RISK MANAGEMENT PROCEDURE

MARCH 2013

(DRAFT PROPOSALS)

CORPORATE SERVICES

INVESTORS IN PEOPLE | Bronze

1. INTRODUCTION

To secure maximum benefit for Tendring District Council, the risk management process must be integrated with departmental planning. Risk registers must be regularly reviewed and must be meaningful, consistent and current.

This procedure is to ensure that we have a robust yet proportionate approach to risk management.

2. RISK MANAGEMENT

Risks are captured in the two standard risk registers:

- Corporate Strategic Risk Register,
- Departmental Risk Register (part of the Departmental Plan)

Risk maps provide a visual support to help demonstrate any recent movement in risks and will be produced for the quarterly review of the Corporate Strategic Risk Register.

Risk registers (and the risk map for strategic risks) are working documents that support senior management in the day to day running of the business.

Each risk register will record:

- A reference number for the risk
- Risk description
- The objective in the corporate strategy to which the risk relates
- The risk owner
- Existing controls
- Warning indicators
- Any further actions required (which must be SMART)
- The inherent and residual risk levels, including level of likelihood and of impact.

When presented to the Management Team on a quarterly basis, the strategic risk maps will show any movements in risk ratings.

Any internal audit report highlighting the current assurance level afforded by the controls in place should be fed into the risk register as soon as possible.

3. STEP-BY-STEP PROCEDURE

- Departmental risk registers will be reviewed and updated regularly (at least quarterly) by each Directorate. Business Services / audit staff are able to attend and support Directorate management team meetings as required, to facilitate the process and to understand any movement in risks.

- The Corporate Management Team will review and update the corporate risk register quarterly.

- The corporate risk register will be reported to the Audit Committee every 6 months with interim exception reporting as appropriate.

4. DEFINITIONS

Risk: A risk is an event or action which may adversely affect the Council. It can arise from the possibility of not realising opportunities as well as from a threat materialising. Risk management should be embedded across the organisation and form part of each directorate's everyday function. They should generally follow the format '[x...] leading to [x...] resulting in [x]'. Please note that as we increase our partnership and multiagency work risks become increasingly complex as control may be out of our direct control although we are exposed to risk (financial, reputational etc)

Inherent risk: This is the level of risk that is present before controls have been applied. These are measured on a numerical scale from 1-25.

Residual risk: Once controls have been put in place to mitigate risks and/or their impact, this is the remaining level of risk. They are measured on the same basis as inherent risk to allow comparison and to demonstrate the effectiveness of controls.

Control: Controls are a key mechanism for managing risk and are put in place to provide reasonable assurance. Controls can include policies or implementation of recommendations resulting from internal audits.

Actions: Actions are things undertaken to bring the residual risk rating within the Council's risk appetite. These should always be SMART.

Warning indicators: These are current or future areas of concern which may show an increased risk to the Council. These can be internal or external to the organisation.

5. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

- **Audit Committee**

The Audit Committee is responsible for ensuring proper arrangements exist for risk management and internal control.

- **Corporate Directors / Head of Service**

Each Corporate Director / Head of Service will review his or her departmental risk register on a regular basis (at least quarterly). The corporate risk register will be derived from the risks arising from each service area within the department.
Progress against the risks recorded on the registers needs to be recorded and the risk register updated accordingly. Updates will include changes in risk rating, results of internal and external audits, whether actions have been delivered or delayed, and any new actions added where required to mitigate risks. Any new risks will be added to the risk register.

As we increasingly work in partnership, joint risk registers may be a requirement for multiagency projects and these will need to be referenced onto the departmental / corporate risk register.

- **Corporate Services**

The Business Service and Internal Audit will work together to ensure that risk registers are maintained and reported on a quarterly basis to the Management Team. They will also facilitate and support Departments to develop their approach to risk management and they will ensure the Finance team is made aware of any material financial changes / risks.

A report highlighting those risks that need to be considered at a strategic level by Management Team will be produced quarterly. A risk map will accompany the strategic risk register to clearly demonstrate the level and direction of travel of each risk. After discussion by Management Team this will be presented to Audit Committee at the appropriate timescales outlined above.

In order to embed risk management it is envisaged that support will be necessary from Internal Audit and the Performance Manager and this will include training for staff responsible for maintaining departmental risk registers.

6. RISK RATING CATEGORIES

High Risks (Rating of 15-25)

- These risks require immediate attention and, as a high priority, a plan needs to be put together for their mitigation because they are likely to impact on ability to effectively deliver the corporate strategy. Strategic risks, and those operational risks with potential impact across the council, will be owned by the Management Team and an appropriate Director will be allocated the management of each risk.

- The risk details will be presented to the Audit Committee along with a plan of action to reduce the risk. The risk registers will clearly indicate who is responsible for taking the action and timescales will be put on each action point.

- The Audit Committee will also receive notification of the trend of each risk. Those with increasing risk levels will therefore be treated more urgently than those being currently managed down through an action plan.

Medium Risks (Rating of 6-12)

- Medium Risks should be recorded in the Departmental Risk Register. These risks will be owned and managed within the directorate because the level of risk is generally in the range that the council is prepared to tolerate. This means that we are satisfied that current controls are at an adequate level compared to the level of risk.

- However, these risks are close to the tolerance threshold so they should be monitored on at least a quarterly basis to ensure that controls continue to be effective and/or that the inherent risk is not increasing.

- The trends of risks should be included in directorate risk monitoring because:
  o If the risk is increasing, we need to find out whether it could become a high risk, and be proactive in trying to avoid this happening.
  o If the risk is decreasing it may indicate that we are focussing our efforts in the wrong areas.

Low Risks (Rating of 1-5)

- These risks should be included in the risk registers and monitored on a quarterly basis. No action needs to be identified to reduce these risks further.
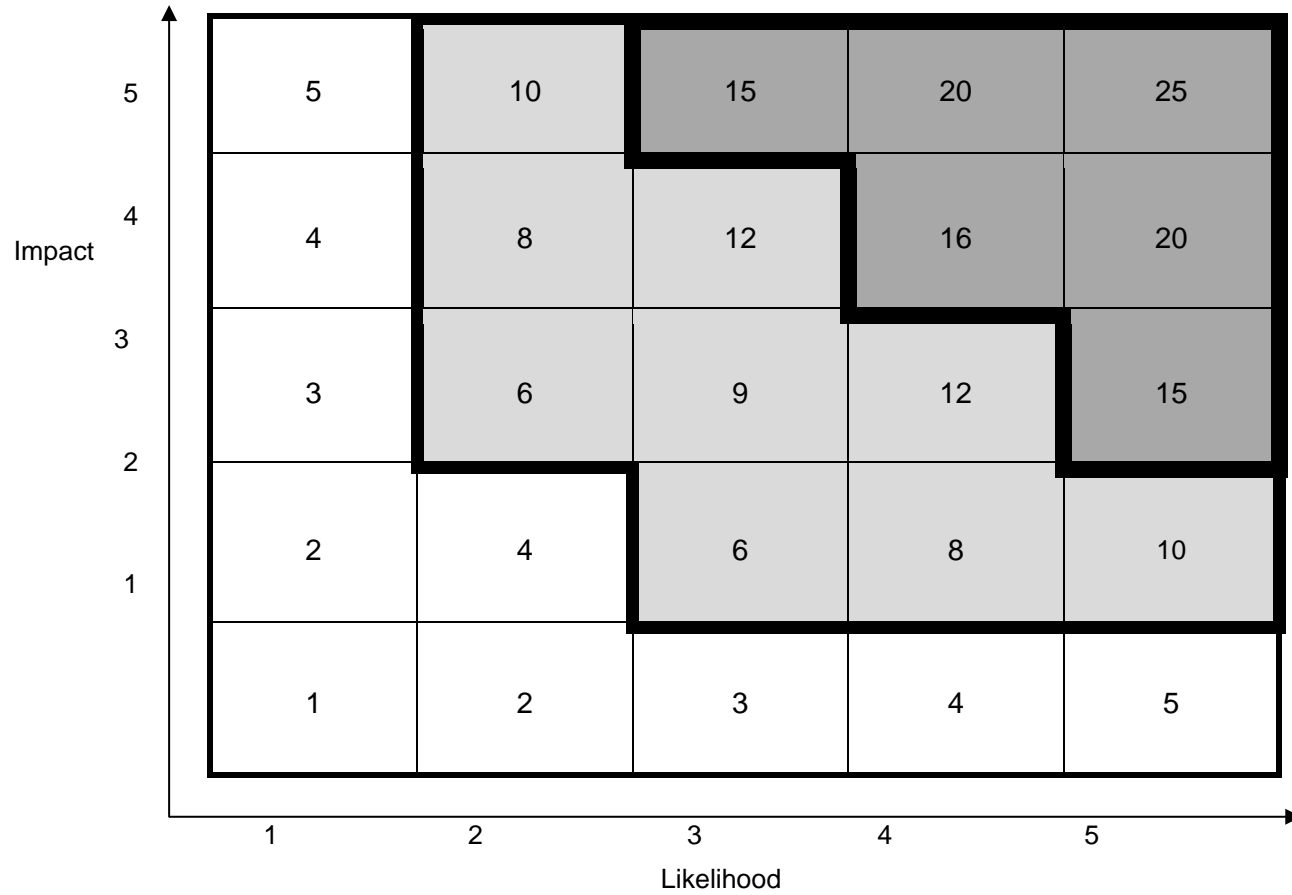
7. RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	**Financial**	**Service Delivery**	**Safety**	**Reputation**
5	**Critical**	Loss of more than £1m	Effective service delivery is unachievable.	Fatality (Single or Multiple)	Reputation damage is severe and widespread i.e. Regulatory body intervention
4	**Major**	Loss above 250K but below £1m	Effective service delivery is severely disrupted in one or more areas	Multiple serious injuries requiring professional medical treatment	Reputation damage occurs with key partners.
3	**Sizeable**	Loss above £25K below £250K	Effective service delivery is disrupted in specific areas of the Council.	Injury to an individual(s) requiring professional medical treatment	Reputation damage is localised and/or relatively minor for the Council as a whole
2	**Moderate**	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	**Minor**	Loss of up to £5K	Minor disruption to effective service delivery i.e. Staff in unplanned absence for up to one week	No treatment required	Reputation damage only on personal level

8. RISK RATING ELEMENTS - LIKELIHOOD

Timescale → Likelihood	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
Over 80%	5	4	3	2	1
65%-80%	4	4	3	2	1
50 – 64%	3	3	3	2	1
30 – 49%	2	2	2	2	1
Less than 30%	1	1	1	1	1

9. RISK MATRIX – 5 x 5

Impact   x   Likelihood =   Overall Risk Rating

Therefore, reducing either element will result in an overall reduction in the risk rating.

Departmental Risk Register / Corporate Risk Register												
		Inherent Risk			Controls	Warning Indicators	Action Owner	Target Date	Residual Risk			
Risk No	Risk Details	Impact 1-5	Probability 1-5	Inherent Risk Rating	We control the risk by:				Impact 1-5	Probability 1-5	Residual Risk Rating	←→ ↑↓
1		5	4	20					5	1	5	↓
2												

Please note the risk details must specify the specific risk (financial, service delivery, safety, reputational etc)

10. RISK REGISTER PROCESS

RISK

Risk Management Policy

Controls (Governance, oversight, internal audit)

Corporate Strategy

External Factors & Future Events

Previous Risks & Events

Departmental Plans

All Risks

Controls

Departmental Action Plans & Personal Targets

Individual Service Area Risk Registers

Risks Rated 15+

Audit Committee

All Risks Above Threshold Reported

Corporate Risk Register

Contingency Plan

If risks above threshold & can't/won't be managed