

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK AND OPPORTUNITIES PROTOCOL – 2017 - 2020

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the Risk & Opportunities Protocol for 2017/2020.
- 1.2 The Risk & Opportunities Protocol outlines the council's approach to the effective management of risk.

2. BACKGROUND INFORMATION

- 2.1 The council's Risk & Opportunity Protocol has been reviewed and updated. The proposed Protocol is attached in Appendix 1.
- 2.2 The Protocol has been evaluated against best practice and describes the risk management framework that is in place. The Protocol also demonstrates commitment to the promotion of sound risk management throughout the council.
- 2.3 The Risk & Opportunities Protocol provides a framework by which the Audit Committee can seek assurance that any significant risks to the council achieving its priorities are adequately managed. The council's commitment to effective corporate governance and risk management will inform the Annual Governance Statement which will be presented to the Audit Committee in June 2018.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether the Risk & Opportunities Protocol will enable sufficient assurance to be sought on the adequacy of the council's risk management arrangements. If it concludes that it does provide sufficient scope to obtain assurance the Committee is invited to approve the Risk & Opportunities Protocol.
- 3.2 The Committee may decide not to approve the Protocol.

4. ANALYSIS OF OPTIONS

4.1 The Risk & Opportunities Protocol complies with professional guidance available and is designed to enable Members to gain adequate assurance to fulfill their role as set out in the Committee's Terms of Reference.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no additional resources implications however sound risk management should safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACTASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The draft protocol is the result of consideration of professional guidance and relevant senior officers have been consulted in its drafting.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

8.1 That the Audit Committee considers the Risk & Opportunities Protocol as enabling adequate assurance to be provided in respect of the council's risk management arrangements.

8.2 That the Audit Committee approves the Risk & Opportunities Protocol.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Caroline Wilson
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Background Papers used in the preparation of this report: None



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Risk & Opportunities Protocol

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Introduction and Context

A successful and systematic risk management process underpins and supports the efficient and effective delivery of the Council's strategic outcomes and the high level strategic framework.

This document is designed to help in raising awareness of the overarching principles of risk management and to assist staff in applying sound risk management practices to support the achievement of strategic objectives.

Risk can be defined as uncertainty of outcome. Risk is ever present and a certain amount of risk-taking is inevitable if the Council is to achieve its objectives.

Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of the risks facing the Council and is a means of minimising the impact of undesired events.

Opportunity management involves the identification and assessment of proposed actions designed to deliver council outcomes.

The benefits gained from effectively managing risks and opportunities include:

- **Improved strategic management**
 - Greater ability to deliver against strategic outcomes;
 - Improved decision making;
- **Improved operational management**
 - Reduction in managerial time spent dealing with the consequences of a risk event having occurred;
 - Improved service delivery;
- **Improved Financial Management**
 - Better informed financial decision-making;
 - Greater financial control;
 - Minimising waste and poor value for money;
 - Reduction in costly claims against the Council;
- **Improved customer service**
 - Minimal service disruption to customers and positive external reputation;
- **Opportunities Management**
 - Identifies a potential benefit of taking actions and decisions;
 - It is a tool for informed decision making;

Risk Maturity

Risk maturity is the effectiveness of an overall organisation's arrangements to identify and manage its risks. The level of risk maturity has been self-assessed and it has been identified as 'Risk Management is working for the organisation'. The aspiration is for the organisation to have a level of risk maturity as 'Risk Management is embedded and integrated within the organisation'. The risk and opportunity protocol and toolkit will enable the risk maturity to be developed and monitored.

Aims and Objectives

The aim of risk management is to ensure that the Council has an effective process to support better decision making through good understanding of risk and their likely impact.

The objectives of this document are to:

- Support the achievement of the outcomes of the Council
- Integrate risk management into the culture of the Council
- Proactively identify and manage risk and maximise opportunities of both the Council and those partnerships with which it is involved
- Enable the Council to anticipate and respond to changing social, economic, environmental and legislative conditions to manage risk and maximise opportunities
- Support the effective manage of risks associated with major projects that have a significant impact on the Council's financial position and pose a reputational risk
- Support the minimisation of injury, damage and loss and reduce the number of incidences and cost of risk to the Council
- Strengthen the basis of options appraisal and decision making

Effective risk management will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management
- Effective communication at all levels of the organisation
- Monitoring progress in delivering the strategy and reviewing the risk management arrangement on an-going basis
- Setting and promoting the Council's risk maturity and risk appetite.

Risk Appetite

Risk appetite can be defined as the risk an organisation is prepared to accept in the pursuit of its objectives. The council's overall risk appetite can be described as **open** where there is a greater "willingness to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money".

How this is applied in practice will vary depending on the potential impact a risk could have on the organisation or service users. Factors such as the external environment, people, business systems and policies and how key stakeholders perceive potential impact will all influence the risk appetite.

Roles and Responsibilities

All members, mangers, employees and partners must understand the nature of risk and accept responsibility for managing risk and accept responsibility for managing those risks associated with their areas of activity. The roles and responsibilities of all individuals/groups involved in the risk management process is summarised below:

Group or Individuals	Roles & Responsibilities
Cabinet & Council	<ul style="list-style-type: none"> • Consider risk management implications when making decisions • Ensure that a consideration of risks and opportunities is presented in reports on which they are asked to make a decision
Audit Committee	<ul style="list-style-type: none"> • Champion risk management throughout the Council • Consider and approve the Risk & Opportunities Protocol and oversee the effective management of risk through Council officers • Receive and consider risk management progress report • Reviews the Corporate Risk Register • Seek sufficient assurance that strategic risks which may affect the Council's outcomes are being properly managed
Assurance Board	<ul style="list-style-type: none"> • Drives the implementation of the Council's Risk & Opportunities Protocol • Collective responsibility for the identification and management of corporate risks and opportunities • Ensure council wide implementation of the risk management framework • Review the Risk Frameworks and its implementation of arrangements • Advise on the Council's Risk Appetite • Identify Corporate Risk and maintain corporate risk register including its completeness, and review progress on the implementation of actions • Cyclically review the corporate risks and operational risks linked to Strategic Priorities and Outcomes
Directors	<ul style="list-style-type: none"> • Ensure that the Council manages risk effectively in relation to strategic priorities and outcomes • Ensure that all cabinet reports have considered a risk and opportunities assessment • Review and update risks at least quarterly including monitoring controls and treatment progress • Ensure an awareness of risk culture is embedded across their respective departments and services • Maintain risk registers in their respective areas of responsibility
Heads of Service/Project Managers	<ul style="list-style-type: none"> • Manage risk effectively and comply with this policy and the accompanying Toolkit Ensure that key operation/project risks are identified, recorded and managed • In relation to projects, ensure that the their risks

	<p>are reviewed at appropriate stages of the project</p> <ul style="list-style-type: none"> • In relation to projects regularly report key risks and treatment progress to the relevant Project Board
Head of Audit & Assurance/Strategic Lead Risk & Governance	<ul style="list-style-type: none"> • Spread the ethos of effective risk management throughout the Council • Provide advice and support to the Assurance Board • Assist Directors in identifying, analysing and controlling the risks that they encounter • Provide guidance and support to Directors in relation to risk management generally • Organise and promote risk management awareness and development • Develop the Council's Risk & Opportunities Protocol • Promote continual improvement and update of risk management arrangements based on current best practice • Support the maintenance of the risk registers • Regularly report to the Audit Committee on strategic risk matters • Ensure that managing risk is integrated with other corporate processes
Internal Audit	<ul style="list-style-type: none"> • Produce a risk based audit plan that takes into account the key risks identified by the Council • Provide an informed opinion on the effectiveness and adequacy of the Council's risk management framework • Provide assurance on key controls identified
Employees	<ul style="list-style-type: none"> • Manage risk effectively in their job and comply with the Council's Risk & Opportunities Protocol • Participate in the identification, assessment and control of threats and opportunities • Immediately reports to their manager any incident, accident, 'near miss' or any other concerns that they may have with regards to risk

Risk and Opportunities Management Process

The risk and opportunities management process is detailed in a risk management tool kit. This will be updated to reflect anticipated changes to the risk register. The process provides a systematic, effective and efficient way by which risks can be managed at different levels throughout the organisation.

Embedding the Approach to Risk and Opportunities management

Between January 2018 and March 2020 the Council will carry out actions to embed the implementation of this document including:

- Updating the Council's risk register to allow users to update and monitor their risks as easily as possible and to promote self-service
- Introducing a risk management toolkit which defines the risk and opportunities process in detail, and provides users with appropriate guidance
- Introducing an e-learning package to allow managers and staff to more fully understand the principles and benefits of risk management
- Maintaining a regular newsletter on risk issues to be included on the Council's intranet
- Promoting the role of audit and assurance in supporting the evaluation of risks and opportunities in relation to new projects
- Evaluating arrangements against best practice and identifying areas for improvement
- Promoting the Opportunities Framework as part of the decision making process
- As part of the shared Audit and Assurance team work with the Insurance team to identify areas where risk management can effectively be used to reduce claims against the council.
- As part of the Audit and Assurance team, use risk management approaches to identify those areas of greater risk of fraud and therefore prioritise areas for anti-fraud activity.

Appendix A - Definition of Terms

Risk Management is defined as, “co-ordinated activities to direct and control an organisation with regard to risk”.

A **Risk** is the “effect of uncertainty on objectives” and provides for both positive and negative consequences of risk.

A **Risk Owner** is “a person with the accountability and authority to manage a risk”.

Risk Attitude is the manner of the organisation’s “approach to assess and eventually pursue, retain, take or turn away from risk”.

Risk Appetite refers to the "amount and type of risk that an organisation is prepared to pursue, retain or take".

Opportunity Risk is the risk that a better opportunity may present itself after an irreversible decision has been made.

Strategic risks are associated with the achievement of strategic outcomes. They will include new initiatives, as well as the development of current services.

Operational risks are associated with on-going procedures and systems. This includes systems such as creditor payments, human resources and information management.

Project risks are associated with the successful completion of a project in order to deliver its strategic and operational objectives. Project risk may occur with the significant changes to the delivery of services, the introduction of new systems, or a major capital scheme. They will be short term in comparison to strategic and operational risks, with the strategic and operational risk elements moving into the said risk areas on project completion.