Report

Report subject: Assessment of Risk Maturity and Risk Management Group Work Programme

Report to: Audit Committee

Date: 4th April 2007

Author: Risk Management Group

1   Background

1.1   The Risk Management Group has carried out its second annual assessment of the council's risk maturity. The purpose of this is to show how well developed the council's risk management process is and to identify areas for improvement. The model used is one developed by the Institute of Internal Auditors and classifies five levels of risk maturity:

- **Risk naive**   No formal approach developed for risk management
- **Risk aware**   Scattered silo based approach to risk management
- **Risk defined**   Strategy and policies in place and communicated. Risk appetite defined.
- **Risk managed** Enterprise approach to risk management developed and communicated.
- **Risk enabled**   Risk management and internal controls fully embedded into the operations.

The model can also be used as part of an assessment of the level of assurance that can be placed on the risk management process for the annual Statement on Internal Control. The assessment has also been useful as part of the risk assessment process for the audit plan.

2   Assessment of Risk Maturity

2.1   The model is shown in Appendix A. Characteristics that relate to each of the levels of risk maturity are identified. Where it is considered that Salisbury District Council satisfies the characteristic the box is shaded. As a result of this assessment the level of risk maturity that the council matches most of all is that of 'Risk defined'. This is the same definition as last year, but as can be seen from the appendix there are a number of areas where the council is meeting the standard of the higher level 'risk managed'.

2.2   The assessment was carried out for the first time last year and since then there has been significant improvements in key areas. The key areas for improvement have been:

- Definition of risk appetite.
- Delivery of a programme of training for managers on risk management
- Ensuring that risk management is used consistently and at all key levels of decision making.

3   Future development and work programme

3.1   The risk management group is aware of a number of areas where it will be a continuous process to ensure that risk management is applied consistently and effectively across the council. These areas will be kept under review. The council has always been keen to ensure that the focus for risk management remains on the strategic risks, major projects and portfolio plans. Whilst it is clearly good practice to progress towards the level 'risk enabled' the approach of the Risk Management Group will be to lead improvements which will support the council's objectives and overall performance improvement. The group considers that this pragmatic approach will result in maximum benefit from available resources.

3.2   The Risk Management Group considers that there are some areas of improvement that will develop the council's risk maturity over the forthcoming year. Key areas for action are set out in the following table:

Area for Improvement	Planned work
Training	Further training for managers planned for September 2007
Risk appetite	Further work with the new Cabinet, following elections in May 2007.
Risk reporting and monitoring	Use of the performance management system to be further developed to include more effective monitoring of risk trends and exceptions.

3.3   The Risk Management Group has put together a work programme for 2007. This is shown at Appendix B. The work programme includes the planned work identified above.

4   Recommendations

4.1   It is recommended that the committee note the assessment of risk maturity and Risk Management Group work programme.

Implications:

- **Financial:** None
- **Legal:** None
- **Human Rights:** None
- **Personnel:** None
- **Community Safety:** None
- **Environmental Impact:** None
- **Council's Core Values**: Excellent service, open learning council and a willing partner.

Assessment of Risk Maturity 2007

Process	Risk Naive	Risk aware	Risk defined	Risk managed	Risk enabled
The organisation's objectives are defined.	Possibly	Yes but no consistent approach	Yes	Yes	Yes
Management have been trained to understand what risks are and their responsibility for them.	No	Some	Yes	Yes	Yes
A scoring system for assessing risks has been defined	No	Unlikely	Yes	Yes	Yes
The risk appetite of the organisation has been defined in terms of the scoring system.	No	No	Yes	Yes	Yes
Processes have been defined to determine risks and these have been followed.	No	Unlikely	Yes but may not apply to whole organisation	Yes	Yes
All risks have been collected into one list. Risks have been allocated to specific job titles.	No	Some incomplete lists may exist	Yes but may not apply to whole organisation	Yes	Yes
All risks have been assessed in accordance with the defined scoring system.	No	Some incomplete lists may exist	Yes but may not apply to whole organisation	Yes	Yes
Responses to the risks have been selected and implemented.	No	Some responses identified	Yes but may not apply to whole organisation	Yes	Yes
Management have set up methods to monitor the proper operation of key processes, responses and action plans.	No	Some monitoring controls	Yes but may not apply to whole organisation	Yes	Yes
Risks are regularly reviewed by the organisation.	No	Some risks are reviewed but infrequently	Regular reviews probably annually	Regular reviews probably quarterly	Regular reviews probably quarterly
Management report risks to directors where responses have not managed the risks to a level acceptable to the board.	No	No	Yes but may be no formal process	Yes	Yes
All significant new projects are routinely assessed for risk.	No	No	Most projects	All projects	All projects
Responsibility for the determination, assessment and management of risks is included in job description.	No	No	Limited	Most job descriptions	Yes
Managers provide assurance on the effectiveness of their risk management.	No	No	No	Some managers	Yes
Managers are assessed on their risk management performance.	No	No	No	Some managers	Yes

Risk Management Group Work Programme 2007

Serial	Topic and proposed action	Target Date for completion	Responsible Officer
	Regular Business		
1	Review of the risks contained within the quarterly performance reports to Cabinet. Review for consistency, in relation to the Council's risk appetite. Presentation to Audit Committee quarterly to demonstrate whether effective risk management processes are in place.	Quarterly – the most recent report to Cabinet will be used as the basis	Group
2	Receive reports from operational risk management group, business continuity group and disaster recovery group as appropriate.	Minimum frequency – annually.	Group
3	Annual review of effectiveness of risk management processes to support the SIC	April for report to Audit Committee in June.	Group
	Developmental work		
4	Training and guidance to Members, particularly following elections. • General training • Specific training, Cabinet & Audit Committee		David Crook
5	Development of risk registers on performance management system and appropriate reporting.	Ongoing	In conjunction with Performance Improvement team.
6	Training for service unit heads and teamleaders. Additional training session for new staff etc	September 2007	Diana Melville
7	Consideration of CPA use of resources assessment on risk management. Including:		Group
8	Completion of review of Business Continuity Plan.	July 2007	Group & Business Continuity Group
9	Review of arrangements for managing partnership risks, including aspects of the corporate governance review.	December 2007	Group
10	Review of risk reporting mechanisms from risk registers to Management Team.	March 2007	Group