

COMMITTEE	Audit and Risk
DATE	11 May 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	System of Risk Management
REPORT NUMBER:	CG/15/53
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

To present the Committee with details of a further component of the Council's System of Risk Management, which focuses specifically on the roles and responsibilities of our staff.

2. RECOMMENDATION(S)

The Committee are asked to:

- (i) Note the further developments in the System of Risk Management;

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from the report.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5. BACKGROUND/MAIN ISSUES

The report is the latest before the Committee detailing progress with delivering improvements to the System of Risk Management. The System comprises six components and reports will continue to be presented to the Committee on each component in turn to evidence those improvements.

6. IMPACT

Corporate – The system of risk management impacts on all aspects of decision making across the Council. The Local Code of Corporate Governance tasks councils with following six principles. Principle 4 requires

that councils maintain transparent, informed decision-making which is subject to effective scrutiny and the management of risk.

Public – The report is designed for information purposes and no Equalities and Human Rights Impact Assessment has been prepared.

Services are required to carry out regular reporting of performance to committees. Corporate Governance undertakes to report our own performance to the Finance Policy and Resources Committee, along with a periodic service risk register update. In addition, the Committee will receive service risk registers on a rolling cycle, as part of the Council's overall risk management assurance framework.

7. MANAGEMENT OF RISK

The report details information on the Council's system of risk management.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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10. REPORT

10.1 The system of risk management

A report before the Committee on 27 February 2014 identified the six components of an effective system of risk management:

- Structure
- Skills
- System
- Strategy
- Staff
- Shared Values

This report presents information to detail and support the development of the **staff** component.

10.2 Progress update on the System of Risk Management

To date, the Committee have received reports detailing four of the six components of the System of Risk Management.

10.2.1 **Structure**

A programme of service risk register preparation is well advanced, which will align risk identification, assessment and evaluation with the new corporate structure.

Three revised registers have now been reported to the Committee. The Corporate Governance Risk Register will be before the Committee at the June meeting. The content of these registers will inform the management of risk at the strategic level through clear linkages and accountabilities. The Strategic Risk Register and its management process will be reported to the Committee at a later meeting.

The Risk Manager will continue to work with services to ensure their risk registers properly reflect current and emerging risk and that the risks detailed within them are subject to dynamic ownership and effective control.

10.2.2 **Skills**

The middle managers training programme is underway and participants receive an overview of the management of both risk and opportunities. In addition to this, a risk management 'pit stop' is being developed. This approach allows officers to attend short informative sessions at convenient times where they can receive focused awareness / training in specific areas. The risk management pit stop will emphasise the skills required in risk identification, managing threats and enhancing opportunities. Sessions will be made available later in the year. Further training for managers is under consideration and details of developments will be reported to the Committee at subsequent meetings as this develops

10.2.3 **System**

The Covalent Risk Module continues to be used to manage risk registers. Reports are being designed which will illustrate the clear linkages between strategic and operational risk and reflect a total picture of the Council's risk profile. These will be incorporated into the corporate and service performance dashboards to support active ownership and management of risks.

As the process of Integrating Health and Adult Social Care proceeds, the Integration Authority's risk management approach and the detail of risks facing the Partnership will be documented. It is planned to manage these risks using the NHS Datix system, to allow for a common approach across the three partnerships operating in the NHS Grampian area.

10.2.4 **Strategy**

The Committee approved the Risk Management Strategy at the February meeting. The Strategy has now been published and programmes of work are under way to implement key requirements in respect of Information Security and Management and the governance arrangements with regard to ALEOs. The Corporate Governance Service Improvement Plan details further improvements in the implementation of the Strategy to be included for the next annual review early in 2016. These are:

- “We will present the strategy together with the actions and measures detailed in this Improvement Plan.”
- “We will revise the strategy to include further clarity on certain issues including risk response and risk appetite.”.

Work is also in development to establish a common risk strategy for all three Health and Adult Care Partnerships operating in the NHS Grampian area.

10.3 **Staff**

The fifth component of the system of risk management, the focus of this report is the roles and responsibilities of staff involved in the various stages of the risk management process.

These are the people needed to implement the Risk Management Strategy, to identify emerging risks, assess risks, agree and implement mitigating actions and monitor and report risk management activities. It is clear therefore, that the staff component will be closely aligned with both **strategy** and **skills** in the System of Risk Management.

Although this element of the risk system is termed ‘staff,’ this report also draws in the role of elected members to reflect the highest level of corporate responsibility in the management of risk.

10.4 The acronym ‘RACI’ is used to summarise risk management roles and to clarify the nature of how those roles interact:

- Responsible
- Accountable
- Consulted
- Informed

Appendix 1 summarises the competencies required of the four key risk management roles and these are now detailed here:

10.5 **Responsible**

The key role in risk management, this role will typically include managers at second and third tiers where direct operational business management activity rests. The functions of staff engaged in risk management activity at these levels include:

- **Identify Risks** – understanding the Council’s strategic and operational environment and the risks which impact on it, identifying both threats and opportunities.
- **Assess Risks** - assessing the level of risk impacting on our priorities and stated outcomes.
- **Evaluate risks** – Identify Risk treatment options – establishing how we need to address risks – minimise the threats and enhance the opportunities.

- **Manage risks** – take active ownership of risks and oversee the implementation of mitigation plans.

10.6 Accountable

Those accountable for the risk management of the Council are at the highest level of seniority (Directors) and are responsible for:

- **Developing** the risk management strategy.
- **Determining** the strategic risks which face the Council.
- **Taking ownership** for the four strategic risks: Capacity; Capability; Compliance and Harm.
- **Receiving assurance** that risks at the operational tiers are being properly managed and that risk owners are continuously analysing and aware of the operational environment and emerging risk.

10.7 Consulted

This role reflects the corporate specialisms which frame many areas of risk. Officers in these roles will have expertise which responsible risk owners must draw on when assessing risk and constructing risk registers. These specialisms are:

- Health and Safety
- Financial Management
- Risk Management
- Business Continuity Planning
- Customer Engagement
- Workforce Planning
- Insurance

10.8 Informed

Elected members need to be informed of the strength of the Council's risk management arrangements and that a proper consideration of risks and their potential impact on the Council's priorities and commitments has been taken. This role is carried out at the corporate level by the Audit Risk and Scrutiny Committee and at an operational level by service committees.

Members in this role will:

- **Scrutinise** activity through the normal committee reporting process. Committee reporting protocols require officers to detail the consideration of the management of risk so that members may be confident that recommendations reflect this assessment.
- **Challenge** officers where it is not clear that risk impacts and probabilities have been properly assessed.
- **Receive assurance** both corporately and at service level, that managers are actively implementing the Risk Management Strategy, specifically in identifying, assessing, evaluating and controlling risk.

10.9 Competencies

The competencies required of the roles documented in this report have been classified as high, medium or low level, reflecting the different tiers of managerial accountability with regard to the management of risk. Appendix 1 provides more detail on the skills required.

Clearly training and skills development goes hand in hand with the staff component and further updates on these development will be provided to the Committee at future meetings.

The Corporate Governance Service Improvement Plan documents a number of risk management improvement actions in this area, covering training development for both officers and elected members. The Risk Manager will be taking forward these actions over the coming months.

10.10 Schedule of future reports

Reports will detail progress on delivering improvements against the six components of the System of Risk Management. Additionally, the Committee will be presented with each of the Service Risk Registers in succession:

Committee Date	System component	Risk Register
25 June 2015	Shared Values	Corporate Governance

Appendix 1 Summary of Roles and Required Competencies

Role	High Level Competencies	Medium Level Competencies	Low Level Competencies
Responsible (Heads of Service, Service Managers and other officers with service delivery responsibilities)	Skills to evaluate the ACC context and corporate objectives and mapping external and internal risk contexts.	Business skills to understand internal and external contexts. Evaluating efficiency, effectiveness and performance of controls. Developing control improvements. Developing and designing reporting formats.	Influencing, negotiating, networking. Communicating (including to Service Management Teams and committees.) Developing and implementing risk responses. Aligning project, service and strategic risks.
Accountable (Directors)	Developing risk strategy and risk management policy. Building a culture of risk awareness aligned with other management activity.	Understanding the interdependencies of tiers of risks (strategic, operational, programme, project) Communicating high level risk status updates.	
Consulted (Specialists)	Specialist expertise in key risk management areas.	Facilitating the identification, assessment and evaluation of risks.	Technical skills including maintaining risk registers.
Informed (Elected Members)	Understanding the Council's system of risk management; the structures through which the risk strategy is implemented	Challenging where anomalies or gaps appear in risk reporting. Interpreting the effectiveness of risk control and mitigation.	