

AUDIT COMMITTEE

Urgent Business - Risk Categories and Risk Appetite

22 November 2023

Report of Chief Executive

PURPOSE OF REPORT

To enable the committee to approve the appropriate risk appetite level definitions for the council.

This report is public.

RECOMMENDATIONS

1. The Audit Committee is asked to approve the proposed changes to the risk categories used by the council and consider the appropriate risk appetite levels for each category.
- 1.0 Introduction**
 - 1.1 The terms of reference of this committee are to “monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.”
 - 1.2 An audit of the council’s risk management function was undertaken in May 2023. As a result of this audit, five recommendations were made. One of those being “Ensure that the Council’s risk appetite statement is sufficient to be applied to risk category, and principal category of risk then used to help inform risk target score.”
 - 1.3 The management response to this audit finding was “Further research into best practice to be carried out with the aim of providing clear guidelines on the acceptable level of risk for each risk category to be carried out.”
- 2 Proposal Details**
 - 2.1 The research into best practice revealed that councils all do something slightly different to each other when it comes to their risk categories.
 - 2.2 It was found that the Treasury produce “The Orange Book. Risk Management Guidance Note” which contains suggested risk categories and five risk appetite level definitions.
 - 2.3 It is proposed the council use The Orange Book guidance for risk categories and risk appetite definitions, with some minor changes to make it most suitable for our needs.

(See appendix A).

- 2.4 The Audit committee are asked to approve the recommended risk levels, as shaded in yellow in appendix A. These recommendations are set based on the advice and judgement of officers.

3 Details of Consultation

- 3.1 Expert advice has been sought from our internal auditors, MIAA, on risk management.
- 3.2 The Leadership Team have been consulted on the planned approach and support it as outlined.

4 Options and Options Analysis

	Option 1: Adopt new risk categories and risk appetite level definitions, based on The Orange Book	Option 2: Leave the existing risk categories in place and write risk appetite level guidance for each, in house
Advantages	Best practice on risk categories and risk appetite levels will be adopted.	No effort required to change the risk categories.
Disadvantages	Resource time is necessary to deliver this work	Resource time and effort required to create appropriate risk appetite levels for each risk category. The risk appetite levels will not follow any kind of best practice.
Risks / Mitigation	Adopting best practice would strengthen the councils risk management and make it fit for the future.	The risk categories currently in place are not best practice and do not leave the council in a strong position to continue to improve its risk management practices.

5 Officer Preferred Option (and comments)

- 5.1 The recommended option is to proceed with adopting the risk categories and risk appetite levels as shown in appendix A (Option 1).

CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

No direct impact arising from this report.

LEGAL IMPLICATIONS

No direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

No direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

No direct resource implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has contributed to this report in his role as Chief Officer Resources, including responsibility for Internal Audit.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Appendix A: Risk Categories and Risk Appetite – 21.11.23

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