Risk Management Review

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Introduction

As part of the on-going work with Oxford County Council (OCC) Zurich were commissioned to conduct a review of their strategic risk management approach. This involved a desktop review of existing documentation, processes and interviews over two days with senior managers and key people across the Council, detailed in appendix A.

These interviews were intended to encourage open discussion around the Council's existing risk management approach, framework and processes and to identify strengths and areas for improvement.

This report is an outline of key findings from these interviews, with accompanying recommendations.

The observations and recommendations are those of Zurich. Where the words 'we' and 'our' are used these refer to Zurich.

Purpose

This 'health check' report highlights the progress made by OCC in developing and embedding its risk management arrangements and also sets out a number of recommendations for further developing and embedding these. In doing so it sets out areas that OCC may seek to improve on, in order to ensure that risk management is a practical and useful tool which supports the achievement of the Council's corporate priorities.

Methodology

The strategic risk review assessment was based on the analysis of key documentation and interviews with key personnel from OCC. To establish a baseline assessment of current risk maturity within the Council and to see target levels, a Performance Model for Risk Management has been used, which uses four enabling categories:

1. Strategy and Process
2. Leadership and Management
3. Risk Handling and Assurance
4. People

The criteria used is one a of risk maturity, using the following graduated scale:

Enabled	Proactive governance / controls in place. Culture of positive and negative risk awareness, identification and application.
Managed	Council wide approach but reactive / managed rather than proactive.
Defined	Strategies, polices and appetite defined but not universally adopted / implemented.
Aware	Some awareness, probably due to an individual employee.
Naïve	No formal approach.

Using the information gleaned from the desktop review and the interviews, an estimation of OCC's current risk management capacity in each of the defined categories has been given, followed by context and rationale, and suggested steps for improvement.

The model offers a useful benchmark for the organisation to see tangible improvements and enables them to set realistic goals.

Executive Summary

There is clear evidence that work has been undertaken in terms of developing and embedding a robust / mature risk management framework across OCC; there is a consensus and willingness that to build on the excellent work already undertaken.

Although some of the baseline assessments may appear moderate, there is a great deal of evidence that improvements are already being made and higher maturity levels could easily be attained if the current momentum and desire for change is continued, which is very encouraging.

There are five overarching themes for improvement:

1. Consistency of approach
2. Improved communication and engagement
3. The defined requirements of a risk management process
4. Timely risk mitigation, and
5. Harmonisation of programme / project and corporate risk management.

Within these key areas there are several suggested steps which could help OCC to embed a robust and practical risk management process and attain higher levels of maturity.

Way Forward

Following the publication of this report it is recommended that a feedback session be scheduled. The value of this open dialogue is that it permits the detailed scoping and prioritisation of the recommendations made within in it, which if implemented supports OCC's attainment of a single / unified risk management approach which is understood and used by all employees.

Review Findings					
1. Strategy and Process: Do the risk management strategies and processes support the business effectively?					
Risk Maturity Ranking	Enabled	Managed	***Defined***	Aware	Naïve

OCC's Risk Management Strategy (draft version 2.1: October 2011) is very prescriptive, whilst this enables the defining of roles and responsibilities, which is an excellent attribute, we feel its inclusion could potentially confuse the reader to the actual purpose of the document.

> Reflection needs to be given to the overall purpose of the Risk Management Strategy. A suggested approach is the separation of each section, .i.e. Strategy and Guidance. The benefit of adopting such an approach is that it will further enhance the value and readability of this document.
>
> Nb. A risk management toolkit is currently being developed by the Environment and Economy Department.

Associated with this the Strategy gives no clear definition of risk management and its associated terms. This omission, as evidenced by some of the reporting inconsistencies in the risks registers provided, where there is an apparent confusion as what constitutes a risk and an issue, allows for individual perception to affect the overall objectivity of risk management. To a degree this is underlined by a recent audit report which highlighted the fact that processes have been used, but there are some deficiencies.

> Risk management terminology to be clearly defined and formulised, this includes, but not limited to:
> - What is risk management
> - What is the value of risk management
> - What is the purpose of risk registers
>
> A potential source document for this is the BSI British Standard on Risk Management which includes a glossary of terms.

> To further strengthen the Strategy we feel that greater reference could be made to continually horizon scanning for emerging risks. The value of including this is that it supports the embedding process and aids in the identification and mitigation of both internal and external risks.

The current operating environment presents many new opportunities and threats, defining risk appetite is crucial to how a Council approaches risk, setting it tolerance and threshold levels, allowing for opportunities to be objectively risk assessed and taken.

> Forward planning leads to ensure all strategies / policies give due consideration to the associated risks, both positive and negative.

It is evident that OCC has an established / mature risk management platform, utilising the 'golden thread' approach, which all interviewed positively commented on. Based on the evidence of this review it is clear that risk registers are a living document, being embedded across the Council; however, it is noticeable that the risks documented are all negative / downside risks, yet all interviewed made reference to the dual aspect of risk management.

Despite the challenges currently faced by OCC it is essential that its risk registers, as a communication tool reflect, where able positive / enabling risk seeking activities, as well as negative risks.

> To reflect the positive and negative nature of risk management consideration be given to ensuring both aspects are recorded in risk registers.

No clear guidance is given to risk owners on mitigation or the required tolerance levels and timescales. Service Risk Registers require risk owners to give quarter 1 and 2 progress report, but it was felt from those interviewed, whilst they understood the requirement to / value of reporting mitigation progress, it did not allow them to fully reflect the nature of the risk and its associated mitigation, being in danger of becoming a bureaucratic 'tick box' exercise.

> Guidance on mitigation expectations and timescales to be given, this will aid risk owners in clearly understanding the requirements / expectations in identifying, reviewing and developing timetabled mitigation action plans.

On reviewing the documents provided and evidenced gathered as part of the stakeholder interviews there are currently a series of detailed, but potentially disjointed risk practices and guidance in operation. Furthermore, based on the comments of those interviewed it is evident that risk management is undertaken at strategic / executive and operational levels, but there is a lack of cohesion between the two.

> To build on the positive steps being undertaken by the Chief Executive's Office and associated teams in establishing a formulised, yet flexible approach to risk management consideration should be given to the harmonisation / alignment of risk practices within OCC and its partners. The benefit of which would be greater consistency / efficiencies and standard of application across the Council.

Evidence from this review demonstrates OCC's understanding of the complexities associated with project management. However, based on the findings of the stakeholder interviews greater understanding of the correlation between programme, project and strategic risk is required. Aligned to this the current practice requires the transposition of a contractors / partners risk data in to OCC's own risk reporting format, which is open to misinterpretation.

> To achieve greater consistency it is suggested that OCC explores the value to be gained from the harmonisation of project / contractor risk registers.

2. **Leadership and Management** - Do senior management and the Executive Board support and promote risk management?					
Risk Maturity Ranking	**Enabled**	**Managed**	Defined	Aware	Naïve

OCC is benefiting from strong leadership and an organisational willingness to grow and improve across all functions, evidenced by the on-going transformation project. There is an understanding / appreciation that risk management is a central part of normal business / performance management and is not a standalone function, which the Council must be credited for. Whilst this understanding is evident in the executive / senior grades evidence from this review suggests that it is less apparent, from the perspective of business risk in the middle to lower management grades.

> Continued communication of the value of risk management is required. This should not be left to one central team but embraced by all directorates.

Embedding a sound risk management culture throughout the Council is seen as fundamental, which in turn creates a culture of organisational active learning, which is essential in the identification and reporting of risk. Based on the interviewees comments the Council has an 'open door' reporting policy, which encourages pro-active risk management, for which it must be complemented on.

> To further support this consideration to be given for strategic risks being regularly communicated across the Council, so that managers can filter information to appropriate operational levels. Communication processes should be two-way, with the facility to escalate operational issues up to strategic level.

3. **Risk Handling and Assurance** - Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?					
Risk Maturity Ranking	**Enabled**	**Managed**	Defined	Aware	Naïve

From the evidence gathered it is apparent that there is a robust strategic risk governance platform in place within OCC. Those involved at this level of risk scrutiny commented that they felt sufficiently informed of the key risks facing the Council having the ability and opportunity challenge the executive when required. Equally, those interviewed felt that consideration was given to the short and long term impacts of strategic decisions and their associated risks.

Clear lines of communication exist between the Chair of Audit Committee and the Chief Internal Auditor. Building on this there may be value in broadening involvement / input from other committee members. They value of which it ensures risks are considered in as wide a context as possible.

The Chief Executive Office and performance and improvement managers play an essential assurance role, providing a 'critical friend' challenge function. Whilst the author of this report advocates this role, believing it to be excellent practice, care must be taken that risk owners do not become over reliant on these individuals to act as risk prompt.

From those interviewed it is abundantly clear that the Committee, Executive Team and Senior Managers understand the need for and have the ability to management risk in a mature, consistent way, thus giving assurance to the strategic handling of risk. However, it is less clear if those involved in a more operational / delivery capacities have the same skills.

> Thought to be given for the inclusion of risk management training being included as part of OCC's employee / Committee member's induction processes

Whilst we acknowledge the need to identify / report critical risks, the actual probability of those

reported on risk registers must be in context with OCC. Reported risks need to be based on quantifiable historical evidence and not assumptions. Evidence of this assumption reporting can be seen in some of the risk registers reviewed.

> To ensure only those risks which are in context with OCC and have a credible probability of emerging are reported directorate leads to challenge and substantiate identified risks.

Ownership of risk management is accepted by all those interviewed, but if the mitigation action required extended outside of the risk owners responsibility the retention of ownership was questioned.

> Risk ownership needs to be in proportion to the identified risk, where owners are in a position to take effective mitigation action.

4. **People:** Are your people equipped and supported to manage risk well?					
Risk Maturity Ranking	Enabled	***Managed***	Defined	Aware	Naïve

Based on the comments made by those interviewed senior managers are prepared to discuss risk management issues openly and honestly, with employees being encouraged and supported to take managed risks.

Previous guidance and training on risk management has been given, which those interviewed felt to be useful, but this was some time ago and doesn't reflect the current climate. The evidence that some form of updated education programme is required can be demonstrated through the fact that entries on risk registers are lacking in detail and precision.

> As previously stated there is a need for refresher guidance / training, particularly to understand and communicate the risk framework and processes.

In our view a key element of an effective risk management programme is it's ability to provide information to guide positive behaviour, for example the introduction of mitigation plans. There is no doubt that mitigation actions are in place but the organisational learning derived from them could not be evidenced. Further to this, it was accepted by those interviewed that whilst project close out procedures do exist, which permits the identification of lessons learnt, these are not always completed.

> To ensure lessons are learnt and that a continuous risk based improvement cycle is achieved lessons learnt need to be identified, logged and communicated appropriately.

Appendix A

The following Councillors, Senior Managers and associated key personnel were interviewed:

Name	Role
Sue Scane	Assistant Chief Executive and Chief Finance Officer
Nicola Leavesley	Performance and Improvement Manager
Colin Bailey	Highways and Transport Asset Manager
Alexandra Bailey	Corporate Performance and Review Manager
Amrik Panaser	County Manager Youth Offending Service
Ian Dyson	Chief Internal Auditor
Tan Lea	Early Intervention Manager
Daniel Round	Strategic Policy Manager
John Jackson	Director of Social and Community Service and Risk Director Champion
John Murray	Strategic Manager – Design and Safety Improvements
Rob MacDougall	Organisational Development Manager
Councillor Wilmshurst	Member Risk Champion and Chairman of Audit Committee
Mark Kemp	Deputy Director – Highways and Transportation
Roger Dyson	Team Leader – Sustainability and Procurement
Steve Thomas	Performance and Information Manager – Social Care