

MID KENT AUDIT

Risk Management Annual Report

**Audit, Governance & Standards
Committee**

March 2021

Introduction

Effective risk management sits at the heart of the Council and is a cornerstone of good governance. The events of the last year have shown how important it is for us to be aware of key risk issues and to have the right mechanisms in place to plan and respond to risks before they materialise. The risk management framework and processes enable us to be aware of risks on the horizon and to understand their severity and likelihood. By understanding our risks, we can better plan and prepare, this in turn, increases our ability to deliver and achieve our ambitions and objectives.

The purpose of this report is to provide assurance to Members of Audit, Governance and Standards, that the Council has effective risk management arrangements in place. Moreover, that risks identified through this process are managed and monitored appropriately. This assurance is vital to enable the Committee to fulfil the responsibilities as set out in the Terms of Reference:

“In conjunction with Policy and Resources Committee to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.”

Roles & Responsibilities

We (Mid Kent Audit) are responsible for the risk management processes across the Council. Our role includes regular reporting to Officers and Members, through the Corporate Leadership Team (CLT), Policy & Resources Committee and the Audit, Governance & Standards Committee. We also provide workshops, training, and facilitate the effective management of risks across all levels of the Council.

Having valuable and up to date risk information enables both Executive and oversight functions to happen effectively. The Policy & Resources Committee has overall responsibility for the risks identified through the risk process and will review the substance of individual risks to ensure that issues are appropriately monitored and addressed.

As those charged with governance and oversight the Audit, Governance & Standards Committee are required to seek assurance that the Council is **operating** an effective risk management process.

The Risk Process

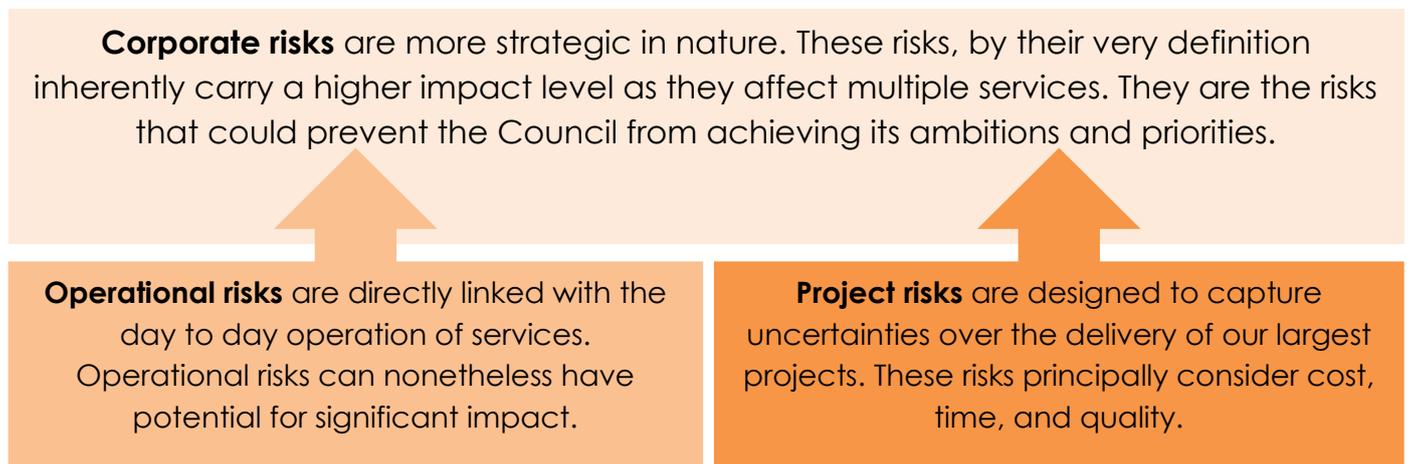
Risk management is a continuous process and primarily seeks to identify and understand those things that are uncertain. The **risk management framework** is the guide that sets out how the Council identifies, manages, and monitors uncertainty. This includes a clear risk appetite statement articulating the Council's tolerance to risk. The framework was reviewed, updated and approved by Policy and Resources Committee in April 2019.



Figure 1: Risk Management Process Summary

The illustration above shows how we move through the risk management process from initial risk identification, evaluation and then to response. The regular and ongoing monitoring of risks becomes vital in ensuring that we are responding the risks in the right way and that our resources are deployed and focussed on the biggest issues.

We identify risks across 3 levels, corporate (strategy), operational and projects. All Council services maintain an operational risk register, including Shared Services and these risks are updated, monitored, and reported through Wider and Corporate Leadership Team.



Risk Appetite

Our **risk appetite** guides how much risk we are willing to seek or accept to achieve our objectives. We recognise effective risk management considers not just threats but also opportunities. So, our approach to risk is to seek the right opportunities and, where possible, minimise threats. To achieve our ambitions, we recognise that taking risks and facing risks will be inevitable. Our risk appetite encourages managed risk taking for minor to moderate level risks but seeks to more closely control those risks that come further up the scale.

Beyond our risk appetite is our **risk tolerance**. This sets the level of risk that is unacceptable, whatever opportunities might follow. In such instances we will aim to reduce the risk to a level that is within our appetite. We illustrate our risk tolerance in the matrix below. As we are currently facing significantly challenging times following the pandemic, our tolerance level is set in the **RED** shaded area and above. Risks in and above this area require direct focus and oversight above that of risks within the **AMBER** line and below.

When evaluating risks, we consider **impact** and **likelihood** (definitions attached in **Appendix a**).

- **Impact:** This is a consideration of how severely the Council would be affected if the risk were to materialise.
- **Likelihood:** This is a consideration of how likely it is that the risk will occur. In other words, the probability that it will materialise.

To understand the scale of risks the following guidance is available to risk owners when evaluating their risks:

Likelihood	5	5	10	15	20	25	20-25	Identify the actions and controls necessary to manage the risk down to an acceptable level. Risks of this level are regularly reported and monitored by Corporate Leadership Team.		
	4	4	8	12	16	20			12-16	Identify controls to treat the risk impact / likelihood and seek to bring the risk down to a more acceptable level. Risk of this level are reported and monitored by Corporate Leadership Team each quarter.
	3	3	6	9	12	15				
	2	2	4	6	8	10			5-10	Keep these risks on the radar and update as and when changes are made, or if controls are implemented. Movement in risks should be monitored, for instance featuring as part of a standing management meeting agenda.
	1	1	2	3	4	5				
		1	2	3	4	5	3-4	Keep these risks on your register and formally review at least once a year to make sure that the impact and likelihood continues to pose a low level.		
		Impact								
							1-2	No actions required but keep the risk on your risk register and review annually as part of the service planning process.		

Corporate Risk Portfolio

The Council's corporate risks are those risks which could impede the achievement of our strategic aims and objectives. As the most significant areas of uncertainty, corporate risks are reported to Corporate Leadership Team on a regular basis to ensure effective oversight and management.

The full corporate risk register is also reported and published to the Policy & Resources Committee quarterly. The most recent update went in [February 2021](#).

The table below summaries the top **11** corporate risks and tracks movement of the risk over the last 18 months:

Risk Title	Score before mitigation			Movement
	Jun 20	Nov 20	Jan 21	
Contraction in retail & leisure sectors	25	25	25	-
Financial restrictions	20	20	20	-
Environmental damage	16	16	16	-
Brexit / EU transition	16	16	16	-
Major unforeseen emergency	15	15	15	-
Covid-19: Restrictions to Council operations	20	12	12	-
Covid-19: Community & business recovery		12	12	-
Housing pressures increasing	12	12	12	-
IT security failure	12	12	12	-
Not fulfilling residential property responsibilities	12	12	12	-
Major contractor failure		12	12	-

This summary illustrates that corporate risks are actively being reported and monitored and that processes are in place to ensure new emerging issues are captured and escalated.

Operational Risks

Operational risk registers are in place for each service and are reviewed and updated routinely depending on severity. Managers and Heads of Service are responsible for managing operational risks. In accordance with the Council's risk tolerance, Wider and Corporate Leadership Teams receive risk updates throughout the year and will monitor and review risks through that process.

We are currently wrapping up work to refresh all of the operational risks across each service, including specific work to identify any risks arising from our new ways of working, working under crisis and resilience risks arising from COVID-19. Outcomes of this work will be reported in the usual way to Management and then on to Policy & Resources Committee.

Next Steps

Risk management is a continuous process, and we will continue to build on and improve the arrangements to further strengthen the risk management arrangements and to develop a positive risk culture across the Council.

We have set out our priorities over the coming year in a risk management plan. The key areas of focus are set out below:

The infographic is a vertical grid of six orange-bordered boxes, each representing a key area of focus. Each box contains a numbered icon, a title, a time period, and a description of the actions to be taken.

- 1 Risk Software** (Apr – Jun 2021): Implement specialist risk software to improve the efficiency of the risk process, enable more powerful reporting, monitoring and increasing engagement with risk owners.
- 2 Training & Development** (Jan - Jun 2021): Deliver a series of training briefings to support the rollout of risk software and to refresh knowledge and expertise of risk management and the risk management process. Briefings to be delivered to Officers & Members.
- 3 Operational Risks** (Dec - Jan 2021): Refresh operational risk registers. Workshops will be made available for services and teams to facilitate the process and to ensure that risks are identified and assessed in accordance with the agreed framework and guidance.
- 4 Corporate Risks** (Jan - Feb 2021): Refresh the corporate risk register to reflect the outcomes of revised operational risk work. A workshop will be delivered to align corporate risks to the Council Plan. Risks will be assessed alongside the corporate risk appetite and tolerance levels.
- 5 Risk Actions** (Jun – Sept 2021): Implement mechanisms to ensure that actions are taken to address risks that fall above the risk tolerance level. We will work with risk owners to identify control measures and to assess the reduction on the overall level of risk. Sharing of effective control measures to be incorporated.
- 6 Reporting & Monitoring** (Throughout 2020 / 21): Undertake continuous monitoring of risk information and rethink / redesign risk reporting to ensure that data is valuable and supportive. Report corporate risk issues to Policy & Resources and Audit, Governance & Standards Committee.

Risk management is only as effective as the risks that are identified, and the action taken to address those risks. We continue to receive a positive level of engagement and support from Senior Officers and Managers across the Council which has enabled the risk management process to develop and embed.

We would like to take this opportunity to thank officers and Members for their continued work and support.

Impact & Likelihood Scales

Risk Impact

Level	Service	Reputation	H&S	Legal	Financial	Environment
Catastrophic (5)	Ongoing failure to provide an adequate service	Perceived as a failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor Service, 5+ days disruption	Significant adverse national publicity	Fails to prevent death, causes extensive permanent injuries or long term sick	Litigation expected and uncertain if defensible Breaches of law punishable by significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1+ yrs)
Moderate (3)	Unsatisfactory performance Service disrupted 3-5 days	Adverse national publicity of significant adverse local publicity	Fails to prevent extensive permanent injuries or long term sick	Litigation expected but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1 yr)
Minor (2)	Marginal reduction in performance Service disrupted 1-2 days	Minor adverse local publicity	Medical treatment required Long term injuries or sickness	Complaint or litigation possible Breaches of regulations or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No performance reduction Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

Risk Likelihood

Level	Probability	Description
Almost Certain (5)	90% +	Without action is likely to occur; frequent similar occurrences in local government / Council history
Probable (4)	60% - 90%	Strong possibility; similar occurrences known often in local government / Council history
Possible (3)	40% - 60%	Might occur; similar occurrences experienced in local government / Council history
Unlikely (2)	10% - 40%	Not expected; rare but no unheard of occurrence in local government / Council history
Rare (1)	0% - 10%	Very unlikely to occur; no recent similar instances in local government / Council history