

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**31 MARCH 2009**

#### **REPORT OF THE DIRECTOR OF FINANCE**

#### **RISK REGISTER ASSESSMENT CRITERIA**

##### **1. EXECUTIVE SUMMARY**

- 1.1. When the Audit and Risk Management Committee considered the Corporate Risk Register on 26 January 2009 a report on the criteria used in the scoring of risks was requested to this meeting.

##### **2. BACKGROUND**

- 2.1. A key part of the risk management arrangements is the evaluation of risks to different parts of the business in a consistent manner. In this way those risks which require further mitigation can be readily identified and actions prioritised.
- 2.2. Best practice is for all risks to be assessed in relation to their likelihood as well as their potential impact. Numerical values are often allocated to both the likelihood and impact so that the significance of an individual risk can be expressed as a figure (the total risk score).
- 2.3. In addition to the scoring criteria the risk assessment framework will often also contain a table which enables each risk to be placed into an overall category according to its total risk score. Commonly these are categorised as high, medium or low as this assists in identifying risks which need to be reported to different levels within the organisation.

##### **3. CURRENT ASSESSMENT FRAMEWORK AT WIRRAL**

- 3.1. The existing assessment criteria and table are contained within the current Risk Management Strategy which was approved by Cabinet on 23 July 2008 and are detailed in the Appendix. These remain essentially as in the Strategy approved by Cabinet on 6 September 2007 as this followed an extensive review during 2006/07 by the former Corporate Risk Management Forum. This included looking at public sector organisations to identify good practice and widely used standards.
- 3.2. In relation to the assessment criteria this resulted in the use of a 5 x 5 scoring matrix as this was becoming very widely used within the sector and allowed greater sensitivity in scoring.

3.3. The review also led to the impact of risk being defined in relation to four factors – financial cost, reputation, health & safety and service delivery and brought in more specific definitions of what constituted an impact score for each category at each of the five levels.

3.4. With the widening of the ranges for the impact and likelihood scores the table was revised whilst retaining the broad principles that risks would be high (red), medium (amber) or low (green). Risks in the high (red) category being those with the greatest impact and a likelihood score at or above medium.

#### **4. FINANCIAL AND STAFFING IMPLICATIONS**

4.1. Improvements in managing risks will have a financial impact in areas such as the cost of staff absence and insurance.

#### **5. EQUAL OPPORTUNITY IMPLICATIONS**

5.1. There are none arising directly from this report.

#### **6. COMMUNITY SAFETY IMPLICATIONS**

6.1. Specific risk control actions should improve community safety.

#### **7. HUMAN RIGHTS IMPLICATIONS**

7.1. There are none arising directly from this report.

#### **8. LOCAL AGENDA 21 IMPLICATIONS**

8.1. There are none arising directly from this report.

#### **9. PLANNING IMPLICATIONS**

9.1. Risk implications will form part of planning strategy.

#### **10. MEMBER SUPPORT IMPLICATIONS**

10.1. There are none arising directly from this report.

#### **11. BACKGROUND PAPERS**

12.1 Risk Management Strategy – Cabinet – 23 July 2008.

#### **13. RECOMMENDATION**

13.1 That the report be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

8.3 Impact and Likelihood Scores

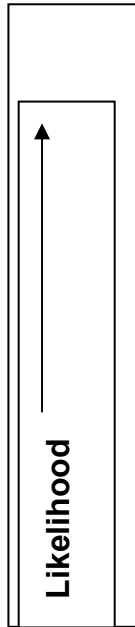
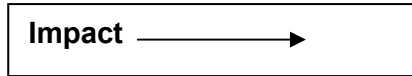
Impact

Description	Score	Impact – Financial (Council, department or service area)	Impact - Reputation	Impact – Service Delivery	Impact – Health & Safety (Employees or public)	Impact – Service Objectives
Very Low	1	<2% of annual budget	Letter(s) of complaint.	Minor, very short term (under 24 hours) disruption to a single team or section.	Minor injuries or illnesses, but not resulting in 'lost time'	Minor effect on achievement of a sectional aim
Low	2	<5% but >2% of annual budget	Single adverse report in local media	Some short-term (under 48 hours) disruption to a single team or section, manageable by altered operational routine	Minor injuries or illnesses that require first aid and result in lost time.	Serious effect on achievement of a sectional aim
Medium	3	<10% but >5% of annual budget	Significant adverse publicity in local media	Longer term disruption (up to 7 days) to a number of operational areas within a single location and possible flow on to other locations. <u>Or</u> short-term disruption to a service-critical team or section.	Injuries or illnesses that result in an 'over 3 day' injury, major injury or hospitalisation	Achievement of a sectional aim seriously compromised and / or significant effect on a Departmental aim.
High	4	<15% but >10% of annual budget	Significant adverse publicity in national media. Dissatisfaction with Chief Officer &/or Member	All operational areas of a single location compromised. Other locations may be affected. <u>Or</u> longer-term (up to 7 days) disruption to one or more service critical teams or sections.	Single case of injury or illness that could be fatal, life threatening or cause long-term disability	Achievement of one or more departmental aims compromised and / or significant effect on achievement of Corporate objective
Very High	5	>15% of annual budget	Sustained adverse publicity in national media. Chief Officer &/or Member removal or resignation	Multiple locations compromised. Council unable to execute numerous service-critical functions.	Multiple cases that could be fatal, life threatening or cause long-term disability	Achievement of one or more Corporate objectives seriously compromised

Likelihood

Description	Score	Narrative	Quantitative (chance of occurrence within 3 years)
Very low	1	Extremely unlikely or virtually impossible	0-5%
Low	2	Unlikely, but not impossible	6-20%
Medium	3	Fairly likely to occur	21-50%
High	4	More likely to occur than not	51-80%
Very High	5	Very likely to occur	>80%

### 8.4: Risk Scoring Model



	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	<b>5</b> Very low impact but very high likelihood	<b>10</b> Low impact but very high likelihood	<b>15</b> Medium impact but very high likelihood	<b>20</b> High impact and very high likelihood	<b>25</b> Very high impact and very high likelihood
High (4)	<b>4</b> Very low impact but high likelihood	<b>8</b> Low impact but high likelihood	<b>12</b> Medium impact but high likelihood	<b>16</b> High impact and high likelihood	<b>20</b> Very high impact and high likelihood
Medium (3)	<b>3</b> Very low impact and medium likelihood	<b>6</b> Low impact and medium likelihood	<b>9</b> Medium impact and medium likelihood	<b>12</b> High impact but medium likelihood	<b>15</b> Very high impact and medium likelihood
Low (2)	<b>2</b> Very low impact and low likelihood	<b>4</b> Low impact and low likelihood	<b>6</b> Medium impact and low likelihood	<b>8</b> High impact but low likelihood	<b>10</b> Very high impact but low likelihood
Very Low (1)	<b>1</b> Very low impact and very low likelihood	<b>2</b> Low impact and very low likelihood	<b>3</b> Medium impact and very low likelihood	<b>4</b> High impact but very low likelihood	<b>5</b> Very high impact but very low likelihood