



**South  
Cambridgeshire  
District Council**

**REPORT TO:** Audit and Corporate Governance Committee      25<sup>th</sup> September 2018

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## Corporate Risk Management

### Purpose

1. The Council has a Risk Management Strategy which sets the strategic direction of the Council and its approach to Risk Management.
2. The Council has a Risk Management Process which sets out how risk is managed, and is a guidance document for risk management.
3. The Executive Management Team (EMT) has responsibility for setting the Risk Management Framework. The Strategy is approved by EMT and then by the Audit & Corporate Governance Committee (ACGC), the Process is reviewed by CMT and approved by the Executive Director (Corporate Services). The Process is noted by ACGC when setting the Strategy. These approvals were completed in [June 2017](#).
4. An Internal Audit review of the Risk Management processes has recently been completed, and this identified some opportunities for improvement. The approach to risk management has also been discussed at recent workshops, when reviewing the Strategic Risk Register. Consequently we have updated the Risk Management Strategy and Risk Management Processes.
5. This report is being presented to ACGC to approve the Council's Risk Management Strategy.

### Recommendations

6. Members of the ACGC are asked to approve the draft Risk Management Strategy and note the Risk Management Processes documents.

### Reasons for Recommendations

7. The Council's risk management framework is a key component of its governance arrangements.
8. ACGC approves the Council's Risk Management Strategy on an annual basis.

## **Background and supporting information**

9. The review has proposed some changes to the Risk Management Process, but the Risk Management Strategy remained unchanged. The main changes to the Risk Management Process are summarised below and are for information only:

### *Terms of reference*

10. We added a terms of reference in the Risk Management Process.
11. Feedback from managers has been that there was some confusion over terminology, which is not surprising as there are often interchangeable terms used in different organisations. Also some terms, such as residual risk, can be interpreted differently.
12. The terms of reference are included in Appendix C.

### *Risk scoring*

13. Risk Management processes enable risks to be scored at three stages:
  - Inherent risk (called Gross Risk on 4Risk reports);
  - Current risk (called Net Risk on 4Risk reports); and
  - Target risk.
14. Currently the Council uses Inherent risk and Current risk, and these are included in the standard report formats.
15. Feedback from risk management workshops and management meetings highlighted that the using target risk scores will provide a more action focussed approach to risk management compared to using inherent risk scores. The reporting emphasis would be on where we are now, and where we would like to be.

### *Risk reporting*

16. Feedback from risk management workshops and management meetings highlighted that there were a number of existing strategic risks which were being managed effectively, and the Current risk was reduced to an acceptable level.
17. This provided an opportunity to challenge the benefit of reporting these risks.
18. Currently the criteria for reporting a risk is based on the Inherent Risk score. It is proposed to change this to the Current Risk level.
19. An example from the previous risk workshops was “Inadequate IT Investment”. As the risk is being effectively managed it would not need to be reported. The risks could still be recorded in the 4 Risk Management system, for historical purposes and could be a useful point of reference, should we need to provide assurance that key risks are being managed.
20. This would potentially change what risks would be reported on the Strategic Risk Register, depending on the risk appetite being agreed with EMT.

### *4 Risk system training*

21. The review highlighted that managers would welcome additional training on using the 4 Risk system.

22. Further training will be delivered to managers following adoption of the revised Risk Management Strategy and Risk Management Process.

Risk categories

23. The Risk Management Process contains a number of categories for risks. This can be useful for analysis throughout the organisation.
24. These have been reviewed and we have added a “Commercial Activities” category reflecting that this is increasingly becoming a focus for the Council.

**Summary**

25. The Risk Management Strategy is presented for annual approval without any changes made since June 2017.

**Considerations**

26. Useful things to consider, when reviewing the document, could include:
- Are there any areas which do not make sense, and require clarification?
  - Are there any other aspects of risk management which should be included in the document (i.e. where you would welcome further guidance)?

**Options**

27. Not applicable

**Implications**

28. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, there are no significant implications.

**Effect on Strategic Aims**

29. The Risk Management Strategy is key to ensuring management understand their roles and responsibilities for managing risk.

**Background documents**

- Risk Management Strategy (appended).
- Risk Management Process (appended).

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