# Risk Management Briefing.
# Governance and Audit Committee.
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- 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

# 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.

# 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.

# 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.

# 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;
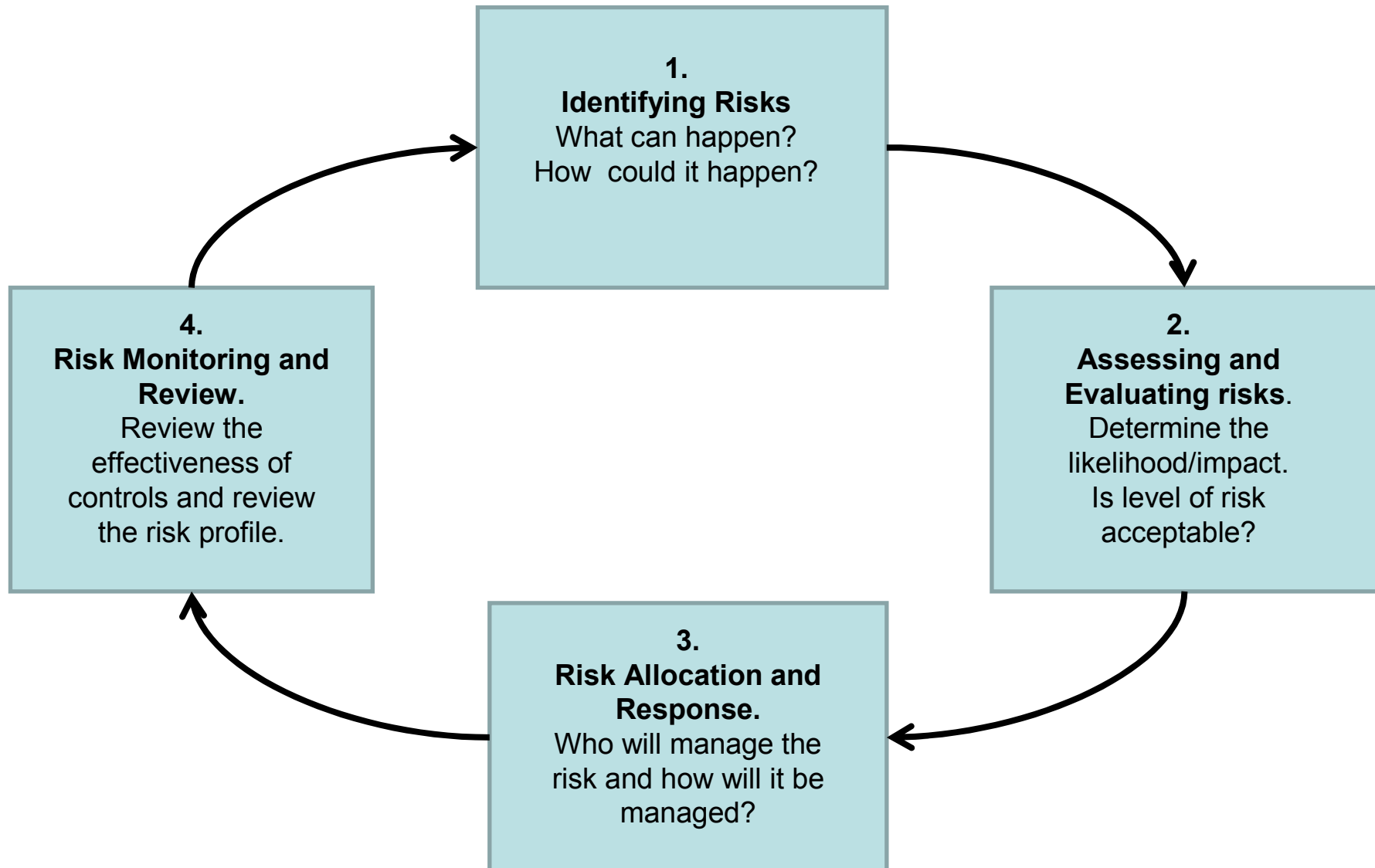
- Achieves measurable value

# 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.

# Cycle of risk management stages.



**1.**
**Identifying Risks**
What can happen?
How could it happen?

**2.**
**Assessing and Evaluating risks**.
Determine the likelihood/impact.
Is level of risk acceptable?

**3.**
**Risk Allocation and Response.**
Who will manage the risk and how will it be managed?

**4.**
**Risk Monitoring and Review.**
Review the effectiveness of controls and review the risk profile.

# 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).

# 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 | | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|
| | Very likely | 5 | 5 Low | 10 Medium | 15 Medium | 20 High | 25 High |
| | Likely | 4 | 4 Low | 8 Medium | 12 Medium | 16 High | 20 High |
| | Possible | 3 | 3 Low | 6 Low | 9 Medium | 12 Medium | 15 Medium |
| | Unlikely | 2 | 2 Low | 4 Low | 6 Low | 8 Medium | 10 Medium |
| | Very Unlikely | 1 | 1 Low | 2 Low | 3 Low | 4 Low | 5 Low |
| **RISK RATING MATRIX** | | | 1 | 2 | 3 | 4 | 5 |
| | | | Minor | Moderate | Significant | Serious | Major |
| | | | **Impact** | | | | |

# Resource Allocation & Response

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

# 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.

# 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

# 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.

# 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.

# QUESTIONS?