

# RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## MUNICIPAL YEAR 2013/14

**COMMITTEE:**

**AUDIT COMMITTEE**

**31<sup>st</sup> March 2014**

<b>Item No. 7</b>
<b>Risk Management Strategy</b>

**REPORT OF:-**

**GROUP DIRECTOR, CORPORATE SERVICES**

**Author: Marc Crumbie (Operational Audit Manager)**

**(01443) 680779**

**1. PURPOSE OF THE REPORT**

The purpose of this report is to set out the Council's Risk Management Strategy.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Note the contents of this Report.
- 2.2 Consider what comments and recommendations, if any, they wish to make.

**3. BACKGROUND**

- 3.1 The Council has in place a range of processes and procedures to identify, manage and mitigate risk as far as is reasonably practicable in the delivery of its services. These include asset, financial, human resource and performance management arrangements together with an Internal Audit function, and play a central role in helping the Council deliver, in general, positive performance results.
- 3.2 As part of an on-going review of these activities, the Council has recognised there is no approved document in place setting out the overall purpose and framework for risk management i.e. A Risk Management Strategy. This position has also been recognised by the Wales Audit Office in its Improvement Assessment dated 16<sup>th</sup> October 2013 and reported to Council on 27<sup>th</sup> November 2013: *'I note that further work is still required to complete the review of the current Risk Management Strategy and, in the circumstances, the Council should prioritise its work in this area.'*

- 3.3 The Council's revised Risk Management Strategy setting out the overall purpose and framework of risk management within the Council was approved by Cabinet on the 19<sup>th</sup> March 2014.
- 3.4 At this meeting, Cabinet resolved that a programme of work commences to up date existing governance arrangements to comply with the strategy, as follows:
- Report the approved Risk Management Strategy to Audit Committee;
  - Establish a suite of Strategic Risks linked to the Council's improvement priorities; and
  - Establish arrangements to publicly report updates on Strategic Risks linked to the Council's improvement priorities.
- 3.5 In accordance with the Terms of Reference for Audit Committee, regular progress up dates will be reported to the committee during 2014/15.
- 3.6 An internal 'toolkit' document has also been devised that provides managers with a guide when undertaking risk management activities at all levels across the Council. The toolkit is a supporting document to the Risk Management Strategy.

**4. SUMMARY**

- 4.1 The Council has a range of processes and procedures in place to identify, manage and mitigate risk as far as is reasonably practicable in the delivery of services.
- 4.2 The Council has recognised there is no approved document in place that sets out the overall purpose and framework for risk management i.e. a Risk Management Strategy. This position has also been highlighted by the Wales Audit Office.
- 4.3 The Risk Management Strategy (Appendix 1) aims to further reinforce existing governance arrangements and in doing so help support the delivery of council services.

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**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LIST OF BACKGROUND PAPERS**

**AUDIT COMMITTEE**

**31<sup>st</sup> March 2014**

**Report of the Group Director for Corporate Services**

Author: Marc Crumbie (Operational Audit Manager).

**Item**

**File Ref:**

7. Risk Management Strategy

IA / MC

Contact Officer: Marc Crumbie,  
Operational Audit Manager  
Bronwydd House  
Porth  
CF39 9DL  
Tel. No. (01443) 680779

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# **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

## **Risk Management Strategy**

March 2014

## **RISK MANAGEMENT STRATEGY**

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## RISK MANAGEMENT STRATEGY

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### 1. Introduction

- 1.1 Risk management is an integral part of management practice. Managing the risks that may impact on the Council's ability to deliver services as intended and in doing so help improve the quality of life for local people is at the forefront of the Council's forward planning arrangements.
- 1.2 The aim of this document is to set the overall purpose and framework of risk management within the Council.
- 1.3 Risk management is the business of everyone in the Council.

### 2. Purpose of Risk Management in Rhondda Cynon Taf

- 2.1 In Rhondda Cynon Taf, at a strategic level, the purpose of risk management is to identify and manage the risks the Council faces when delivering its improvement priorities. At an operational level, risk management is about identifying and managing risks associated with service delivery and is undertaken via the Council's business planning and monitoring arrangements.
- 2.2 This strategy is designed to ensure that sound risk management practices are in place, including processes to identify, assess and manage risk on an ongoing basis.
- 2.3 Understanding the risks the Council face and managing them appropriately aids effective decision-making and contributes to the achievement of its improvement priorities. Risk management is not about eliminating risk and should not be confused with being risk averse; the Council's risk management arrangements aim to encourage innovation within a clear framework.

### 3. Definition

- 3.1 Risk is the uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events. The Council's definition for risk is '*something happening that, should it occur, would impact on the Council's ability to successfully achieve its improvement priorities*'.

## RISK MANAGEMENT STRATEGY

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### 4. The Performance Management Framework and Risk Management

- 4.1 The Council's performance management framework (incorporating strategic risk management) aligns the outcomes contained in the Single Integrated Plan for the County Borough with the Council's Improvement Priorities.
- 4.2 Risk management has a strong link to performance management: if risks are not managed effectively then it is unlikely the Council will deliver its improvement priorities as planned nor make the intended contribution to the long term vision for County Borough as set out in the Single Integrated Plan.
- 4.3 The supporting 'internal' processes that the Council has in relation to delivering its improvement priorities are encompassed within strategic and operational business planning processes.
- 4.4 The Council's approved business plan arrangements require each service area to set clear priorities. These arrangements also require service areas to identify the risks it faces when delivering its priorities. The links to performance management at this stage are clear: to achieve a set of priorities, services must demonstrate that they are managing associated risks.
- 4.5 Regular monitoring enables senior managers to understand risks within their services, the changes occurring within them and what mitigating actions need to be put in place.

### 5. Internal Control and Risk Management

- 5.1 The Council's system of internal control has a key role in the management of risks. Internal controls are a response to risk.
- 5.2 The links between internal control and risk management are identified within the Accounts and Audit (Wales) Regulations 2005 (regulation 4), which states:
- *'Responsibility for internal control and financial management:*
    - (1) *The local government body shall be responsible for putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:*
      - (a) *arrangements for the management of risk; and*
      - (b) *adequate and effective financial management.*
    - (2) *The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with Proper Practices.'*
  - *'Proper Practices'* are deemed to be the Code of Practice for Local Authority accounting which specifies:
 

*'A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), recommends that the review be reported in an Annual*



## RISK MANAGEMENT STRATEGY

*Governance Statement.*

- 5.3 The Council's Corporate Management Team (CMT) has ultimate responsibility for the system of internal control. In discharging its responsibility, CMT has a suite of Policies and Procedures aimed at ensuring robust controls are in place to manage risk and efficiently and effectively deliver services. CMT receives regular assurance from internal and external sources around the strength of its internal control environment.

### 6. Regulatory Requirements

- 6.1 In addition to the Accounts and Audit (Wales) Regulations 2005 (regulation 4), in a Local Government context, the importance of risk management as a key governance tool is incorporated within the CIPFA/SOLACE Delivering Good Governance in Local Government – Core Principle 3.5:

*'Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.*

- *Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.*
- *Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.*
- *Ensuring that an effective risk management system is in place.*

*The local code should reflect the requirement for local authorities to:*

- *Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.'*

### 7. Governance

- 7.1 The effectiveness of the risk management process and any changes are reported annually and contained within the Council's Annual Governance Statement, as required by the Accounts and Audit (Wales) Regulations 2005 (regulation 4).
- 7.2 Management and scrutiny of the Council's strategic risks are integrated into the Council's performance reporting arrangements via its improvement priority action plans. Risks are identified, assessed and scored using a matrix of impact and likelihood, and the outcome of the scoring process results in a score being attributed.
- 7.3 The Council's strategic risks are brought together into a Strategic Risk Register that is owned and monitored by the Council's Corporate Management Team. The Strategic Risk Register is also reported to the Council's Audit Committee in support of its Terms of Reference:

*'Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct*

## RISK MANAGEMENT STRATEGY

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*discussion with the auditor(s) on these.'*

7.4 Operational risks are monitored and managed separately as part of the Council's business planning arrangements.

### **8. Risk Management – Links to other disciplines**

8.1 Controlling risk involves a process of reducing the impact and / or likelihood of the risk occurring.

8.2 A number of disciplines are applied across the Council to help achieve this:

- Procurement can be used to manage risks by appointing contractors to undertake services on behalf of the Council and contracts can be used to transfer identified risk(s).
- Insurance can be used to manage risks (for example, the potential financial impact of a risk could be mitigated using an insurance policy).
- A business continuity plan is a control that can help to manage the impact of an event that may arise.

### **9. Partnerships**

9.1 Partnership working is playing an increasingly important role in the Council's policy development and service delivery. In recent years, the focus for the Council has been on the opportunities offered by partnership and joint working arrangements.

9.2 Working in partnership usually means committing resources such as time and/or direct funding to develop and deliver desired outcomes. It may not be easy and, whilst there are opportunities there are also risks. It is important to understand and manage these in so far as they affect both the partnership and Council. The assessment of risks within partnerships are inward and outward looking.

### **10. Projects**

10.1 Project risk management defines how risks will be managed during the lifecycle of a project or programme. The arrangements acknowledge actual and potential threats to the successful delivery of a project and determines the activities required to minimise or eliminate them.

10.2 Where partners and/or suppliers are involved, it is essential to have shared understanding of risks and agreed plans for managing them.

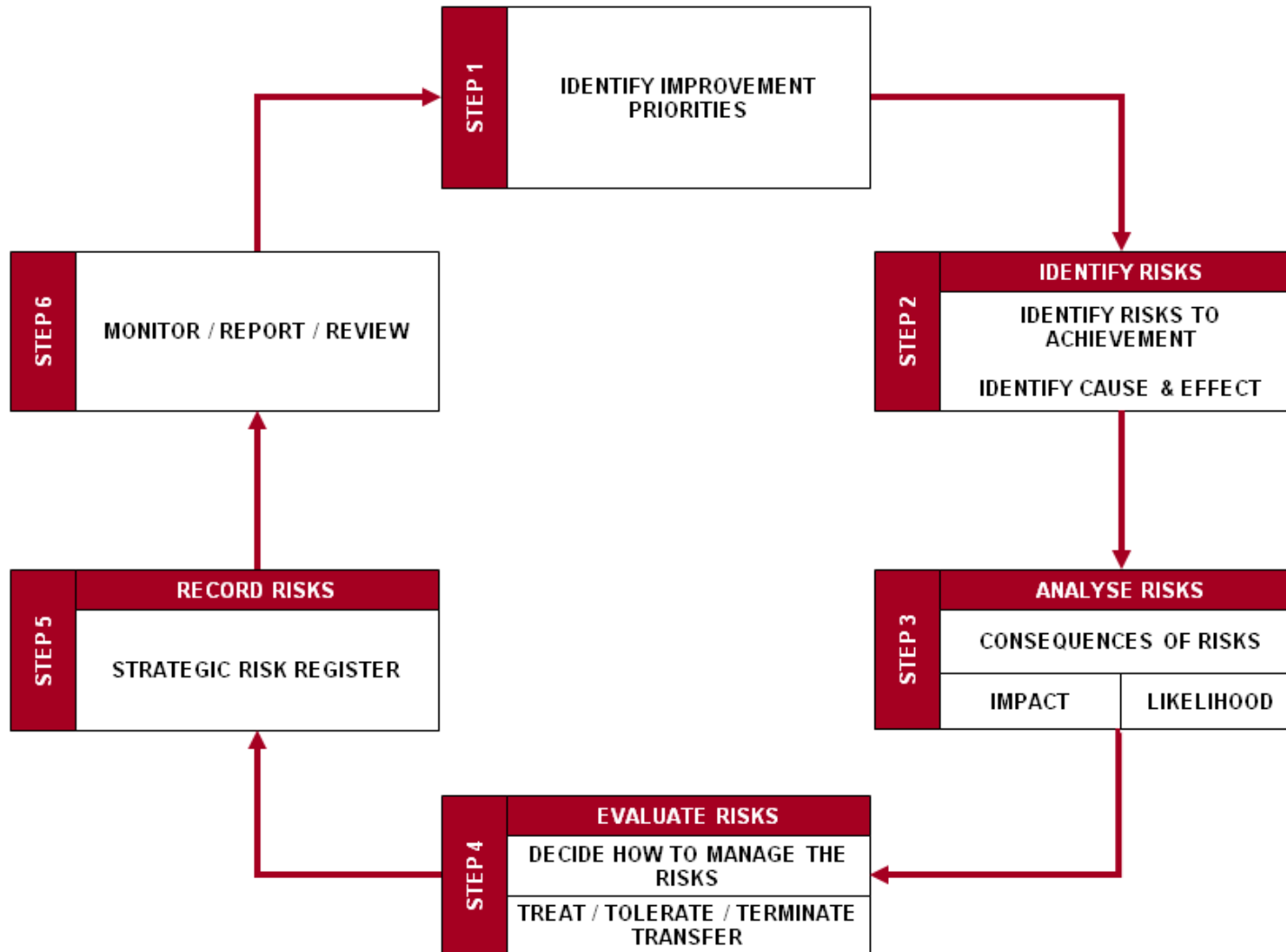
### **11. Risk Management - An Overview**

11.1 A toolkit has been devised that provides managers with a guide when undertaking risk management activities at all levels across the Council. The toolkit is a supporting document for this Strategy.

11.2 Figure 1 shows the stages involved in the Council's strategic risk management arrangements.

## RISK MANAGEMENT STRATEGY

**Figure 1 – Strategic Risk Management Arrangements**



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