RISK MANAGEMENT UPDATE

Audit and Governance Committee
24 July 2019

Laura A. Williams MA CPFA
Head of Internal Audit

Contents

1. Introduction

1.1   The purpose of this report is to provide a summary of risk management activity for the period 1 April 2019 to 30 June 2019.

1.2   It is prepared for the Audit and Governance Committee and its purpose is to facilitate the Committee in discharging its obligations as defined in its Terms of Reference: "to review the Combined Authority's financial affairs, internal control, corporate governance arrangements and risk management". It is also intended to assist in continuing the progress made to date in embedding effective strategic and operational risk management into the organisation.

1.3   The report covers:

- the developments in respect of the Corporate Risk Register and its review
- articulation of the organisation's risk appetite
- development of Service Risks
- the plans to embed risk management further into the organisation.

2. Corporate Risk Register

2.1   Following the acknowledgement that the Corporate Risk Register needed to be reviewed so as to provide a strategic focus, sessions were held during 2018-19 with Directors to review and update the Risk Register. This resulted in a single Corporate Risk Register at the Liverpool City Region Combined Authority (LCRCA) level, and a Merseytravel Risk Register that reflects those risks specific to the achievement of the Transport Priorities detailed in the Corporate Plan. The Corporate Risk Register was presented to this Committee at its meeting on 20 March 2019.

2.2   Since then, the Corporate Risk Register has been reviewed by Directors again so as to ascertain that:

- The risks identified are still pertinent and the risk details and consequences still accurate
- The control measures are still in place and working, and reflect any new or additional controls that have been implemented
- The risk scoring identified is still considered an accurate representation
- The actions identified are still the right ones, and progress is being made
- Any new or emerging risks are captured
- Risks that are reducing in score are identified and de-escalated to service risk registers as necessary.

2.3   The results of this review was the addition of an emerging risk in relation to Housing First. This largely relates to the nature of this project as new and groundbreaking, and the raft of associated issues that this presents at this point in time, as delivery of the pilot is beginning.

2.4   The Corporate Risk Register is shown at Appendix A. It is worthy of note that the Merseytravel risks are a subset of the LCRCA Corporate Risk Register, concentrating on risks that are specific to the achievement of the Merseytravel transport priorities. Therefore, overarching risks that apply to both organisations are shown on the LCRCA Corporate Risk Register.

3.   Risk Appetite

3.1   One of the key developments in the period was the start of a corporate conversation regarding risk appetite. There has been an acknowledgement that the articulation of risk appetite would be positive in optimising delivery of the organisation's objectives as set out in its Corporate Plan.

3.2   Risk appetite can be explained as the level and nature of risk that the organisation is willing to take in order to achieve its objectives. Defining and articulating a risk appetite for the organisation is a positive step in moving the organisation towards using risk awareness as an enabler to the achievement of objectives. It should also give employees confidence in taking, or the right risks (and not taking the wrong ones) within a framework of control and appropriate governance.

3.3   The objective of defining and articulating risk appetite should culminate in a series of risk appetite statements, which explain how the organisation approaches and views as the amount of risk it would be willing to take in respect of a number of defined categories of risk.

3.4   The conversation regarding risk appetite commenced at the Directors meeting on 24 June, at which a paper was presented so as to begin to explore the issues.

3.5   It was agreed at the meeting that officers would feed back their views and a further report will be taken a future meeting of that group so as to continue to develop and define the risk appetite.

3.6   This Committee will be kept updated of the progress being made in respect of this aspect of the Risk Management framework.

4. Service Risk

4.1   Each Head of Service maintains a risk register that identifies those risks to the achievement of the Priorities (identified in the Corporate Plan 2019-20) that have a residual risk score of 15 and below. These risks are captured within the MK Insight system, which enables risk owners to review and update their risks in a live environment.

4.2   Now that the refreshed Corporate Risk Register has been compiled, an extensive exercise is underway to review and update the Service Risks. This will ensure that there is clarity regarding the level and ownership of risks, and ensures that there is no duplication of risks held at service level and those at corporate level.

5. Embedding Effective Risk Management

5.1 In embedding a system of effective risk management into the organisation, it is important that the progress made to date continues.

5.2 The revised Risk Management Policy, approved by this Committee on 20 March 2019 and Merseytravel on 24 June 2019, provides a clear steer in how the system should develop and become embedded by outlining the roles and responsibilities of the key players in the system. It is important that such roles are understood and followed. It is also important that the role of this Committee as a monitoring and review mechanism continues to be exercised effectively.

5.3 A key element of this is that the Senior Leadership Team drives and owns the process of risk management and most importantly, uses this to inform decision-making. This will ensure that management of risk contributes positively to the improvement of the control framework and keeps risk under control as far as possible, so facilitating the achievement of the organisation's objectives. It is positive that the Directors have engaged with this process and have used the Corporate Performance and Delivery Group effectively as a forum for the discussion of risk matters and the update of the risk register. As well as facilitating delivery of the organisation's objectives, positive developments in the system of risk management will also lead to a more favourable value for money conclusion in the external auditor's Annual Audit Letter.

5.4 In facilitating this system, Internal Audit continues to play a vital role. Key strands of activity in the period has been:

- Giving a presentation to Heads of Service on the key aspects of the Risk Management Policy, highlighting their roles and responsibilities in managing risk.
- Adoption of a fully risk-based internal audit methodology via the Internal Audit Plan 2019-20, highlighting risks within the work undertaken, establishing a better synergy between risk registers and audit work.
- Facilitating the review and update of the Merseytravel and LCRCA Risk Registers via the Corporate Performance and Delivery Group
- Facilitating the review of service risks by Heads of Service
- Providing corporate support in respect of risk management across the organisation

- Facilitating the development of the risk appetite for the organisation via the Corporate Performance and Delivery Group.

5.5   The quarterly reports to this Committee will continue to give a full overview of the progress being made in delivering the activities above, and the effectiveness of these actions in increasing the level to which effective risk management arrangements are embedded into the organisation.