

**Report to:** Governance and Audit Committee

**Date:** 31 October 2019

**Subject:** **Risk Management Arrangements**

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## **1. Purpose of this report**

- 1.1 To provide an update on developments in the organisation's corporate risk management arrangements and to consider the further planned improvements to these arrangements, including a proposed update of the Corporate Risk Management Strategy, with consideration to the recently completed internal audit report.

## **2. Information**

### Background

- 2.1 The Corporate Risk Management Strategy was first approved in 2017 and last endorsed by the Governance and Audit Committee in July 2018. Since this time significant progress has been made in developing and improving risk management activities across the organisation. This has included reviewing and updating all directorate risk registers and putting in place measures to ensure consistency in how these are proactively managed.
- 2.2 Within the last six months a network of 'risk coordinators' within each directorate has been established to coordinate risk management activities and assist with the maintenance of Directorate risk registers. These coordinators also provide recommendations for escalation and redistribution of risks across the organisation and meet as a cross-directorate group in order to provide feedback on wider measures to improve corporate risk management.
- 2.3 Corporately facilitated risk workshops continue to take place across the organisation, to raise the profile of risk management arrangements and to support staff in conducting practical risk assessments. Informal workshops have been held with Combined Authority members to ensure their feedback is incorporated into the organisation's risk appetite statement and corporate risk register.

- 2.4 A dedicated risk management section has been established on the internal intranet, where staff can access a range of information on how to conduct risk management activities in line with the Corporate Risk Management Strategy. This also contains risk register templates and a range of guidance documents, designed to assist staff in conducting constructive risk reviews, as well as providing information on risk identification and mitigation.
- 2.5 As part of the ongoing review of risk management arrangements, a benchmarking exercise has recently been undertaken to establish the distribution of risks across the organisation, taking into account Directorate registers and key organisational registers (e.g. Health and Safety, Information Governance).
- 2.6 A new reporting template to the Regulatory and Compliance Board is currently being developed to better assist them in providing an objective assurance of risk management across the organisation. A periodic dashboard report will be created for the group, to provide high level details of risk levels and travel across directorates and key organisational registers.
- 2.7 The function of Senior Leadership Team (SLT), Senior Management Team (SMT) and Regulatory and Compliance Board continue to be reviewed to strengthen their role in providing objective challenge and benchmarking across the organisation. Consideration is being given to the introduction and format of periodic sessions whereby individual Directorate and key organisational registers are reviewed scrutinised in full.
- 2.8 SLT, SMT, Directorate Management Teams (DMT) and the Regulatory and Compliance Board continue to discuss risks as a standing agenda item. The secretariats for these meetings continue to work closely with risk coordinators and risk owners to ensure any updates and progress on mitigation actions is recorded in the appropriate registers.

Internal Audit recommendations

- 2.9 In September 2019, an internal audit was commissioned to consider how well risk management arrangements are embedded across the organisation. This built on previous audit exercises, which had largely concentrated on assessing the overarching corporate risk framework, rather than a more detailed assessment of how these are working in practice. This audit work, which was completed in early October, found that while progress had been made in more clearly defining corporate risk management arrangements and supporting tools, there was still inconsistency in how these were being implemented. The audit therefore concluded that there was ‘limited assurance’ in place i.e. “there is an adequate framework of controls in place but the controls are not being consistently applied to ensure the risks are managed effectively”.

A summary of the specific internal audit recommendations and the actions currently in progress to address these is provided below:

Recommendation	Action
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<p>As part of the planned revision to the corporate strategy, an awareness raising and training plan is to be developed to support increasing both knowledge and confidence levels in applying risk management throughout the business.</p>	<ul style="list-style-type: none"> <li>• A communication plan to ensure risk management messages are consistently drip-fed to the organisation is in development with internal communications colleagues.</li> <li>• Senior risk managers across the organisation have been identified and are being approached to discuss means of in-house upskilling of key staff.</li> <li>• A 'bite-size learning' session on the Corporate Risk Strategy and risk management principles has been scheduled and attendance is open to all staff.</li> </ul>
<p>The revised strategy must make escalation and delegation more explicit and that the recording of risks and actions is clearly visible to everyone.</p>	<ul style="list-style-type: none"> <li>• A simplified reporting and escalations flowchart will be included in the updated Risk Management Strategy, with additional guidance provided in plain English.</li> <li>• The Corporate Risk Register document will be included under the 'Key Documents' heading on the intranet.</li> <li>• Access permissions will be expanded to enable more staff to view Directorate and Corporate risk register/s.</li> <li>• A uniform ID system will be implemented to map risks across registers.</li> </ul>
<p>The revised risk strategy must set out the role for risk coordinators around risk management, for example making explicit links to performance management and business planning and how risk management can be built into regular meetings.</p>	<ul style="list-style-type: none"> <li>• A more detailed definition of the Risk Coordinators will be included in the refreshed Strategy</li> <li>• Membership of Risk Coordinators will be reviewed to ensure they suitably cover all areas of the organisation, and can adequately fulfil their roles. They will then be introduced to the organisation through internal communications.</li> <li>• Detailed risk register reviews are to be scheduled for Directorates in February 2020 based on completed Business Plans for 2020/2021, to ensure linkage between the two.</li> <li>• Guidance will be provided surrounding the inclusion of risk actions in performance reviews to monitor progress.</li> </ul>
<p>The current matrix should be reviewed and the revised strategy take account of any potential changes that could simplify and make the process more accessible to all users.</p>	<ul style="list-style-type: none"> <li>• A revised risk assessment matrix will be created based on best practice from partner organisations.</li> <li>• Columns in Risk Register template will be reduced to simplify recording.</li> <li>• Language to be standardised and simplified in register and across documentation, in line with ISO 31000.</li> </ul>

<p>The Combined Authority should invest in professional membership to a relevant body to support the development of risk management, for example membership of ALARM (current annual cost, £199 for one member)</p>	<ul style="list-style-type: none"> <li>• Director, Corporate Services and Head of Finance engaged to discuss organisational membership of ALARM.</li> </ul>
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### Risk Strategy Refresh

- 2.15 The findings from the recent internal audit and the wider review work as outlined above are being used to inform a comprehensive update of the Corporate Risk Management Strategy. This work is currently underway with the intention of providing an updated strategy for approval by the end of November 2019.

### **3. Financial Implications**

- 3.1 There are no financial implications directly arising from this report.

### **4. Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

### **5. Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

### **6. External Consultees**

- 6.1 No external consultations have been undertaken.

### **7. Recommendations**

- 7.1 That the Governance and Audit Committee considers the work underway to further improve risk management arrangements.

### **8. Background Documents**

None.

### **9. Appendices**

None.