items get removed or the risk changed from the strategic risk register when they are no longer considered important enough to feature on the register.

Items are either de-escalated to a departmental risk register, demonstrated by the *Community Cohesion Risk* that was de-escalated to a departmental risk register in December 2017, or archived when they are no longer applicable. Both de-escalated and archived risks are reported to SEB and to the Audit and Risk Committee. A record of all risks removed from the strategic risk register is maintained by Audit Services.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report.[]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. []

6.0 Environmental implications

6.1 There are no environmental implications arising from the recommendations in this report.

7.0 Human resources implications

7.1 There are no human resources implications arising from the recommendations in this report.

8.0 Corporate landlord implications

8.1 There are no corporate landlord implications arising from the recommendations made in this report.

9.0 Schedule of background papers – None