Audit Committee – 20 April 2015

Revised Corporate Risk Management Strategy (CRMS) – 2015/16

1.   Summary of report

1.1   The corporate risk management strategy (CRMS) was last revised and approved in February 2014. The document has now been reviewed and the revised strategy is attached at **Appendix 1**. This strategy has been discussed and endorsed by the Corporate Management Team (CMT). The strategy will continue to evolve as the organisation does and further revisions and updates will be provided as and when appropriate.

2.   Background papers

2.1   Risk Management Strategy 2014

3.   Recommendations

1. Endorse the revised corporate risk management strategy.

4.   Resource and legal considerations

Risk management is a key aspect of the council's governance framework and an integral part of corporate planning. It should enable resources to be targeted appropriately, projects to be managed effectively and the council's risk exposure to be minimised, whilst ensuring the organisation is able to seize and maximise its opportunities. Effective risk management can also assist in reducing insurance costs and mitigating legal claims.

5.   Governance

The council must meet its statutory requirements, as stipulated within the Accounts and Audit Regulations 2011 as follows:

- Regulation 4 (1) – The relevant body is 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.
- Regulation 4 (2) – The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, the body or committee must approve an annual governance statement, prepared in accordance with the proper practices in relation to internal control.

The council has established an audit committee, the purpose of which is to provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the

authority's exposure to risk and weakens the control environment and to oversee the financial reporting.

One of the audit committee's delegated functions is to consider the effectiveness of the council's risk management arrangements seeking assurance that action is being taken on risk related issues identified by auditors and inspectors, and reviews the effectiveness of key control strategies including risk management.

6.   Risk management issues
The revised corporate risk management strategy (CRMS) seeks to develop, strengthen and refine processes already in place. It defines the roles and responsibilities; process implementation; and how it connects with corporate planning, programme/project management, business change initiatives and partnership working.

Audit committee endorsement is clear evidence of the recognition of the importance and value of risk management and further emphasises the council's commitment to continuous improvement; focusing on outcomes and issues that will make a difference not only to the organisation but to the community it serves.

The risk management strategy has been revised bearing in mind that as a result of budgetary constraints going forward, and capacity issues within the risk and insurance team, it is unlikely that future capacity will allow as much support to executive directors and directorate management teams in reviewing and managing risk registers. Emphasis has been placed upon all individuals at all levels for the need for the approach to risk management to be proportionate to the level of risk present [explained in Part 2 of the strategy] including any business change initiatives or major projects. The revised strategy has been split as follows:

Part 1
This contains a policy statement detailing the approach to risk management at the council and its economic control.

Part 2
This contains the actual risk management process and how it should be applied in approaches across the organisation detailing the process for escalation / devolvement and the roles/responsibilities of officers engaged in the process.

7.   Equality implications

None arising directly from this report.

9.   Consultation

Other councils and external bodies ie: ALARM, IRM, CIPFA, British Standard ISO 31000.

James Walsh
Chief Finance Officer
8 April 2015

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Corporate Risk Management Strategy

Part 1 : Strategy

Part 2 : Risk management process

Version 1.8

Revised March 2015

Walsall Council

Part 1: Strategy

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Foreword

The council's approach on managing risk is simple. The council will identify and manage its risks. Its strategy for doing so is outlined in the following document.

As Chief Executive of Walsall Council I will seek to ensure that there are effective corporate governance arrangements across the council which includes ensuring that the council's risk management strategy is formally embedded within the organisation.

The principles of corporate governance apply as much (if not more) in the public sector as they do in the private sector in exercising our community leadership role, working with a wide range of partners, providing diverse and sensitive services and making decisions that impact on the lives of residents, visitors, businesses and other stakeholders and protecting the public purse. The aim is to ensure that the council is well prepared to take on the many new challenges it will be required to face in the future which will include identifying risks at an early stage and putting actions in place to manage these.

We must not lose sight of the fact that risk is inextricably linked to opportunities and innovation. The council cannot be risk averse and it needs to take full advantage of opportunities for improving services. Therefore it needs to be pro-active and prepared in the way that it manages risk.

By managers having a better understanding of the importance of, and fully implementing risk management, a huge contribution will be made to maintaining and where appropriate, improving the overall corporate governance within the council. Better identification of risks and their management will mean that better use of resources is achieved. If we all use the resources available to us more efficiently and effectively then the service to our customers can only improve.

The responsibility to provide independent assurance on the adequacy of the risk management framework rests with the audit committee. It is their role to seek assurance from officers that action is being taken on risk related issues identified by auditors and inspectors. The audit committee plays an important role in considering the effectiveness of the councils key control strategies which includes its risk management arrangements. Its endorsement is clear evidence of the recognition of the importance and value of risk management and further emphasises the council's commitment to continuous improvement, focusing on outcomes and issues that will make a difference not only to the organisation but to the community it serves.

This strategy enables everyone involved with the delivery of council services to have a thorough understanding of how important the management of risk is to them achieving the objectives of their service in meeting the needs of the people of Walsall. I ask you to ensure that risk management continues to be embedded within the culture of the organisation.

This strategy and the risk management methodology provide a framework to be used by all levels of staff and members in the embedding of risk management as an integral part of good management and good business practice. Applied without exception the council will have a robust framework for managing its risks and ensuring it embraces opportunities.

Paul Sheehan, Chief Executive   Fred Bell, Chair of Audit Committee
Date: 20th April, 2015   Date: 20th April, 2015

Risk management Policy Statement

It is the policy of the authority to identify, analyse and economically control the risks that threaten the objectives (both strategic and operational) or assets of the authority.

The aims in achieving this are:-

- Ensure that service delivery is not disrupted.
- Provide a safe environment for those who come into contact with the Authority.
- Take all reasonable steps in the management of risk.
- Protect the assets of the authority.

In implementing the general statement it is our policy to:-

- Identify the risks that threaten the objectives or assets of the authority.
- Evaluate the consequences of the identified risks on the authority and their likelihood and impact.
- Take reasonable steps to reduce the likelihood and/or impact of the identified risks. Where it is not economically prudent to control identified risks further we will:
  o Retain the risk where it is economically advantageous to do so.
  o Transfer the risk to a third party via contact or an insurance policy.
- Establish a corporate risk management strategy and process.
- Provide training, guidance and support to officers and members to help them understand and implement the policy in a consistent manner.

The aim of risk management is to allow business risks to be taken within a structured and transparent framework that encourages the taking of appropriate risks. The risk management process is the tool that is used to demonstrate that risks have been considered in an appropriate, structured and consistent way.

Introduction

The council recognises that there are risks involved in everything it does and it has a duty to manage these risks in a balanced, structured and cost effective way. Approval and publication of this risk management strategy supports this intention. The document:

    (a) is fully supported by council members, the Chief Executive and the Corporate Management Team who are accountable for effective risk management within the council;

    (b) explains the council's underlying approach to risk management documenting the roles and responsibilities of members, officers and other key parties for the ongoing management of risk as well as explaining key aspects of the council's risk management process; and

    (c) forms part of the council's overall internal control and governance arrangements.

The council's Constitution clearly sets out that the council shall manage its risks through a planned, commercially balanced and systematic approach to its identification, evaluation and control. The objectives of risk management shall be to safeguard the council's position and to ensure its financial and organisational well-being. It sets out the role of Audit Committee and that of council officers. A link to the Constitution is shown below: http://www2.walsall.gov.uk/CMISWebPublic/PublicDocuments.aspx?folderID=2

It is important to understand that risk management is about being risk aware and making the most of opportunities, rather than being risk averse and avoiding risk altogether. In order to meet our objectives it is appreciated that some risks must be taken. It is important, however, that these risks are actively managed. One of the biggest risks that Walsall Council could face would be to do nothing at all.

Risk management is the process by which risks are identified, evaluated and managed. It is integral to the framework for corporate governance and can have a major impact on the achievement of our key objectives and service delivery to the community. Effective risk management enables the council to minimise risk to service users, residents and partners as well as having positive effects on community safety and environmental impacts which, in turn, reflects on the council's overall performance, reputation and customer perception. The Corporate Risk Management Strategy (CRMS) will help support and underpin our priorities.

Risk management is integral to a well managed council. It is crucial that the aims and objectives of directorates or the council as a whole can be clearly linked with the risks involved. This strategy seeks to ensure that the risks to services achieving their aims and objectives are identified and effectively managed.

Context

Why do we have a risk management strategy
- It is considered good practice to identify, evaluate and manage risk to ensure the well-being of the organisation.
- It will alert Cabinet, Audit Committee, the Corporate Management Team and other stakeholders to the main service and financial risks. This will allow early and proportionate management handling.
- Better decision making and the achievement of objectives. When embedded within existing planning, decision taking and option appraisal processes, risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.
- Provides assurance to members and management on the adequacy of arrangements for the conduct of business and the use of resources. This links in to the completion of the annual governance statement whereby Audit Committee, the Leader of the Council and the Chief Executive must annually certify the effectiveness of internal controls within the council   Risk management informs this process and should be used to demonstrate that the organisation is actively identifying key risks, reviewing the appropriateness and effectiveness of key controls against these risks, highlighting areas of significant control weakness and demonstrate that these are being actively addressed.
- Leads to greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures. In some cases this can result in lower insurance premiums.
- Analysis of claims data helps determine any future loss control measures.
- Managed well it can support provision of value for money for Walsall tax payers.

As well as being considered best practice and being integral to corporate governance it is also a statutory requirement. Our policy has due regard to the appropriate Accounts and Audit Regulations 2011 that require the council to have in place arrangements for the management of risk and ensure the council is fully compliant with the following:

Regulation 4(1) *"the relevant body* (The Council) *is 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.*

Regulation 4(2) *"the relevant body* (Audit Committee in Walsall) *must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review the body or committee must approve an annual governance statement, prepared in accordance with the proper practices in relation to internal control.*

Part 4 of the council's Financial and Contractual Rules (Section 7 – Financial Rules, paragraphs 4.1 and 4.2) places responsibility with all managers to ensure they perform their duties in accordance with the council's risk management framework (this includes identifying, evaluating, recording and managing the risks existing within their service area) and maintaining sound systems of internal control within their area of service delivery. The link below details the relevant sections:
http://inside.walsall.gov.uk/index/audit_financial_and_contract_rules.htm

The council has to review the annual governance statement (AGS) which is required to be signed by the Leader of the Council and the Chief Executive. The key aspect of the system of internal control is the identification of key risks to the organisation and key controls needed to mitigate these risks and a key component of this is performance.

Greater involvement and awareness of risk management regarding the implications of decisions taken by members is essential to improve corporate governance and risk management. The emphasis is on being risk aware rather than risk averse. By identifying risks at an early stage and ensuring that processes are not over engineered, are fit for purpose, and are achieving a behavioural shift, risk management will encourage a cultural change that will result in positive pay back.

Risk management is not a compliance issue, but rather a way of viewing our operations with a significant impact on long-term viability. It is critical to success and is a focal point for officers and members. It can help us to demonstrate openness, integrity and accountability in all of our dealings. It should be focussed on outcomes by ensuring that risks are identified and managed before they become issues thus ensuring less service interruption, timely delivery of services and projects and better outcomes for local people.

It is vital that we develop the use of risk management in our dealings with third parties such as through partnerships, contracts and major procurements. While these areas contain significant risks for the council, they also have the potential to provide significant benefits if well managed. The use of risk management to mitigate risks while also exploring opportunities is important in ensuring that these working arrangements contribute positively to service delivery.

The Council's risk management strategy's objectives are to:
- Ensure that risk management is used as an effective business tool focussed on improving outcomes for local people whilst maintaining an effective and easily auditable process.
- Improve business planning through a risk based decision making process.
- Integrate risk management into the culture of the organisation.
- Anticipate and respond to changing social, political, environmental and legislative requirements.
- Mitigate against and, where possible, prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the importance and need for risk management by all those connected with the council's delivery of services.

These objectives will be achieved by:
- Establishing clear roles and responsibilities within the council for risk management.
- Providing opportunities for shared learning on risk management across the council.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by providing training.
- Incorporating risk management considerations into all levels of service delivery.
- Reporting of arrangements, at all levels, on an on-going basis.

The Corporate Risk Management Process details the agreed arrangements that should operate to ensure the effective management of risk across the council. It should be noted that whilst the council has developed an approach that best meets its own needs the arrangements take into account national good practice, where appropriate for Walsall.
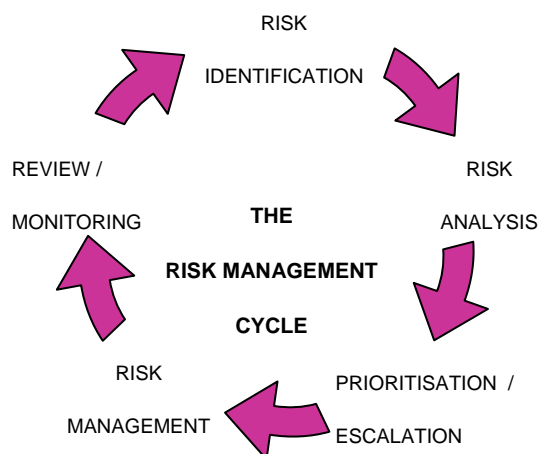
Part 2 : Risk management process

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The Risk Management Process

For this strategy to be effective there must be a commitment to implement it throughout the council. People at all levels should be able to demonstrate their commitment to risk management by identifying, profiling and prioritising corporate and cross-cutting risks.

The diagram below identifies the risk management process.

RISK

IDENTIFICATION

REVIEW /

MONITORING

THE

RISK

ANALYSIS

RISK MANAGEMENT

CYCLE

RISK

MANAGEMENT

PRIORITISATION /

ESCALATION

A training programme is available to ensure members, managers and all employees understand and implement this methodology. The way in which risk is managed within existing processes throughout the organisation is detailed in the following section 'Embedding Risk Management – Establishment of Risk Registers, Risk Escalation and Devolvement'.

The management of risk is woven throughout the council's key governance frameworks and as such there are specific requirements for people at all levels to adopt a formal approach to risk management in all areas.

The council recognises that the approach to risk management should, at all times, be proportionate to the level of risk present. Risks within any decision making process should be considered. A formal approach to risk management will involve, for example, undertaking a risk assessment or detailing risks in a report. The link to the cabinet report protocols is listed below:
http://inside.walsall.gov.uk/index/service_information/constitutional_services-2/cabinet_report_guidelines-2.htm

This strategy is just one part of the council's risk management framework, which also includes a 6 x 4 risk matrix scoring system, risk assessment template/management action plan and service continuity planning templates. Our adopted process can be found at:
http://inside.walsall.gov.uk/index/service_information/risk_and_insurance.htm

Embedding Risk Management – Establishment of Risk Registers, Risk Escalation and Devolvement

Risk management enables the proper consideration of strategic, operational and cross cutting risks. It is an integral part of corporate planning, and corporate governance. The diagram below identifies the way in which risk is embedded throughout the organisation.
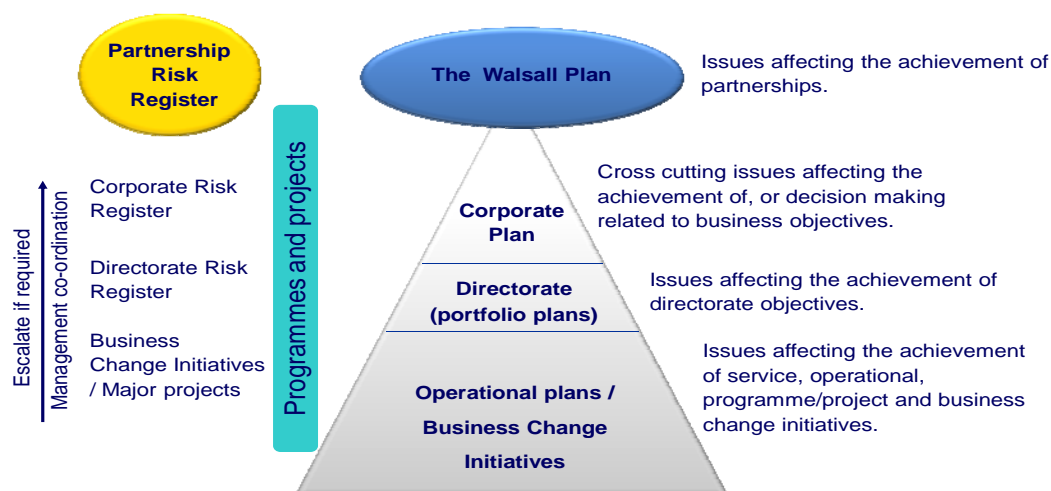
Corporate Risks

Within the corporate planning process the risks to achieving the corporate objectives will be identified, prioritised and managed via the Corporate Risk Register. The responsibility for managing these risks resides with CMT and relevant members, where appropriate. Individual risk owners are required to review the strategic risks regularly to ensure that key risk management actions are being implemented in a timely manner. Reports are made to members and risk owners can be called on to discuss the activities being undertaken to manage the risk.

Process for escalation / devolvement

From time to time, risks may be considered as no longer appropriate to be included within the Corporate Risk Register either as a result of the risk no longer existing or being reduced to an acceptable level. In the case of the latter, following agreement by CMT, the risk may be devolved to a directorate risk register.

Part of the role of managing risk is the systematic review of internal and external activities to enable the early identification of emerging or changing risks. This is known as horizon scanning. This is co-ordinated by the risk management team and items identified are reported to CMT for consideration and identifying at the level at which risks should be managed.

Directorate Risks

Each executive director (ED) is responsible for establishing an appropriate process to identify, prioritise and manage the risks to the delivery of the objectives within their remit and a process for escalation, where appropriate, to CMT and the CRR. Risks should be

regularly reviewed at Directorate Management Teams (DMT's). A directorate risk register is one possible approach to managing this.

It is for individual ED's to decide on their approach and to be directly accountable to the Chief Executive and Audit Committee on management of risks within their remit.

Business Change and major projects

Any newly identified risk and opportunities from major projects and business change initiatives will be included in relevant registers. Any key risks facing individual programmes / projects may be referred to the directorate management team for consideration and inclusion within the directorates own risk processes.

If undertaking change initiatives or any major project consideration should be given to the risks involved throughout the process and any significant risks highlighted and referred, as appropriate, for consideration.

Partnerships

The work with partners to deliver our priorities is important and it is essential that within any partnership environment the risks to achieving the objectives set by the partnership are clearly identified, analysed, prioritised and managed. It is also essential that risks that the council may face when entering into a partnership are clearly identified and managed. These will be at both a strategic and operational level and, where the council is the accountable body, it is paramount that ownership of the associated risks are established.

Joint working at the West Midlands level is still developing since the removal of key bodies and previous joint working arrangements, with talks underway to create a structure for regional Joint working. This includes proposals for a Combined Authority.

Four West Midlands LEP's (excluding Birmingham and Coventry) have agreed to continue to fund the WMES (West Midlands European Service) to co-ordinate the joint working in the development and delivery of the EU Investment Strategies, together with the development and sharing of best practice and their implementation where possible.

As the council enters into more and more significant partnerships, such as the established Black Country Local Enterprise Partnership (LEP), with Government funding increasingly channelled / influenced by / awarded to LEP's, effective co-ordination and achievement of joint objectives becomes key.

A partnership protocol, toolkit and partnership register is available to ensure that there is robust governance across all partnerships which includes the management of risk. All officers will be required, when entering into any future partnerships, to ensure that they do so within these approved protocols. The link to the partnership protocol / toolkit can be found at: http://inside.walsall.gov.uk/partnership_toolkit_v01.doc.

Any key risks should be referred to directorate management teams for consideration and, where appropriate, inclusion in their directorate risk process.

Roles, Responsibility and Authority

In order to ensure the successful implementation of this strategy, the key roles and responsibilities of individuals and groups have been established and are set out below:

Group / Individual	Role / Responsibility
The Council	• Ensure that the financial management of the council is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and includes arrangements for the management of risk.
All Members	• Support and promote risk management. • Consider the risks involved in any key decisions made.
Cabinet	• To have regard for the risks faced by the council within the Cabinet decision making process.
Portfolio Holders	• Support the development and have a shared understanding of the risks that relate to their portfolio.
Audit committee	• To provide independent assurance of the adequacy of the risk management framework and the associated control environment. • Consider the effectiveness of the council's risk management arrangements as part of the wider governance framework (i.e.: Annual Governance Statement). • Seek assurances that action is being taken on risk related issues identified by auditors and inspectors and provide appropriate challenge. • Review the effectiveness of key control strategies including risk management. • Endorse the CRMS.
Chief Executive and Corporate Management Team	• To ensure that the corporate risk register reflects those organisational risks which may prevent it delivering on its objectives for Walsall residents and service users and manages these in an appropriate and proportionate way. • To determine the council's overall approach to risk management and supporting processes. • Support and promote risk management throughout the council. • To oversee the development / review of the council's Risk Management Strategy / Framework. • To take responsibility for ensuring that risk management is embedded in business processes, including financial planning, performance management and the council's decision making processes.
Executive directors	• Champion and ensure that risk management is implemented in their directorate. • To ensure that the risks which may prevent the directorate/service from delivering its objectives for Walsall residents and service users are identified and manage these in

Group / Individual	Role / Responsibility
	an appropriate and proportionate way. • Identify relevant lead officers / risk owners as appropriate • To ensure that portfolio holders are briefed on significant risks that fall within their portfolio and actions to address these. • Consider cross cutting, joint working and risks within partnership working • Escalate risks as appropriate to CMT / CRR
Risk Champions (where identified)	• To support the continued development of risk management by embedding risk management in the day to day running of their respective directorate and acting as a point of contact to provide support and information as appropriate.
Internal Audit	• To offer independent, objective assurance and advice on risk management activity. • To undertake an audit of risk management arrangements and make recommendations on actions to be considered. • To provide assurance on the effectiveness of controls, including annual assessment of the council's risk management and internal control mechanisms as part of the AGS.
Risk Management and Insurance Service	• To ensure that the Risk Management Framework, including the Strategy and guidance, are kept up to date and reflective of best practice and relevant to the organisation. • To provide support on risk management across the council. • To co-ordinate the reporting of the corporate risk register to senior officers and Members and provide advice and challenge as appropriate. • To support the identification of and analyse key new and emerging risks and report to CMT for consideration (horizon scanning). • Support communication of the risk management strategy and process, and update as appropriate, across the council through risk reviews and training sessions. • Advise on possible actions that may be required in respect of business change initiatives. • To consider insurance management information reports, and take forward any identified initiatives arising from identifying incidents that can add value to the business and avoid loss control. • Promoting risk management awareness.
All Employees	• To understand the risks that relate to their role and activities and their role in reporting on and managing these. • To report new or emerging risks in a timely manner.

<u>What can we provide you with to help you manage risk effectively?</u>

Whilst it is primarily management's responsibility to understand, identify and manage risk, these arrangements will also be subject to audit as part of the aspects of the external and internal auditors annual work programme. Therefore, adequate arrangements should be in place to demonstrate effective risk management. Advice on this should be taken where appropriate; however the following should provide satisfactory evidence;

- Corporate risk management strategy.
- Contract/programme/project proposal review and sign-off.
- Directorate risk registers (or their equivalent) and their associated action plans.
- Business change initiatives / major projects / risk assessments / associated action plans and registers.
- Contractual/contract risk assessments/registers.
- Business continuity/contingency/emergency plans.
- Reports/minutes: Council, Cabinet, CMT, Audit Committee, management team meetings.
- Governance arrangements and plans for significant partnerships including risk management arrangements.
- Partnership risk registers/assessments/initiation documents/protocol.
- Procedure notes and manuals for business critical systems.
- Evidence of the process undertaken to identify and report and actively manage risks where necessary.

All of the above assists in providing evidence, as appropriate, to support the Annual Governance Statement.

Useful Contacts

Link to website:
http://inside.walsall.gov.uk/index/service_information/risk_and_insurance.htm

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