

**“WE’VE GOT SOMETHING
YOU MIGHT LIKE TO SEE”**

Role of the Audit Committee in Risk Management

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Audit Committee, September 2018



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Risk Definitions

- **Risk** The effect of uncertainty on objectives. Effect can be positive as well as negative. Put simply, it is the combination of the likelihood of an event occurring and its consequences.
- **Risk Management** The process that is used to manage risk.
- **Risk Appetite** The amount and type of risk that an organisation is prepared to pursue, retain or take. This is not just concentrating on the negatives, but also the benefits that taking calculated risks can bring to achieving our priorities. Our risk appetite sets our attitude to risk taking.
- **Risk Tolerance** The level of risk the council is prepared to expose itself to.
- **Control Measures** The actions taken to mitigate the likelihood and impact of a risk.



Risk Management Objectives

- Embed risk management into the culture of the council.
- Maintain a robust and responsive risk management process as part of its governance arrangements. Anticipate and respond to changing social, environmental, economic and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of and seek to continuously improve the capacity and capability of staff and partner organisations to manage risk.
- Encourage an open dialogue about risks that may affect outcomes and objectives.
- Encourage responsible risk taking in response to opportunities and challenges, based around a clearly articulated statement of risk appetite.



Risk Management



Identify the Risk

- What could go wrong?
- What type of risk is it?
- What category of risk is it? 4 categories:
 - Reputation,
 - Operational and Policy Delivery,
 - Financial, Legal and
 - Regulatory Compliance
- Specify any strategic risks or barriers to the council meeting its corporate objectives
- Create and maintain the corporate risk register
- Identify and record operational, project and partnership risks
- Include risk assessments in all committee reports



Risk Management Scoring

Likelihood Very Likely ----- Remote	Low 4	High 8	Very High 12	Unacceptable 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
Impact Low -----> Unacceptable				



Monitor Report and Review

- Risks scoring 9 or above after mitigation must be recorded and monitored actively in:
 - Project risk register
 - Service register (if related to a service specific operational risk)
 - Corporate risk register (if strategic)
- Risks scoring 12-16 should be reviewed quarterly by Leadership Team
- Departmental management teams should review service risk registers at least quarterly
- Project managers should review project risk registers at every project board meeting
- Corporate risk register should be reported to Audit Committee at least annually



CIPFA Audit Committee Position Statement

“consider the effectiveness of the authority’s risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations”

CIPFA, 2018

Audit Committee
September 2018



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Audit Committee Terms of Reference

19. To consider the effectiveness of the Authority's risk management arrangements, the control environment and associated antifraud and anticorruption arrangements and to seek assurances that action is being taken on risk related issues identified by auditors and inspectors
20. To approve the Council's Risk Management, Anti-Fraud & Corruption and Whistle Blowing Policies and all policies associated with risk and financial probity
21. To approve and be satisfied that the authority's assurance statements, including the statement of internal control properly reflect the risk environment and any actions required to improve it



Risk in the Committee Workplan

July 2018	<ul style="list-style-type: none">• External Auditors Report and Approval of the 2017/18 ✓• Statement of Accounts ✓• SIAS Internal Audit Annual Report 2017/18 ✓• Fraud Annual Report 2017/18 ✓• Annual Governance Statement 2017/18 ✓• Treasury Management Annual Report 2017/18 ✓
September 2018	<ul style="list-style-type: none">• SIAS Board Annual Report 2017/18• External Auditors Annual Audit Letter 2017/18 ✓
December 2018	<ul style="list-style-type: none">• Treasury Management Mid-Year Report 2017/18 ✓• Risk Management Strategy ✓• Draft Treasury Management Strategy 2018/19 ✓• FOI 2018/19
March 2019	<ul style="list-style-type: none">• External Audit Certification Work Report 2017/18 ✓• Accounting Policies 2018/19• SIAS Internal Audit Plans 2018/19 ✓• External Auditor Audit Plan 2018/19



Key Questions to Ask

- Are we satisfied that risks are fully understood?
- Are we monitoring the impacts of the changes we have made?
- Are there any warning signs we need to pick up on?
- Are we learning lessons from others who have tried this before?
- Are plans and programmes realistic and achievable?
- Do we have the right resources to monitor and oversee the changes?
- What support do you need to address these issues?

