

Committee(s)	Dated:
Audit and Risk Management Committee	8 November 2016
Subject: Risk Management Health Check – an external review of Risk Management in the City Corporation	Public
Report of: Chamberlain	For Decision
Report author: Paul Dudley, Chamberlain’s Department	

Summary

The purpose of this report is to outline the key findings of the external and independent review of the City Corporation’s risk management arrangements. The title of the report produced by the review is termed Risk Management Health Check and a copy of the report is attached as appendix 1.

The Chamberlain commissioned an external risk consultancy, Gallagher Bassett International, in early summer 2016, to assess the strengths and weaknesses of the current formal arrangements for risk management within the City Corporation as well as identifying opportunities for improvement. The Health Check is based upon the best practice advice and guidelines presented by the Alarm¹/CIPFA 2016 Risk Management Benchmarking Scheme.

Work on the review started in late July 2016 and the fieldwork was completed in September 2016. The Gallagher Bassett International risk consultant reviewed existing risk management documentation, interviewed a total of 32 members, chief officers and senior managers and conducted an online survey with 136 senior staff, eliciting a respectable response rate of 48.5%.

The report’s key finding was that systems and processes that support the risk management framework have significantly improved over the last two years and suggested six areas that should be considered for improvement. Thirteen recommendations have been made to address these improvement areas. Officers will be presenting an action plan, based upon these recommendations, to the next meeting of the Committee on 7 February 2017.

The Health Check report endorsed the risk maturity assessment of the City Corporation as a strong “Working” (Level 3 out of 5) based upon the National Performance Model for Risk Management in the Public Services (used by CIPFA/Alarm for benchmarking purposes). It should be noted that the City Corporation was on the cusp of achieving the next level (4) of “Embedded and integrated”. The recommendations in the Health Check report will help support achieving this level in 2017.

¹ Alarm – the National Public Services Risk Management Association

The risk consultant, Carl Dunckley, will be in attendance at the Committee meeting on 8 November 2016 to present his findings and answer questions from members.

Members are asked to note that the City Corporation's internal audit plan includes a ten day audit of risk management which is due to take place following the implementation of recommendations in the Action Plan.

Recommendations

- a) The Committee are requested for their comments on the report and recommendations.
- b) The Committee agree to an action plan based upon these recommendations to be brought to the Committee at the February 2017 meeting for approval.

1.0 Background

- 1.1 Formal co-ordinated risk management began in the City Corporation in late 2010/early 2011 when officer structures were created including the establishment of a Strategic Risk Management Group, a set of corporate risks identified and risk updates reported to the Audit and Risk Management Committee. A Corporate Risk and Assurance Manager (post title is now Corporate Risk Advisor) was appointed at this time and based within the Internal Audit and Risk Management team. At the outset it was agreed that the formal arrangements would be reviewed after a two to three year period of operation.
- 1.2 In summer 2013, the City Corporation commissioned Zurich Municipal to undertake a review of its strategic risk management arrangements. The report highlighted the progress that had been made since 2011 but also made a number of detailed recommendations; particularly in relation to the risk management framework e.g. risk scoring as well as providing more risk information to the Audit and Risk Management Committee. Specifically the review led to a new City Corporation Risk Management Strategy, approved by the Audit and Risk Management Committee in May 2014.
- 1.3 Since 2014 there have been a number of improvements to the corporate and departmental risk management arrangements. These include:
 - The introduction and use of the Covalent risk management information system providing a consistent means of reporting risk information to senior management and Grand Committees.
 - The establishment of the Chief Officer Risk Management Group to support the Summit Group in its role of reviewing the corporate and top red departmental risks as well as providing additional assurance to the Audit and Risk Management Committee that these risks are being regularly reviewed.
 - The reintroduction of the deep dive reviews of corporate risks by the Audit and Risk Management Committee as well as the continuation of the chief officer informal risk challenge sessions.
 - Regular reporting of risk information to Grand Committees.
 - The delivery of risk training to departmental risk co-ordinators.
 - The provision of various risk tools published on the Col Net.
 - Business risk management training for staff and managers (below Grade G) – commenced September 2016.
- 1.4 In the early summer 2016 the Chamberlain commissioned an external independent review of the corporate risk management arrangements (excluding the City of London

Police). Its main aim was to assess the strengths and weaknesses of the current formal arrangements for risk management within the City Corporation as well as identifying opportunities for improvement.

2.0 External Risk Management review – Risk Management Health Check

2.1 Following consultation with the Audit and Risk Management Committee, the terms of reference of the review were agreed. Gallagher Basset International was then engaged to carry out this review and it took place between July and September 2016. The draft Health Check report was delivered in early October and has been subject to review /checking resulting in some minor amendment to the report.

2.2 The aim of the Health Check as set out in the terms or reference was:

“The risk management health check is not an audit, and as such, is intended to provide a more intuitive representation of stakeholders’ views than that usually offered within a more traditional audit process.

It is a multi-level assessment of the degree of maturity and effectiveness of current risk management practices. It is designed to provide an invaluable third-party perspective on the perceived strengths and weaknesses of risk management practices within the organisation and identify opportunities for potential improvement. The health check is based upon the best practice advice and guidelines presented by the Alarm CIPFA 2016 Risk Management Benchmarking Scheme.”

2.3 The review consisted of three main stages:

- A desktop assessment of existing risk management information/documents including the risk management strategy;
- Stakeholder interviews of a total of 32 members, chief officers and senior managers (many of the senior managers having responsibility for budgets in excess of £10m), and
- An on-line survey for the top 136 managers and other officers involved in the risk management process (48.5% response rate).

Key Findings

2.4 The headline outcome of the report is that systems and processes that support the risk management framework have significantly improved over the last two years; however, there is recognition that there is more work to be done to embed risk management within the City Corporation.

2.5 The report recognises that the City Corporation has been on a journey over the last few years - *“Tangible progress has been made towards the establishment of a fully proactive and optimised risk management approach.....”* and that the *“essential building blocks needed to maximise the risk management potential of the organisation are now in place.”*

2.6 The Health Check report has endorsed the risk maturity assessment of the City Corporation as a strong **“Working”**, based upon the National Performance Model for Risk Management in the Public Services (used by CIPFA/Alarm for benchmarking purposes). This is a self-assessment tool which focuses on six strands of risk management activity: leadership and management; strategy and policy; people; partnership, shared risks and resources; processes and tools; and risk handling and

assurance. On a five level scale, the **City Corporation achieved a very creditable rating of ‘working’ (3), and was on the cusp of gaining an improved rating of ‘embedded and integrated’ (4).** ‘Driving’ (5) remains the highest rating available.

- 2.7 To put this assessment into context, Alarm published a report ²in 2015 which reviewed the results from the Alarm/CIPFA benchmarking club (consisting of mostly local authorities) since its inception in 2010. The following extract is taken from this report. *“There remain a very small number of organisations with immature risk management (RM) but the broader pattern is that in the majority of organisations RM is ‘working’ or at the higher score of ‘embedded and integrating’.* This is an improved position to that identified in the 2010 survey.”
- 2.8 Comparative information for 2016 has yet to be published concerning the 27 local authorities and other public sectors bodies in the Alarm/CIPFA risk management benchmarking club. However, it is understood that nearly 40% of club members are classed as “Working” whilst a similar number are classed as “Embedded and integrated”. As noted in the Health Check report, the City Corporation’s assessment is a strong “Working”, and on the cusp of moving into “Embedded and integrated“. The Health Check report should provide a foundation to move to this level in 2017.

Opportunities for potential improvement

- 2.9 The report has identified six areas that the City Corporation should consider for potential improvement:
- Developing clarity of understanding of the organisation’s risk appetite.
 - Embedding risk management into the organisation’s cultural dynamic.
 - Establishing an organisation-wide risk management competency framework.
 - Addressing the ‘silo orientation’ which exists in a number of areas.
 - Celebrating risk management successes, and learning lessons from failures.
 - Addressing a culture of blame which may be present in certain areas.
- 2.10 A total of 13 recommendations have been made in the report and are aimed at addressing these areas, two of which are more longer term. The report was presented, in draft, to the Summit Group (20th October 2016) who considered the content and welcomed the recommendations. CORMG will discuss, at its next meeting (22 November 2016), the detail of these recommendations and the means by which they can be implemented.
- 2.11 It is intended to produce an Action Plan based upon the recommendations and to report to the next meeting of the Committee in February 2017.
- 2.12 Carl Dunckley, the external risk management consultant, will be in attendance at the Committee to present his report and to answer members’ questions.

3.0 Role of Internal Audit

- 3.1 Members are asked to note that the City Corporation’s internal audit plan includes a ten day audit of risk management which is due to take place following the implementation of recommendations in the Action Plan.

² (Source: The risk success story: improving performance in risk management Published by Alarm and Cipfa. 2015)

4.0 Conclusion

- 4.1 The Risk Management Health Check report paints a picture of the City Corporation's risk management systems and maturity as being regarded as a strong "Working" assessed against the National Risk Management Performance Model for Public Services (used by CIPFA/Alarm for benchmarking purposes). It has identified a number of opportunities for improvement which will be addressed through an Action Plan and be reported to the Audit and Risk Management Committee on 7 February 2017.

Appendices:

APPENDIX 1 – Risk Management Health Check report – September 2016

Contact: *Paul.Dudley | Paul.Dudley@cityoflondon.gov.uk | 02073321297*