



AUDIT COMMITTEE

Date Written	10 th December 2019
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Exempt/Non Exempt	Non Exempt
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To: Chair, Ladies and Gentlemen

ANNUAL RISK MANAGEMENT PROGRESS REPORT AND UPDATED CORPORATE RISK REGISTER FOR 2019-20

1.0 SUMMARY OF THE REPORT

- 1.1 The report provides information regarding the Council's Annual Risk Management Progress and the proposed updated Corporate Risk Register for 2019-20.
- 1.2 As expected all nine of the Corporate Risks in the Corporate Risk Register for 2018-19 have remained as Corporate Risks for 2019-20.
- 1.3 The report demonstrates how the Council has continued to embed the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 in its Corporate Risk Management Framework.
- 1.4 To support the Council in taking well managed risks the Council last year adopted the 4 T's best practice process as part of its Corporate Risk Management Framework. This is beginning to be embedded as part of Risk Management. The 4 T's are:
 - Tolerate the risk;
 - Treat/Manage the risk;
 - Transfer the risk;
 - Terminate the risk.

1.5 The Council's Corporate Risk Management arrangements described within the Annual Progress Report have continued to mature and strengthen the Council's Risk Governance arrangements by:

- Supporting the delivery of the Council's Well-being Objectives and wider Council Priorities through the identification, assessment and management of the Council's Corporate Risks.
- Ensuring that Risk Management remains strategically focused at the Council.
- Illustrating a clear high level commitment to Risk Management from Corporate Management Team and Councillors.
- Starting to embed the 4 T's best practice process as part of the Council's Corporate Risk Management Framework.
- Embedding Risk Management across the Council.
- Clear accountability and ownership.
- Transparency in the review of risks.
- Continuing to consider the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015.

1.6 The report is supplemented by the following appendices:

- Appendix 1 - Council's Annual Risk Management Progress Report, contained within this document is Appendix A - Council's proposed Updated Corporate Risk Register for 2018-19.

2.0 RECOMMENDATIONS that

2.1 Audit Committee note and debate the content of this report and recommend this report (including the Corporate Risk Register for 2019-20) progresses to Cabinet for approval.

2.2 Audit Committee notes the continued progress made in considering the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 and the Council adopting the 4 T's of Risk Management.

2.3 Audit Committee invites Lead Corporate Management Team Officers to attend on a rolling programme basis to report on progress in managing their Corporate Risks.

2.4 Audit Committee notes the proposals to continue to present highlight reports on the Corporate Risk Register to Cabinet.

3.0 INTRODUCTION AND BACKGROUND

3.1 It was previously agreed at the Council meeting of 7th March 2007 that Elected Members should receive Risk Management Progress Reports via Cabinet and Audit Committee. This is the twelfth Annual Risk Management Progress Report.

3.2 The Council's Annual Risk Management Progress Report and the Updated Corporate Risk Register for 2018-19 were presented to Audit Committee on 11th February 2019 and the 'Highlight Report for Corporate Risk Register 2018-2019 (as at 31st March 2019)' was presented to Cabinet on the 19th June 2019.

3.3 Ultimate responsibility for Risk Management within the Council rests with all Elected Members of the Council, whilst Cabinet is allocated responsibility for overseeing Risk Management.

3.4 In summary, Elected Members role is to:

- Oversee the effective management of risk by Officers and Cabinet Members of the Council.
- To gain an understanding of Risk Management and its benefits.
- Consider the risks associated with proposals put forward in committee reports when making decisions recommended within the reports.
- Require Officers and Cabinet Members to develop and implement an all-encompassing approach to Risk Management.
- Be responsible for effective governance in the delivery of services to the local community.
- Take a full part in the Corporate Risk Management Process as members of the service management meetings, Scrutiny, Audit Committee, Cabinet meetings and Full Council meetings.

3.5 The role of the Audit Committee in relation to Risk Management is to:

- Provide a high-level focus on assurance and the Council's arrangements for governance, managing risk and maintaining an effective control environment.
- Consider the effectiveness of the Council's Risk Management arrangements.
- Seek assurances that actions are being taken on risk.

4.0 COUNCIL'S ANNUAL RISK MANAGEMENT PROGRESS REPORT

4.1 The Council's Annual Progress Report on implementing Risk Management is attached as Appendix 1. Some of the key points to note include:

- Risk Management is an integral part of the Strategic Support Services Strategy on a Page, the Objective of which is to deliver and support the Change and Well-being Programme, enabling calculated risks to be taken by applying the sustainable development principles.
- The Council has a Risk Category Checklist as part of its risk identification process. This aims to ensure that risk identification is undertaken in a structured way to help ensure that all potential categories of risk are considered rather than just the initial risks that come to mind. The Checklist is based on the widely used PESTLE Model (Political, Economic, Social, Technological, Legal and Environmental).
- The Council has continued to embed the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 in its Corporate Risk Management Framework through its:
 - PESTLE Model.
 - (5 x 5) Risk Matrix.
 - Risk Registers.
 - Project Management Framework.

This is discussed in more detail in the Annual Report in Appendix 1.

- To support the Council in taking well managed risks the Council has adopted the 4 T's best practice process as part of its Corporate Risk Management Framework, which are:
 - Tolerate the risk;
 - Treat/Manage the risk;
 - Transfer the risk;
 - Terminate the risk.

This helps the Council to focus its resources on those risks that need to be managed.

- Progress on the management of the Council's Corporate Risks was presented to Audit Committee on 11th February 2019.
- A Highlight Report for the Corporate Risk Register for 2018-19 (as at 31st March 2019) was considered and approved by Cabinet on 19th June 2019.
- Each Chief Officer and Head of Service has a Risk Register in place. These Risk Registers have been reviewed and updated for 2019-20, in line with the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015.
- As part of the review of the Council's Corporate Risk Register, Risk identification workshops were held for Corporate Management Team on 12th November 2019 and for Cabinet on 27th November 2019. Feedback from the Cabinet Risk Workshop was reported to Corporate Management Team in December 2019.

- Staff and Councillors have undertaken refresher Risk Management training through the Council's eLearning Module that has been developed in partnership with Bob's Business. Along with Risk Management the Council uses Bob's Business to provide eLearning training to staff and Councillors on information/cyber security and Data Protection. The training is run over the course of a financial year. The Risk Management eLearning Module addresses the importance of Risk Management and illustrates how it supports an organisation in achieving its objectives.
- In line with the requirements of the Well-being of Future Generations (Wales) Act 2015 the Council has developed an Integrated Impact Assessment. The Integrated Impact Assessment aims to support the Council in demonstrating how it is planning, delivering and monitoring services in line with the sustainable development principles and how it is seeking to improve the economic, social, environmental and cultural wellbeing of Merthyr Tydfil, now and for future generations. The Integrated Impact Assessment, which was approved by Cabinet on 26th September 2018, has replaced the Council's Equality Impact Assessment process. The Integrated Impact Assessment has been rolled out for Council and Cabinet Reports from 24th October 2018 onwards. Implementation of the Integrated Impact Assessment will ensure that risk is taken into account appropriately by enabling the identification of opportunities (positive impacts) and/or threats (negative impacts). This includes identifying actions that have been/will be taken to better contribute to positive impacts and/or mitigate any negative impacts.
- The Council has a Programme Risk Log in place as part of its Change and Well-being Programme. Programme risks and issues are reviewed and monitored on a quarterly basis as part of the risk governance arrangements of the Change and Well-being Programme.
- The Council has a Procurement Toolkit to help service departments and staff when procuring goods and services. Risk Management is an integral part of this toolkit and will better position Procurement to manage stakeholder expectations, and facilitate outcomes that are within the risk tolerance of the Council. There are many benefits to ensuring that Risk Management is embedded into the Procurement process, for example:
 - Smarter procurement decisions – achieving both financial and nonfinancial benefits.
 - Fewer surprises; better identification and achievement of stakeholder expectations through acknowledgement of risks.
 - Better procurement outcomes for buyers and suppliers, satisfying the commercial and relationship needs of both parties.
- The Council's Corporate Risk Management arrangements described within the Annual Progress Report have continued to mature and strengthen the Council's Risk Governance arrangements by:

- Supporting the delivery of the Council's Well-being Objectives and wider Council Priorities through the identification, assessment and management of the Council's Corporate Risks.
- Ensuring that Risk Management remains strategically focused at the Council.
- Illustrating a clear high level commitment to Risk Management from Corporate Management Team and Councillors.
- Adopting the 4 T's best practice process as part of the Council's Corporate Risk Management Framework.
- Embedding Risk Management across the Council.
- Clear accountability and ownership.
- Transparency in the review of risks.
- Continuing to consider the Risk Management requirements of the Wellbeing of Future Generations (Wales) Act 2015.

5.0 CORPORATE RISKS - CORPORATE RISK REGISTER FOR 2019-20

Corporate Management Team and Cabinet Risk Identification Workshops

- 5.1 As mentioned above, part of the review of the Council's Corporate Risk Register included Risk Identification Workshops that were held for Corporate Management Team on 12th November 2019 and for Cabinet on 27th November 2018. Feedback from the Cabinet Risk Workshop was reported to Corporate Management Team in December 2019.
- 5.2 The objectives of the Corporate Management Team Risk Identification Workshop were as follows:
- To identify and risk score the most significant Corporate Risks that could impact on the Council and/or Community.
 - To agree risk responses for each Corporate Risk using the 4 T's best practice process, which are:
 - Tolerate the risk;
 - Treat/Manage the risk;
 - Transfer the risk;
 - Terminate the risk.
 - To agree the Lead Corporate Management Team Officer and Lead Councillor / Cabinet Member for each Corporate Risk.

5.3 The objectives of the Cabinet Risk Identification Workshop were as follows:

- Consider the Corporate Risks identified by Corporate Management Team.
- Review the risks identified at the Councillor Risk Workshop in December 2017.
- Identify any additional risks as per each Portfolio.

5.4 The Corporate Risk Register was reviewed in the Risk Workshops by:

- Re-appraising the Corporate Risks in the Council's Corporate Risk Register for 2018-19 to determine if they were still Corporate Risks for 2019-20.
- Agreeing risk responses for each Corporate Risk (4T's).
- Agreeing the Lead Corporate Management Team Officer & Lead Councillor / Cabinet Member for each Corporate Risk.
- Considering if there were any new Corporate Risks facing the Council and/or community.

Analysis of Corporate Risk Register for 2019-20

5.5 As expected all eight of the Corporate Risks in the Corporate Risk Register for 2018-19 have remained as Corporate Risks for 2019-20. These are common long term cross cutting risks that will face this and other Councils going forward.

5.6 The risks that were reviewed and identified at the Cabinet risk workshop will continue to be managed and monitored as part of the Chief Officers and Heads of Service Risk Registers that are in place across the Council. Any new risks that were identified by Councillors that are not currently recorded in a Risk Register will be added to the relevant Chief Officer/Head of Service Risk Register.

5.7 Each Corporate Risk in the Corporate Risk Register has been allocated a Risk Type, Lead Corporate Management Team Officer and Lead Councillor/Cabinet Member. The table below provides a summary of the Corporate Risk Register for the nine Corporate Risks, in terms of risk number, type and description. The Corporate Risk Register for 2019-20 is available in Appendix A.

Risk No.	Risk Type	Description of Risk
1	<u>Finance</u>	The risk that the Council does not balance the budget and is not financially sustainable.
2	<u>Reputation</u>	The risk that the Council fails to maintain and protect its reputation.
3	<u>Cyber Attack</u>	The risk that the Council is exposed to a cyber attack that could cause a catastrophic failure.
4	<u>School Attainment</u>	The risk that all learners do not perform at expected levels.
5	<u>Capacity</u>	The risk that the Council loses staff with the skills and capacity to deliver on key outcomes and

Risk No.	Risk Type	Description of Risk
		targets.
6	<u>Governance</u>	The risk that the Council does not meet statutory requirements, laws and regulations.
7	<u>Brexit</u>	The risk that Brexit will have an adverse economic impact at the national and local level that will in turn have a negative financial, strategic and legislative impact on the Council, and subsequently the delivery of public services.
8	<u>Safeguarding</u>	The risk that the Council does not fulfil its statutory obligations and the Council's safeguarding arrangements fail to safeguard children, adults and Council staff.
9	<u>Performance</u>	The risk that the Council's statutory regulators issue a formal recommendation to the Council for improvement.

6.0 NEXT STEPS

- 6.1 The Council's Annual Risk Management Progress Report and Updated Corporate Risk Register for 2019-20 will be presented to Cabinet in January 2020 for consideration and approval.
- 6.2 In order to provide Corporate Management Team, Council, Cabinet and Audit Committee with a level of assurance that the Council's Corporate Risks are being managed the following steps will be undertaken:
- As in previous years, Lead Corporate Management Team Officers will continue to be invited to Audit Committee on a rolling programme basis to report on progress in managing the Corporate Risks they are responsible for monitoring and managing.
 - Highlight reports on the Corporate Risk Register will continue to be presented to Cabinet, as well as continuing the current arrangements with Audit Committee.

7.0 FINANCIAL IMPLICATION(S)

- 7.1 There are no specific financial implications identified in this report although good Risk Management supports sound financial management and helps maximise financial resources and minimise losses. Any financial implications arising from this process will be reported to Cabinet/Council as appropriate, including potential options for funding.

ELLIS COOPER
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE,
PERFORMANCE, BUSINESS CHANGE &
CORPORATE SERVICES

APPENDIX 1 - Annual Risk Management Progress Report and Corporate Risk Register for 2019-20 - DEC 2019

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Does the report contain any issue that may impact the Council's Constitution?		No