

**AUDIT COMMITTEE
21 MARCH 2017**

RISK & OPPORTUNITY MANAGEMENT STRATEGY

Cabinet Member Cllr Peter Hare-Scott, Cabinet Member for Finance
Responsible Officer Catherine Yandle, Internal audit Team Leader

Reason for Report: To present the Committee with the updated Risk & Opportunity Management Strategy for approval

RECOMMENDATIONS:

- i. **The Committee approves the amendments to the reporting criteria outlined in section 2 below.**
- ii. **The Committee approves the updated Risk & Opportunity Management Strategy subject to the above recommendation (Appendix A).**

Relationship to Corporate Plan: Having effective Risk & Opportunity Management arrangements in place is crucial to enable the Council to identify opportunities and mitigate risks to the Priorities contained in the Corporate Plan.

Financial Implications: Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

Legal Implications: Potential breach of the Accounts and Audit Regulations (2015).

Risk Assessment:

- i. Failure to take advantage of opportunities and mitigate business risks could impact on the Council's ability to deliver its strategic objectives.
- ii. Assessment of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

1.0 Introduction

- 1.1 The Risk & Opportunity Management Strategy was last updated and approved by the Audit Committee on 15 March 2016.
- 1.2 The Council has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations (2015) to conduct a review at least once a year of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. For a local authority in England that statement is the Annual Governance Statement as will be presented to this Committee with the Statement of Accounts in May.
- 1.3 One of the principles of good governance as defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) is:

Managing risks and performance through internal control and strong public financial management.

1.4 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

1.5 The purpose of this report is to update the Council's Risk & Opportunity Management Strategy (attached as Appendix A) for the 2017/18 financial year. For ease of reference the changes to the document have been tracked.

2.0 Risk Appetite/Tolerance and Reporting

2.1 Risk appetite is best summarised as 'the amount of risk an organisation is willing to seek or accept in pursuit of its long term objectives'. The Council aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. The Council's risk appetite scoring diagram or matrix is shown in section 2.3 below.

2.2 Risk tolerance is the level of risk which is acceptable to the Council. The Council's present tolerance levels are:

- **4 or less – Low**, a negligible risk, considered acceptable, no further action required where there is no foreseeable further risk of harm or discomfort; and any foreseeable risk is no more than inconvenience;
- **5 to 12 – Medium**, considered acceptable, no further action required, other than ensuring controls in place are effective and that the associated costs are not excessive, risks are not being over controlled; and
- **15 to 25 - High**, these risks may require some additional controls to reduce likelihood/impact and continual monitoring of effectiveness of controls.

2.3 The decision was made previously to report all risks that score 15 or above as well as those that score a 5 for impact, irrespective of their overall score. This is reflected in our present risk matrix:

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
			1	2	3	4
Likelihood						

2.4 In order that resources are concentrated on the risks most likely to jeopardise the Council's Priorities it is proposed that the risk tolerance and risk scoring matrix are changed as follows:

- **5 or less – Low**, description as above;
- **6 to 12 – Medium**, description as above;
- **15 to 25 - High**, description as above.

The resultant matrix would look like this:

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
Likelihood						

2.5 Reporting could then be reasonably changed to 10 and above which would be easily managed on SPAR, the Corporate Service Performance and Risk Management system.

3.0 Conclusion

3.1 Risk & Opportunity Management is not a separate initiative, but is a demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk & Opportunity Management are reflected in the activities of the Council.

3.2 Approval of the amendments to the reporting criteria will enable the Council to concentrate resources on risks most likely to jeopardise the Council's Priorities.

3.3 Approval of the Risk & Opportunity Management Strategy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

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Circulation of the Report: Cllr Peter Hare Scott and Management Team