

Audit and Governance Committee

27 November 2009

Report of the Director of Financial Resources

New Corporate Risk Profile

1. Purpose of the Report

- 1.1 The report is to inform the Audit and Governance Committee of the production of a new Corporate Risk Profile for the Council.

2. Description of Decision

- 2.1 The Audit and Governance Committee is invited to consider the report.

3. Background

- 3.1 Risk Profiling is a systematic risk identification and evaluation process designed to provide an organisation with a clear focus on the major risk issues it faces. The Profile identifies measures to assist in ensuring those risks are managed, appropriate opportunities are taken advantage of, targets are achieved and service delivery improved.
- 3.2 During the period 1995 – 2004 the Council has, on 3 occasions, partnered with external advisors to produce a completely 'new' Corporate Risk Profile.
- 3.3 Given the major changes locally, regionally and nationally, and in order to provide an independent overview and quality assure this important document the Council commissioned its risk management advisors Marsh to produce a new draft Corporate Risk Profile for challenge and ratification by the Council.

4. Actions to Date

- 4.1 Marsh undertook this process by examining a range of key policy and strategic documents e.g. Sunderland Strategy 2008 – 2025; Corporate Improvement Plan; Local Area Agreement etc. Subsequently Marsh conducted a series of face to face confidential interviews with an appropriate selection of the Council's Elected Members, Chief Executive, Directors / Chief Officers, Senior Officers and the Chair of the Local Strategic Partnership (see Appendix 1 for a list of interviewees).

- 4.2 A specific briefing note was sent in advance to each interviewee to assist them in their preparations. This briefing note explained the background and objectives of the project, the interview agenda and preparatory work that would support the most effective outputs from the interview.
- 4.3 The initial draft of the Profile produced by Marsh as a result of these processes was robustly challenged at a workshop by the Corporate Risk Management Group facilitated by Marsh. The draft was then revised by Marsh in the light of this challenge. This revised draft was circulated to Group members and further work undertaken, particularly in defining “smart” actions and action owners to manage the risk issues in the Profile as it now stands (see attached). The Profile has also been presented to the Executive Management Team and Cabinet for their approval.

5. Current Position

- 5.1 The information has been arranged within the Profile to provide details of the risk issue itself, its link to a corporate priority, an overview of the possible causes and effects, existing key controls and the further actions recommended to be undertaken, including risk owners, action managers and target dates.
- 5.2 Each risk has been scored individually by the Group members in attendance at the challenge workshop in relation to its perceived likelihood and impact (please see Appendix 2 for details). This consists of using one matrix to reflect the possible impact and another to reflect the possible likelihood with the lowest score being 1 and the highest score 4. By multiplying the two scores this would then give a possible maximum score of 16 (4x4 - critical impact/almost certain likelihood) and a minimum score of 1 (1x1 - minor impact/low likelihood). The scores were allocated by firstly assuming there were no controls in place (inherent risk score) and secondly taking into account current controls in place (residual risk score). The individual scores were then “averaged” to produce the figure recorded. Whilst accepting that some subjectivity would be applied individually by Group members overall it is believed that this will provide a useful comparison to measure progress in managing the risks going forward.
- 5.3 In order to ensure the finalised Profile is kept up to date it will be subject to two major specific reviews annually by the Corporate Risk Management Group. These will be reported to Cabinet and to the Audit and Governance Committee in their independent assurance role. The Profile will also be considered in the normal programmed meetings of the Group which will also take into account any new specific issues as they occur.

6. Reason for the Decision

- 6.1 To ensure that the major risk issues the Council faces are being identified and actively managed.

7. Alternative Options

- 7.1 There are no alternative options to this report.

8. Background Papers

Audit and Governance Committee – Corporate Risk Profile September 2006

Audit and Governance Committee – Corporate Risk Profile March 2007

Audit and Governance Committee – Corporate Risk Profile June 2007

Audit and Governance Committee – Corporate Risk Profile March 2008

Audit and Governance Committee – Corporate Risk Profile June 2008

Audit and Governance Committee – Corporate Risk Profile March 2009

