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Dear Member

**GOVERNANCE AND AUDIT COMMITTEE - TUESDAY, 25 SEPTEMBER 2012**

I am now able to enclose the slides which were considered at the Governance and Audit Committee meeting on Tuesday, 25 September 2012.

<b>Agenda No</b>	<b>Item</b>
6	<b><u>Presentation on Risk Management</u> (Pages 1 - 18)</b>

Yours sincerely

**Peter Sass**  
**Head of Democratic Services**

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**Risk Management Briefing.**  
**Governance and Audit Committee.**  
**25 September 2012.**

**Richard Hallett.**

(Head of Business Intelligence,  
Performance & Risk).

**Mark Scrivener.**

(Corporate Risk Manager).



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# Contents

- G&A Committee role in risk management;
- Role of the Corporate Risk Team;
- KCC Risk Management Principles and Approach;
- Risk Management process;
- Risk Registers
- Questions

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# **Governance and Audit Committee Terms of Reference - Objectives (relating to risk management).**

- **Overarching Purpose:**
  - To review assurance as to the adequacy of the risk management and governance framework and the associated control environment.
- **Objective:**
  - On behalf of the Council, to ensure that risk management and internal control systems are in place and, that they are adequate and effectively and efficiently operated.

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## **Governance and Audit Committee responsibilities (summary)**

- Review annually the Council's Risk Management Policy and Procedures;
- Review the Council's Corporate Risk Register every six months;
- Ensure that any significant partnership that the Council enters into has appropriate Governance & Risk Management arrangements;
- Review regular and ad-hoc assurance reports from Officers in order to assess effectiveness of planned actions to mitigate risks identified;
- Not accountable for managing the risks themselves.

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# Corporate Risk Team role

- Develop and maintain the Risk Management Policy and associated guidance;
- Promote and encourage the use of a structured approach to risk management throughout KCC.
- Co-ordinate risk management activities, including oversight of significant risks across KCC and ensuring mitigating actions are monitored and reported on;
- Share intelligence with other specialist areas (e.g. Business Continuity) and other key functions (e.g. Business Planning and Performance).
- Important working relationship with Internal Audit.
- Not accountable for individual risks.

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# KCC Risk Management Principles

- Aligns with objectives;
- Fits the context;
- Engages stakeholders;
- Provides clear guidance;
- Informs decision-making;
- Facilitates continual improvement;
- Creates a supportive culture;
- Achieves measurable value



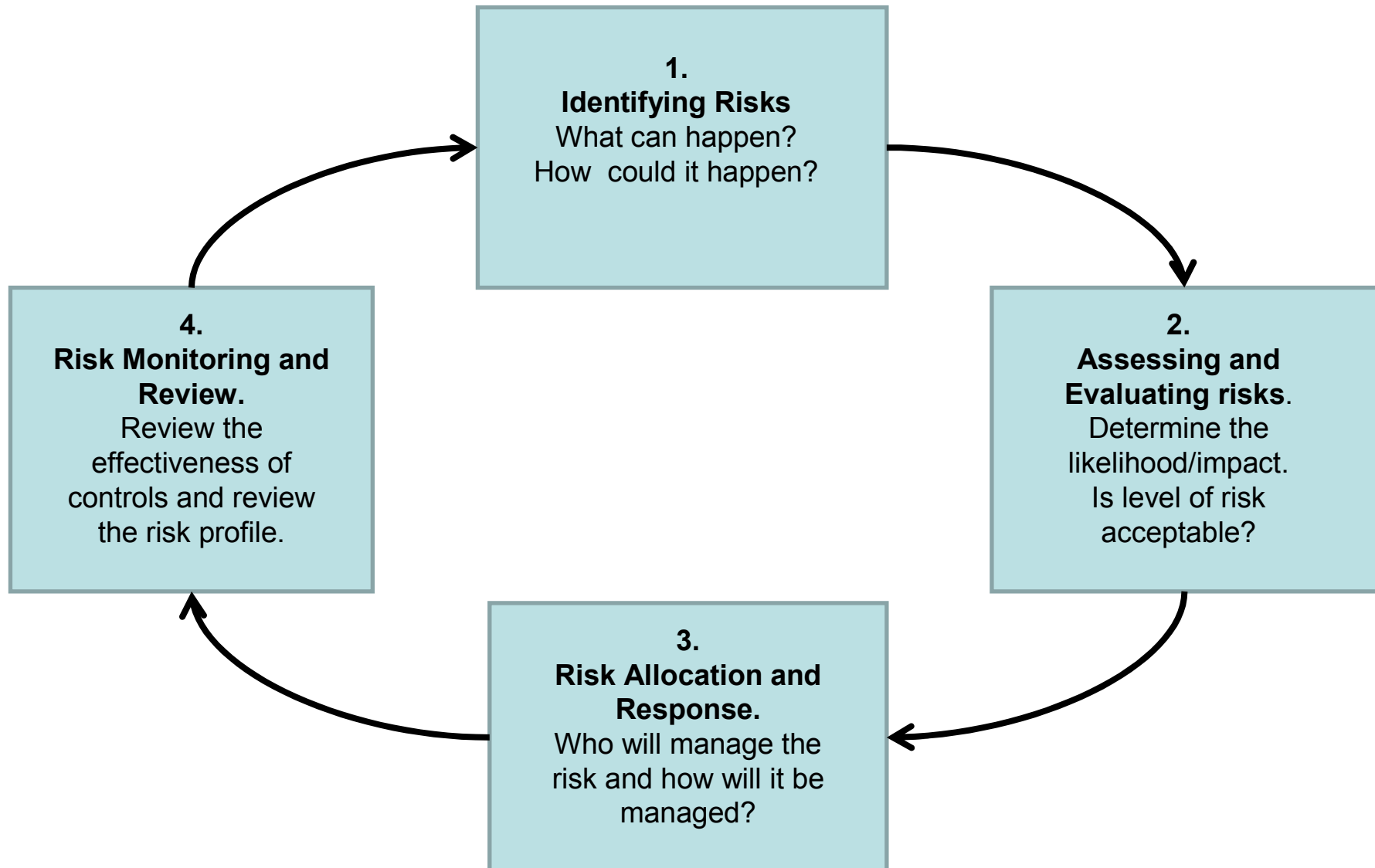
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# KCC Approach to Risk Management

- Balance need for evidencing risk management without “over-engineering the process”;
- Tailored to KCC requirements – not straight from the textbook.
- Management judgement and common sense alongside processes and guidance.
- Focus on ***action*** to manage risk.

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# Cycle of risk management stages.



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# Identifying Risks

- Identify objectives first.
- Those arising from external or internal sources;
- Categorisation – e.g. financial, operational, reputational, legal, contractual
- Identified at individual or group level;
- Various tools and techniques to aid the process (e.g. workshops, 1:1 sessions, PESTLE and SWOT analysis, prompt lists).

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# Assessing & Evaluating Risks

- Part art, part science!
  - Guidance given on rating the level of risk (likelihood and impact);
  - Complemented by management judgement and common sense;
- “Red” risks deemed to be above tolerance and escalated to next tier of management.

# Assessing & Evaluating Risks – scoring matrix

LOW	MEDIUM	HIGH
1 – 6	8 – 15	16 - 25

Likelihood	Very likely	<b>5</b>	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	<b>4</b>	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	<b>3</b>	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	<b>2</b>	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	<b>1</b>	1 Low	2 Low	3 Low	4 Low	5 Low
<b>RISK RATING MATRIX</b>			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			<b>Impact</b>				

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# Resource Allocation & Response

- Risk responses:
  - Terminate;
  - Treat;
  - Transfer;
  - Tolerate.
- Key roles:
  - Risk Owner;
  - Control / Action Owner

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# Risk Monitoring, Review & Reporting

- Objective : risks to be managed at the appropriate level in the organisation;
- Corporate Risk Register
  - Annual review of Corporate Risk Register by Corporate Board and Cabinet;
  - Fed in to Medium Term Financial Plan;
  - Quarterly updates as part of Quarterly Performance Report
  - Governance and Audit Committee – Twice yearly.

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# Risk Monitoring, Review & Reporting cont...

- Directorate Registers:
  - Annually to Cabinet Committees (with draft Business Plans).
  - Quarterly review by Directorate Management Teams as a minimum
- Divisional Registers:
  - Quarterly review by Divisional Management Teams as a minimum.
- Early Warning Indicators
- Risk Closure



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# Risk Registers

## **Purpose and Benefits:**

- To form an agreed record of the significant risks that have been identified and who is responsible for managing them;
- A record of the control activities that are currently being undertaken and additional actions that are proposed to improve the control of the risk.
- Consistent approach and transparency of significant risks across the Authority.
- Helps managers to clarify their thoughts on the key risks that may prevent them achieving their objectives.

## **Hierarchy of risk registers in KCC:**

- Risk registers will be completed at Corporate, Directorate and Divisional levels. Also held for Programmes and Projects.
  - GRACE software system will be used to ensure standardisation of registers.
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# Work Programme 2012/13

- Policy and guidance reviewed and refreshed;
- Training taking place for Officers and Members from October;
- Risk Management software being piloted, with wider rollout by end of 2012;
- Working with directorates to ensure risk registers are in place and being regularly maintained;
- Exploring our approach to areas such as risk proximity and opportunity management.

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# QUESTIONS?

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