AGENDA ITEM
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**Audit Committee – 9 April 2018
Corporate Risk Management
Update**

Falkirk Council

Title:	**Corporate Risk Management Policy**
Meeting:	**Executive**
Date:	**15 May 2018**
Submitted By:	**Director of Corporate and Housing Services**

1.   Purpose of Report

1.1   The purpose of this report is to refer the Corporate Risk Management Policy to the Executive for consideration.

2.   Recommendation

2.1   **The Executive is asked to approve the revised Corporate Risk Management Policy.**

3.   Background

3.1   The Corporate Risk Management Policy was considered by the Audit Committee at its meeting on 9 April 2018. The Committee agreed to refer the report to the Executive for consideration.

4.   Considerations

4.1   The current Corporate Risk Management Policy was agreed by the Executive in May 2016.

4.2   An updated Corporate Risk Management Policy is attached at Appendix 1. While the current CRM Policy is broadly fit for purpose, updates have been made as follows:

- clearer definition of roles and responsibilities; and

- updated appendices to reflect this.

5.   Consultation

5.1   No consultation was required.

6.   Implications

Financial

6.1   There are no financial implications arising from the report.

Resources

6.2   There are no resource implications arising from the report.

Legal

6.3   There are no legal implications arising from the report.

Risk

6.4   The key risk is failure to effectively identify, assess, mitigate, and report on the risks to delivering outcomes.

Equalities

6.5   An Equality and Poverty Impact Assessment (EPIA) was not required for this report.

Sustainability/Environmental Impact

6.6   An Environmental Impact Assessment (EIA) was not required for this report.

7.   Conclusions

7.1   The Corporate Risk Management Policy was considered by the Audit Committee on 9 April 2018 and is now presented to the Executive for consideration.

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Director of Corporate and Housing Services

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Date: 1 May 2018

APPENDICES

 Appendix 1 - Corporate Risk Management Policy and Framework

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

None

FALKIRK COUNCIL
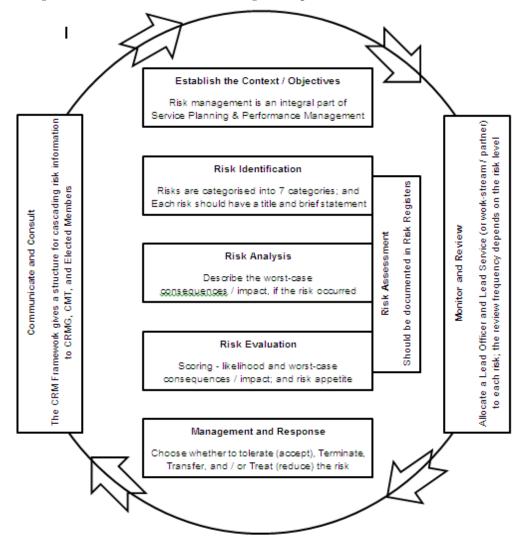
CORPORATE RISK MANAGEMENT

POLICY AND FRAMEWORK

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DOCUMENT HISTORY

Document Title:	CRM Policy and Framework	Lead Reviewer:	Corporate Risk Management Group
Owner:	Director of Corporate and Housing Services	Superseded Version:	May 2016
Version No:	V3.1, 09 March 2018	Next Review Date:	March 2021

1. POLICY STATEMENT – THE COUNCIL'S APPROACH TO RISK

1.1 The purpose of this Corporate Risk Management (CRM) Policy and Framework is to set out the approach to embedding CRM arrangements across the Council.

1.2 Risk means an **uncertainty**, which has a **possibility** of resulting in positive or negative consequences for the Council.

1.3 The Council encourages decision makers to be 'risk aware' rather than 'risk averse'. We will support Services and employees who take opportunity risks - where those risks are understood; reasonable controls are in place; anticipated benefits out-weigh negative impacts / consequences; and decisions are proportionately documented, monitored, and reviewed.

1.4 The diagram below outlines the risk management process:

1.5 The Council's CRM Reporting Framework is summarised at **Appendix 1. Appendix 2** goes on to provide guidance on assessing, reporting, and recording individual risks.

1.6 Risks may have a variety of consequences / impacts. These include financial, reputational, harm (eg injury or death to employees or service users), service interruption or delay, and audit / legal issues.

1.7   Risk affects every activity to a greater or lesser degree. Failure to manage risk can have serious consequences. The Council categorises risk as:

- failures in proper **financial** management;

- failures in proper **information** management (availability, integrity, and security);

- failures in **human resources** management (eg recruitment, retention, safety);

- failure to properly manage **assets;**

- failure to properly recognise, plan for, and manage significant **change**, both internal and external;

- failures in **governance**, leadership, accountability or decision making; and

- failures in **partnerships,** or contracts with external bodies.

1.8   The key benefits of risk management are:

- improved communication and understanding of risk, resulting in fewer surprises;

- more resilient Services and communities;

- fewer incidents, and better response;

- better evidence to support risk based decisions;

- improved audit and inspection results;

- improved performance and outcomes;

- measureable Council, Project, and Partnership Plans; and

- improved assurance.

1.9   The CRM Policy provides a broad, flexible, approach to managing risk that should be adopted by all Services. It should be tailored to Service, Corporate Working Group / board, partnership, and project situations.

1.10 Separate and specific risk management Policies are in place for significant projects or partnerships. For example, the Falkirk Integration Joint Board and Council of the Future Programme both have their own Risk Management Strategies.

2. RESPONSIBILITIES

Elected Members

2.1 CIPFA / SOLACE Guidance[1] states that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risks should be included in all committee papers, where appropriate.

2.2 Members should, therefore:

- gain a broad understanding of risk management and its benefits;

- require Officers to develop and implement an effective framework for risk management, and report significant risks on a regular basis;

- challenge Officers to ensure risks are considered and recorded in reports; and

- formally consider risks at the start, and throughout the life, of projects.

Executive

2.3 The Executive[2] is responsible for:

- periodically reviewing and approving the CRM Policy and Framework;

- considering risk management referrals from the Audit Committee;

- reviewing and approving the Corporate Risk Register as appropriate;

- challenging Chief Officers on risk, such as the effectiveness of controls, governance arrangements, and progress with actions; and

- horizon scanning for new and emerging risks.

Scrutiny and External Scrutiny Committees

2.4 These Committees allow for in depth consideration of areas of the Council's operations and relations with external bodies.

Portfolio Holders

2.5 The roles of Portfolio Holders in relation to corporate risk are outlined at **Appendix 3**.

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[1] Delivering Good Governance in Local Government, CIPFA / SOLACE, 2016: Principle F: Managing risk through robust internal control and strong public financial management.
[2] And, where relevant, the Education Executive.

Audit Committee

2.6 The Audit Committee's Terms of Reference require it to:

- review and seek assurance on the framework of risk management, governance and control;

- review, and seek assurance on, the system of internal financial control;

- review Assurance Statements to ensure they properly reflect the risk environment;

- produce an annual report to Council on the above to support these statements;

- take account of the implications of publications detailing best practice for audit, risk management, governance, and control;

- take account of recommendations within the relevant reports / minutes of:

  - the External Auditor;
  - the Scottish Parliament; and
  - other external scrutiny agencies.

Chief Executive

2.7 The Chief Executive has overall accountability for the Council's CRM Policy and Framework, and for ensuring that effective arrangements are in place to manage risk.

Director of Corporate and Housing Services

2.8 The Director of Corporate and Housing Services is responsible for overseeing CRM arrangements; the effectiveness of CRMG; and for raising risk related matters with CMT, Audit Committee, and Executive. This includes reports to:

- CMT: on high and emerging risks;

- Executive: which has responsibility for approving the Policy and Framework, and for scrutinising and agreeing the Corporate Risk Register; and

- Audit Committee: which is responsible for reviewing and seeking assurance on the effectiveness of the Council's arrangements for risk management, governance, and control.

Head of Human Resources and Business Transformation

2.9 The Director has delegated the responsibilities above to the Head of HR and Business Transformation.

Internal Audit

2.10 The Internal Audit, Risk, and Corporate Fraud Manager is responsible for developing and completing an Annual Risk Based Internal Audit Plan. The aim is to provide assurance on the Council's arrangements for risk management, governance, and control.

Assurance Team

2.11 The Assurance team will support Services in their management of risk, and in the development of a flexible, yet proportionate and robust, service risk management framework.

2.12 Further, the Assurance team, with independent assurance from external assurance advisors, will monitor the extent to which these arrangements are embedded at a corporate and Service level.

Corporate Risk Management Group (CRMG)

2.13 CRMG is chaired by the Head of HR and Business Transformation, with membership from across all Services. It meets on a quarterly basis. It's role is to ensure:

- Corporate risk reports focus on high risks – those risks with the most significant and material consequences – and changes to Services' risk profile;

- there is a clear process for capturing existing, rising, and emerging risks from Services, and reporting these to CRMG, CMT, and Members;

- Service Risk Management arrangements are 'owned' by Services;

- risk management is integrated with performance reviews (on Pentana) and becomes part of managers' 'way of thinking';

- risk reporting and scrutiny arrangements are proportionate and effective;

- consideration of risk forms an integral part of the decision making process, including performance management, (Service) self-assessments, budget / savings, and transformational change reviews;

- review of the following assurance reports on a cyclical basis:

  - Service reports on high risks (6 monthly);
  - Service reports on medium risks (annually);

- consideration of the following Standing Agenda Items at meetings (as a minimum):

  - Rolling Actions List;
  - CRM Update (including Progress with embedding the CRM Policy);
  - Corporate Risk Register - Cyclical Reviews; and

- Emerging Risks, including Incidents, Lessons Learnt, Audits, and Inspections.

Service Management Teams

2.14 Services' risk management arrangements should be flexible, and consistent with Service Planning processes. They should involve Service Unit Managers. Service Management Teams should support CRMG, and ensure that:

- lessons are learnt from incidents, inspections, audits, and (Service) self-assessments;

- Corporate Working Groups / Boards operate in line with their agreed Terms of Reference; and

- Service Risk Registers (SRRs) are maintained as appropriate

Corporate Working Groups / Boards

2.15 **Appendix 4** shows the framework of Corporate Working Groups / Boards (CWGs) tasked with progressing various work-streams. Each of these CWGs must also take the lead in assessing, managing, and monitoring work-stream risk. Each Group should:

- have clear terms of reference and defined reporting and accountability lines;

- be clearly identified within the CRR, where relevant;

- review lessons learnt from significant internal and external incidents;

- maintain subject / project specific risk registers and measureable action plans; and

- undertake an annual self-assessment of their remit, risks, and effectiveness.

2.16 **Appendix 4** also includes some Partnership Working Groups, including Community Planning, Public Protection, and Resilience. These Groups have similar roles in relation to corporate risks, but their assurance reporting and governance structures may vary and will be defined by each Partnership.

Statutory Officers

2.17 **Appendix 3** summarises the role of Statutory Officers' in relation to risk. This covers the Chief Finance Officer (CFO), Chief Governance Officer (CGO) / Monitoring Officer, and the Chief Social Work Officer (CSWO).

Service Unit Managers and Project / Partnership / Contract Leads

2.18   Managers should:

- provide suitable risk information and training to employees;

- maintain risk registers, where appropriate, for their areas of responsibility;

- identify, assess, and report risks, including current, emerging, and rising risks;

- implement proportionate controls and review mechanisms; and

- include risk as a standing agenda item at meetings.

All Employees

2.19   Risk management should be integrated into daily activities of all staff. Individuals have a responsibility to make every effort to:

- understand the risks that relate to their role, eg be involved in risk assessments in their area(s) of work, including identifying hazards and implementing safe working practices;

- be aware of situations which place them and others at risk of harm (including colleagues and service users);

- take steps to protect themselves and others, eg follow safety guidance and professional standards; and

- report near misses and incidents so that these can be investigated and lessons learnt.

3.   MEASURING THE EFFECTIVENESS AND MATURITY OF THE CRM POLICY

3.1   This Policy will be reviewed on a 3 yearly cycle. Periodic Independent Assurance on the effectiveness of the Policy will be sought as part of the annual Internal Audit process.

APPENDIX 1: CRM REPORTING FRAMEWORK

Projects / Partnership Boards e.g. IJB and CPP Leadership Boards	Executive (Decision Making Role)	Audit Committee (Oversight / Assurance Role)
	Corporate Management Team	Internal Audit, Risk, and Corporate Fraud Manager
Corporate Working Groups / Projects / Partnerships	Corporate Risk Management Group (Review & Scrutiny Role)	Risk-Based Internal Audit
Operational Groups / Work-Streams	Services (Risk Ownership and Escalation)	External Audits and Inspections

APPENDIX 2: RISK SCORING GUIDANCE

Risk Level	Risk Appetite / Approach	Scoring Matrix
High (Score 10-25)	High risks may be either: • within the Council's risk tolerance (meaning that the Lead Officer considers the current controls are proportionate **and effective**); or • above the Council's risk tolerance (meaning that the Lead Officer considers that additional actions are necessary to reduce the risk). If the risk is above the risk appetite, the Corporate Risk Register should include a Target Risk Level and Actions.	
Medium (Score 7-9)	Medium risks are within the Council's risk tolerance, meaning controls / mitigation are proportionate **and effective** (actions are not essential, but may be included in the Corporate Risk Register).	
Low (Score 1-6)	These do not need to be recorded on the Corporate Risk Register. Services should monitor these at an operational level and, if the risk increases, they should be added as High or Medium risks.	

LIKELIHOOD			IMPACT / CONSEQUENCE				
Impact		Score	Financial	Reputational	Harm to People or Assets	Interruption to Services to Projects	Audit/ Legal / Compliance
1 Almost Impossible	Little evidence that the risk is likely to occur	**1 Negligible**	No, or litle, budget impact; spend is within risk owner's authority	No, or minimal, media interest; impact is in public domain, but managed	No, or very minor, injury and / or damage	No, or minimal, disruption to one service, or project delay	No, or little, interest from audit body / regulator
2 Unlikely	Low chance of the risk occurring	**2 Minor**	Minimal budget impact; spend is within risk owner's authority	Local media interest and / or customer complaints	Minor injury and / or damage	Minor disruption to multiple services, or project delay	Action required; but unlikely to result in criticism or penalty
3 Possible	A reasonable chance of the risk occurring	**3 Moderate**	Manageable budget impact; spend exceeds risk owner's authority	Regional media interest and / or multiple complaints	Moderate injuries and / or damage	Some disruption to service, or project delay	Action required; may result in criticism, legal action, and / or penalty
4 Likely	A strong chance of the risk occurring	**4 Major**	Major impact, but within budgets	National media interest and / or serious loss of confidence	Major injury, death, and / or assets destroyed	Major service disruption, loss of multiple services, or project delay	Major legal action, penalty, and / or criticism
5 Almost Certain	Fairly certain that risk will occur or has occurred	**5 Severe**	Extensive; spend exceeds available budgets	Sustained media interest, complaints, and / or loss of confidence	Multiple deaths and / or assets destroyed	Extended disruption or loss of service, or project delay	Severe penalty, criticism and / or legal action

APPENDIX 3: THE ROLE OF PORTFOLIO HOLDERS AND STATUTORY OFFICERS' IN RELATION TO RISK

Portfolio Holders

1. The remit of each Portfolio Holder is set out within the Council's Standing Orders, which are published on www.falkirk.gov.uk.

2. Portfolio Holders are Councillors who have been allocated specific areas of responsibility known as portfolios.

3. Within the area of their remit, Portfolio Holders will:

   - exercise strategic and political leadership, having regard to the goals, outcomes, and priorities set out in the Council's corporate plans;

   - lead on policy development;

   - lead on service issues at Executive and Council meetings;

   - meet on a regular basis with senior management to discuss service issues including performance, the requirement for continuous improvement, and adherence to the budget set by Council;

   - answer questions at Council;

   - act as spokespersons on behalf of the Council; and

   - promote the Council's equalities duties and exercise oversight of the arrangements in place to secure best value.

4. Portfolio Holders are identified against each corporate risk on the Corporate Risk Register.

5. In relation to corporate risk, Portfolio Holders are expected to exercise the above leadership functions in relation to the monitoring, scrutiny, and assurance on the risks within their remit, in conjunction with the Lead Officer and (if relevant) Corporate Working Group / Board.

6. In any situation of uncertainty, it is for the Leader of the Council to determine which portfolio a delegation by Council lies within.

7. For the avoidance of doubt, Portfolio Holders are not responsible for service management, nor is there any delegation of decision making to any individual Member of the Council.

Statutory Officers

8. Statutory Officers have specific duties as set out in legislation, and discharge this role as part of their wider responsibilities within the Council. They have an important, independent, role in promoting and enforcing good governance and for making sure the Council complies with legislation. Statutory Officers' responsibilities include highlighting where a Council Policy may break the law or breach Financial Regulations. These Officers must have direct and regular access to the Chief Executive, Elected Members, and Senior Officers.

9. The role of each Statutory Officer is summarised below (based on a review of relevant guidance[3].

Chief Governance Officer (CGO) / Monitoring Officer

10. The Local Government and Housing Act 1989 (Section 5) established this role. The Monitoring Officer is required to prepare a report for the consideration of the full Council if they believe that any proposal, decision, or omission by the Council, or by any Committee or sub-Committee, contravenes any legislation or code of practice.

Chief Financial Officer

11. The Local Government (Scotland) Act 1973 established this role, and Section 95 states that:

'Every local authority shall make arrangements for the proper administration of their financial affairs, and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.'

12. In addition, CIPFA sets out the following principles in relation to risk:

- Principle 1: The CFO should contribute to the effective corporate management of the authority, including strategy implementation, cross-organisational issues, integrated business and resource planning, risk management, and performance management; and

- Principle 2: The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities, and risks are fully considered, and alignment with the authority's overall financial strategy.

Chief Social Work Officer (CSWO)

13. The Social Work (Scotland) Act 1968 established this role.

14. The overall objective of the CSWO post is to ensure the provision of effective, professional advice to Elected Members and Officers of the Council in relation to Social Work Services. This includes advice in relation to particular issues such as corporate parenting, child protection, adult protection, and the management of high-risk offenders; and the key role Social Work plays in contributing to the achievement of national and local outcomes. The CSWO also has a role to play in overall performance, improvement, and the identification and management of corporate risk in relation to Social Work Services.

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[3] 'How Councils Work: An Improvement Series for Councillors and Officers: Roles and Working Relationships: Are You Getting It Right?' Audit Scotland, 2010.

APPENDIX 4: CORPORATE WORKING GROUPS CHART

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                              │      Executive        │
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            │                            │                          │
┌──────────────────────────┐   ┌──────────────────────┐
│ Corporate Management Team │   │   Audit Committee    │
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│ Corporate Risk Management Group │
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Assets	Change and Partnerships	Finance	Governance	Human Resources	Information
Corporate Asset Management Group	Community Planning Strategic Board / Procurement Board	Capital Planning and Review Group	Corporate Risk Management Group	Safety at Work Group	Information Management Group
Corporate Sustainability Group	Fairer Falkirk Group		Integrity / CONTEST Steering Group		
	Public Protection and Community Justice Chief Officers' Strategic Group				
	Best Value Working Group				
	East of Scotland Regional Resilience Partnership				
	Strategic Housing Group				

Corporate Change Programs

Corporate Working Groups / Project Boards will be established, as required.