



# Risk Management Strategy

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## **Part A – Risk Management Policy**

The Council is committed to developing its Risk Management Strategy, framework and the necessary supporting processes as part of the Council's on-going improvement programme. This will help to improve and strengthen governance and front-line service delivery throughout the Council. The aim is to minimise the incidence and impact of risk taking activity, improve decision making and increase opportunities for innovation. The strategy implementation is achieved via the procedural guidance which should be adhered to by all staff.

### **The Council undertakes to promote and ensure that:**

- i. The management of risk is linked to performance improvement and the achievement of its priorities and service objectives.
- ii. Members and the senior management own, lead and support risk management.
- iii. Ownership and accountability are clearly assigned for the management of risks at all levels throughout the Council.
- iv. There is a commitment to embedding risk management into the Council's culture and organisational processes at all levels including corporate, programme, project, operational and service.
- v. All Members and Officers acknowledge and embrace the importance of risk management as a process by which key risks and opportunities are identified, evaluated, managed and contribute towards good governance. This is reinforced through the delivery of on-going training programmes.
- vi. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
- vii. Open and inclusive processes are established and maintained by involving all those associated with the planning and delivery of services, including stakeholders and partners.
- viii. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- ix. Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.
- x. The Council's approach is regularly benchmarked against high performing public and private sector organisations.
- xi. The Risk Management Strategy is reviewed and updated in line with the Council's developing needs and requirements.

# Part B – Risk Management Procedural Guidance

## 1. Introduction and Background

This Strategy provides an overview of the Council's arrangements for risk management. It updates the previous Strategy (June 2011) and seeks to clarify the various roles, responsibilities and governance structures. The procedural guidance may be subject to further review and amendment as required subject to approval by the s151 Officer and the Deputy s151 Officer - the Council's risk champions.

Through priority plans and service objectives, the Council must balance the demands of service users, tax payers; involve communities in service provision; deliver, commission and regulate services; and enter into local and strategic partnerships, sometimes involving complex funding arrangements. Balancing all these competing demands and objectives means that the Council needs a framework that ensures that a pro-active approach is taken and risks are considered before decisions are taken.

Risk management is an essential part of securing the "health" of the Council because it is a crucial part of the overall arrangements for securing effective corporate governance. Risk management can make a difference and enhance performance by:

- Identifying and preventing the bad things from happening; and
- Ensuring all the good things we want to do actually happen

The Council has to comply with various statutory requirements that include issues relating to risk management. Risk management is a key element of the Council's arrangements for delivering good governance.

## 2. Risk Management Objectives

The purpose of this strategy is to set out how we will manage risk throughout the Council and to ensure that risks are identified at the right time to facilitate effective decision making. In particular to:

- Ensure risk management is part of strategic and operational management decision making, planning and implementation
- Manage risks in accordance with the Council's risk management strategy, recognised best practice and to enable good governance
- Take account of internal and external changes that may impact on the Council's overall risk profile
- Respond to risk in a balanced way, mindful of the risk level, risk reduction potential, cost/benefit, and relationship to resource constraints
- Raise awareness of the need for effective risk management

## 3. What is Risk?

Risk can be defined as anything that poses a threat to the achievement of the Council's objectives, programmes or service delivery to residents, businesses and communities. It can come from inside or outside the organisation; may involve financial loss or gain; physical damage to people or property; customer dissatisfaction; unfavourable publicity; failure of equipment; or fraud, etc. Failure to take advantage of opportunities may also have risks, eg not bidding for external funding, etc.

## 4. What is Risk Management?

Risk management is the management of risk in a manner consistent with the virtues of economy, efficiency and effectiveness. It is about making the most of opportunities (making the right decisions) and about achieving objectives once such decisions are made.

There is no such thing as a risk free environment, but many risks can be avoided, reduced or eliminated through good risk management – something managers do every day as part of their normal work.

There are many benefits to making sure that risk management is considered and applied at all levels in the Council:

- Allows managers to focus on issues that really matter
- Managers are focussed on doing the right things in the right way
- There are fewer surprises
- More likely to achieve business objectives
- More likely that new developments can be delivered on time and on budget
- More informed risk taking and decision making

## 5. Types of Risk

To aid the management of risk we have set out the following categories:

- Corporate risk
- Service risk
- Project risk

**Corporate Risks** are those high level and cross cutting risks which need to be taken into account in judgements about the Council's priorities, plans and objectives. It also includes those risks that may be potentially damaging to the achievement of the Council's key objectives, such as those set out in the Council's corporate plan. These are identified as part of the process of preparing the corporate plan and other related strategies, eg the Medium Term Financial Plan. Members and officers are involved in the identification, assessment and treatment of those risks. The identified risks are recorded on an electronic database and monitored by Members and Officers during the year.

All reports to Members include a risk management assessment.

**Service Risks** are those risks that exist at service level but are considered exceptional (or not considered business as usual) in that they have come about through a change in activities (internally/externally) that cannot be managed through normal day to day controls. They could also be the result of a failure in control that threatens the ability to maintain business as usual and jeopardises the Council's ability to achieve its objectives (thus by its nature is exceptional).

As part of the annual cycle of service plan preparation, all service plans include a risk assessment of the service area actions which are provided by Service Managers and approved by Heads of Service.

We are committed to ensuring that we comply with the necessary Health & Safety legislation to ensure the safety of our Members, workforce, visitors and contractors whilst on our premises and those who use any of our facilities.

**Project Risks** are those risks unique to a particular project. Some projects will have a direct effect on the Council achieving its key objectives. They are captured in a risk log, monitored monthly and reported to the Performance and Programme Management Board.

The procedures for how the different risks are managed are explained in **Appendix A**.

## **6. Risk Appetite**

Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities. A clearly understood and articulated risk appetite assists in this 'risk awareness' and helps unlock value by better aligning decision-making and risk.

Risk appetite can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or in other words, the total impact of risk an organisation is prepared to accept in the pursuit of its strategic objectives.

Factors such as the external environment, people, business systems and policies and how key stakeholders perceive the Authority will all influence the Council's risk appetite.

## **7. Embedding Risk Management**

The Portfolio Holder and the Senior Management Team are jointly responsible for ensuring that risk management is embedded throughout the Council.

It is the responsibility of the Heads of Service and Service Managers to ensure that within their directorate and service areas, risks are being effectively managed.

The Governance & Audit Committee is responsible for scrutinising our risk management systems.

It is important that the principles of this Strategy are communicated to partners and that the arrangements for managing risk are clearly understood.

The Finance & Risk Team will provide advice and assurance on a day to day basis.

## **8. Risk Assurance**

We will obtain assurance that our risk management processes are working effectively by:

- Examination and review providing general review of the function
- Following the procedures set out in **Appendix A**

## **9. Methodology**

We use the methodology set out in **Appendices B and C** when undertaking risk assessments.

## **10. Roles and Responsibilities**

All Officers and Members have a key responsibility to ensure that risk management is effective across the whole of the authority's operations. Specific roles and responsibilities are set out in **Appendix D**.

## Appendix A - Risk Procedures

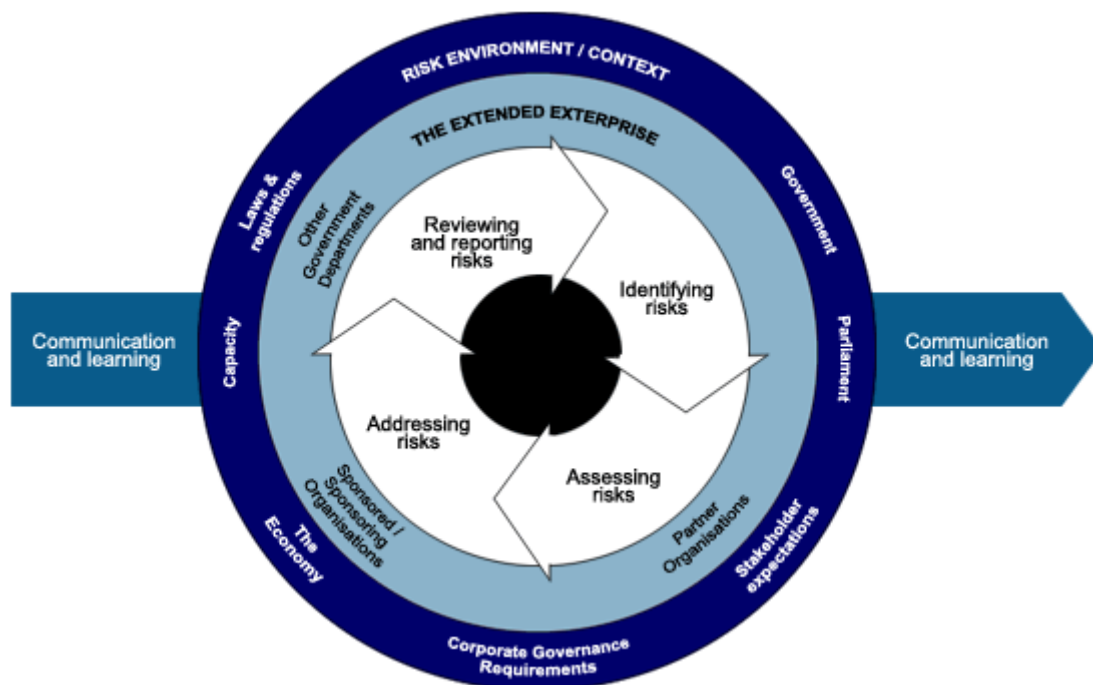
	<b>Corporate Risk Register</b>	<b>Service Risk Register</b>	<b>Projects</b>	<b>Service Planning</b>	<b>Health &amp; Safety</b>	<b>Business Continuity</b>
<b>Identification</b>	Quarterly review by Heads of Service with Governance & Risk Officer	Bi annual review by Service Managers with Governance & Risk Officer	Part of the Project Initiation Document	Annual review by Service Managers as part of the service planning process	Service Managers and those IOSH Managing Safely trained	Continuous review of business continuity risks by Service Managers
<b>Assessment</b>	Performance & Programme Management Board (PPMB)	<ul style="list-style-type: none"> <li>• Service Managers</li> <li>• Heads of Service</li> </ul>	<ul style="list-style-type: none"> <li>• Project Manager</li> <li>• Senior Responsible Officer</li> <li>• Performance &amp; Programme Management Office (PPMO)</li> </ul>	<ul style="list-style-type: none"> <li>• Service Managers</li> <li>• Risk Management Group</li> </ul>	<ul style="list-style-type: none"> <li>• Service Managers</li> <li>• IOSH Managing Safely trained</li> </ul>	<ul style="list-style-type: none"> <li>• Service Managers</li> <li>• Heads of Service</li> <li>• Emergency Planning Officer</li> </ul>
<b>Addressing</b>	Risk, treatment, owner and reporting mechanism identified and details recorded electronically in Covalent					Production of service business continuity plans along with actions
<b>Reviewing and reporting</b>	<ul style="list-style-type: none"> <li>• Quarterly report to PPMB</li> <li>• Bi annual report to Governance &amp; Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Bi annual report to Risk Management Group</li> <li>• Quarterly review and updates to Risk Management Group</li> </ul>	<ul style="list-style-type: none"> <li>• Steering groups</li> <li>• Monthly report to Performance and Programme Management Board (PPMB)</li> <li>• High level risks escalated to Corporate Risk Register which is reported to PPMB quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Directors and Members</li> </ul>	<ul style="list-style-type: none"> <li>• H&amp;S Group</li> <li>• Corporate H&amp;S Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report to Governance &amp; Audit Committee</li> </ul>
<b>Assurance</b>	<ul style="list-style-type: none"> <li>• Review by internal audit</li> <li>• Review by external audit</li> <li>• Annual Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Assurance Statements</li> <li>• Review by internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• PPMB</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Assurance Statements</li> <li>• Review by internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• External reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Desk top exercises to determine robustness of plans</li> <li>• External reviews</li> </ul>

## Appendix B - Risk Management Process

### 1. The Risk Management Process

The process used will incorporate the following steps:

- a) Identifying the risk
- b) Assessing the risk
- c) Addressing the risk – the risk control mechanism
- d) Assigning the risk ownership
- e) Reviewing and reporting the risk
- f) Providing assurance



### 2. Identifying the Risk

There is no single solution to identify risks. Here are some examples:

- a) Where risk management is becoming established, eg corporate risks, existing risks are reviewed quarterly and amended according to changes in the corporate plan priorities
- b) Other risks, eg when considering new activities, may be identified by comparison against the categories listed in **Appendix C**
- c) Business continuity will be identified by events that can be foreseen which prevent service delivery based around service risk register and other internal business risks
- d) Health and safety risks are usually, but not exclusively, identified by Service Managers or IOSH Managing Safely trained officers within the authority

### 3. Risk Description

The risks and opportunities identified need to be recorded in a structured format. A description covering the Cause, Event and Effect is used to scope a risk or opportunity. Guidance on some typical phrasing or statements is listed below:

Cause	Event	Effect
Because of..... As a result of..... Due to.....	<an uncertain event ie risk or opportunity> may occur.....	which would lead to <effect on objective(s)>

Event	Cause	Effect
Risk of..... Failure to..... Failure of..... Lack of..... Loss of..... Uncertainty of..... Delay in..... Inability to..... Inadequate..... Partnership with..... Development of..... Opportunity to.....	..... due to.....	..... leads to ..... and/or..... results in.....

### 4. Assessing the Risk

Risk is assessed by the combination of two factors - the likelihood of something happening and the impact if it does happen. This can be represented graphically on a simple 4x4 matrix as shown below:

<b>IMPACT</b>	<b>CRITICAL</b> None or very low tolerance to the risk	<b>4</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>
	<b>MAJOR</b> Some tolerance to the risk	<b>3</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>
	<b>MINOR</b> Risk can be tolerated in most cases	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>
	<b>NEGLIGIBLE</b> Risk can be tolerated	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>UNLIKELY</b> Never occurred before	<b>POSSIBLE</b> Infrequent occurrence (within 12 months)	<b>LIKELY</b> Regular occurrence (within 3 months)	<b>CERTAIN</b> Frequent occurrence (daily, weekly or monthly)	
		<b>LIKELIHOOD</b>				

## Risk Impact Descriptions:

IMPACT	Finance	Service Quality/ Objective	Legal/ Regulatory	Reputation	Health & Safety
<b>4 CRITICAL</b>	Over £500K loss	Complete failure of service (1-24 hours) or service affected for over 3 months  Unable to meet business objectives	Loss of licence status or criminal prosecution from an external agency	Reputational damage is irrecoverable  Front page of national newspaper	Fatality
<b>3 MAJOR</b>	£250K to £499K loss	Partial failure of service up to 3 months  Re-prioritisation of business objectives	Legal case leading to an investigation or change of procedures	Localised reputational damage with groups of individuals/ businesses  Front page of local newspaper	Serious injury and/or multiple illness
<b>2 MINOR</b>	£25K to £249K loss	Service marginally impaired  Some impact on business objectives but recoverable	Legal action or regulatory penalty	Temporary reputational damage with individuals	HSE reportable incident
<b>1 NEGLIGIBLE</b>	Under £24K loss	Negligible effects on service quality or business objectives	Minor non- reportable incident	No effects on reputation	No injury or very minor injury

The worse case or effect will determine the risk impact ie £25K to £249K cost (Minor) but a fatality (Critical). The fatality over-rides the cost so the higher impact is applied - each risk is not required to meet all criteria in the description.

## Definition of Risk Level:

<b>16</b>	<b>Very High</b>	Immediate escalation of risk to S151 officer/SMT for decision on action
<b>9-12</b>	<b>High</b>	Significant actions should be planned to mitigate the risk and implemented urgently. Risk to be referred to SMT
<p>These risks will have an extreme effect on the operation of the business or its service delivery, resulting in significant financial loss, major service disruption or significant impact on the public eg major system failure, major flood or fire. These risks require immediate comprehensive action with senior management involvement.</p>		
<b>4-8</b>	<b>Medium</b>	Risk is acceptable as long as current control measures remain in place and are effective. Further actions to mitigate the risk should be explored
<p>These risks will have a noticeable effect on service provision, causing a degree of disruption and impinging on budgets eg fraud/theft, system failure or fire. Consequences of the risk materialising would be severe but not extreme. Some immediate action is required and the development of an action plan. They can be managed by specific monitoring or response procedures.</p>		
<b>1-3</b>	<b>Low</b>	Acceptable level of risk subject to regular monitoring
<p>These risks are not severe and will be managed using routine monitoring procedures, unlikely to need specific or significant application of resources. Individually such risks will have a negligible effect on service provision and any associated loss is relatively small, but if left untreated these risks could have a more significant cumulative effect eg missed deadlines, minor incidents or service disruption.</p>		

## 5. Addressing the Risk

There are three key stages to be taken when addressing a risk, they are:

- a) Decide how you are going to deal with the risk (see 5.1 for definition)
- b) If necessary what action is going to be taken to treat or control the risk (see 5.2 for definition)
- c) Identify the person responsible for controlling the risk (see 5.3 for definition)

## 6. Deal with the Risk

**There are five courses of action for dealing with the risk:**

- a) Tolerate the risk - take no further action
- b) Treat the risk - this is the most used option (see below for ways to treat risk)
- c) Transfer the risk - take out insurance or involve a third party
- d) Terminate the risk - stop doing what is causing the risk
- e) Take the opportunity - this encourages thoughts about additional opportunities that may arise if you decide to tolerate, treat or transfer the risk

**Treat/Control the risk:** If you decide to treat the risk, a control mechanism must be put in place. Consider these four types of control:

- Preventative controls – designed to limit the possibility of something undesirable happening eg separation of duties in a financial system to reduce the risk of fraud occurring
- Corrective controls – designed to limit the damage/impact should the risk arise eg effective contingency planning
- Directive controls – designed to ensure a particular outcome is achieved eg insistence that workers wear protective clothing to help reduce the likelihood of harm
- Detective controls – designed to identify an undesirable outcome that has arisen eg stock takes alert to the fact theft has possibly taken place

**Identify the owner:** The owner of the risk should be the person who is best placed to inform and monitor the risk. Delegation for monitoring the risk and any associated/resulting actions may be undertaken, however overall responsibility for the risk remains with the risk owner. All risks must have an owner to ensure they are controlled effectively.

## **7. Monitor and Review**

Risks need to be reviewed and reported upon:

- a) To identify if risks are changing and their impact on the Council's objectives
- b) To gain assurance that risk management is effective

## **8. Assurance**

Assurance will be provided that the Council's approach to risk management is working by:

- a) Setting up systems which include the reporting of:
  - Risks identified
  - Risk owners
  - Risk treatment
  - Reporting mechanism
- b) Review of the risk management system by:
  - Risk Management Group
  - Performance and Programme Management Board
  - Governance & Audit Committee
  - Internal audit
  - External audit
- c) Quarterly Assurance Statements – this ensures the efficient application and integration of risks, controls and assurances coupled with their reporting and monitoring. The Governance & Audit Committee will review annually the on-going effectiveness of the Council's risk controls assurance framework.
- d) Committee Reports - Integration of risk identification as part of the member review and approval process following the inclusion of a risk table on the reporting template.

## Appendix C – Risk Categories

<p style="text-align: center;"><b>CORPORATE</b></p> <p style="text-align: center;">Risks which need to be taken account of in judgements about the long term goals and objectives of the Council</p>	<p style="text-align: center;"><b>SERVICE/BUSINESS CONTINUITY</b></p> <p style="text-align: center;">Risks which managers and staff will encounter in the course of their daily work</p>
<p><b>Political</b> Associated with failure to deliver either local or central government policy, or to meet the local manifesto commitments.</p>	<p><b>Professional</b> Associated with the particular nature of each profession.</p>
<p><b>Economic</b> Affecting the ability of the council to meet its financial commitments e.g. internal budgetary pressures, failure to purchase adequate insurance provision, external macro level economic changes and consequences of investment decisions.</p>	<p><b>Financial</b> Associated with financial planning and control and the adequacy of insurance cover.</p>
<p><b>Social</b> Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.</p>	<p><b>Legal</b> Relating to possible breaches of legislation.</p>
<p><b>Technological</b> Associated with the capacity of the Council to deal with the pace/scale of technological changes, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures in the Council's ability to deliver its objectives.</p>	<p><b>Physical</b> Relating to fire, security, accident prevention and health and safety. This would also include staff shortages and knowledge shortage.</p>
<p><b>Legislative</b> Associated with current law or potential changes in National or European law.</p>	<p><b>Contractual</b> Associated with the failure of contractors to deliver services or products to the agreed cost or specification (including fuel suppliers).</p>
<p><b>Environmental</b> Relating to the environmental consequences of progressing the Council's strategic objectives eg energy efficiency, pollution, recycling, landfill requirements and emissions etc.</p>	<p><b>Technological</b> Relation to reliance on operational equipment eg IT systems (loss of data or loss of access to data) or equipment and machinery.</p>
<p><b>Competitive</b> Affecting the competitiveness of the service (in terms of cost and quality) and/or ability to deliver Added Value.</p>	<p><b>Environmental</b> Relating to pollution, noise or energy efficiency of ongoing service operations and weather related disruption.</p>
<p><b>Customer</b> Associated with failure to meet the current and changing needs and expectations of customers/clients/citizens.</p>	<p><b>Health &amp; Safety</b> Affecting the safety and well being of staff and the public.</p>
<p><b>Partnership</b> Associated with working with other councils, agencies and the private and voluntary sector to deliver the Council's objectives.</p>	
<p><b>Sustainability</b> Associated with maintaining and improving South Kesteven as a place to live, work or visit.</p>	
<p><b>Reputational</b> Relating to the confidence, or otherwise, that partners, customers, staff and the public have in the Council.</p>	

## **Appendix D - Roles & Responsibilities**

All Officers and Members have a responsibility to ensure that risk management is effective across the whole of the Authority's operations. Specific roles and responsibilities are set out below:

### **The Executive**

- Determine the overall approach and attitude to risk management
- Provide assurance to members that high risks are being identified and managed
- Review and monitor the Corporate Risk Register

### **Designated Portfolio Holder**

- Strategic endorsement of the overall approach and attitude to risk management
- Champion risk management

### **Governance & Audit Committee**

- Approve the Risk Management Strategy
- Monitor the implementation of the strategy
- Review the Annual Governance Statement, including effectiveness of risk management
- Provide assurance to members that high risks are being identified and managed
- Scrutiny of the system of internal control, including risk management arrangements and assurance statements from Service Managers and Heads of Service
- Receive quarterly reports on risk management including any significant changes to the Authority's risk profile including the risk controls assurance framework

### **Chief Executive**

- Strategic leadership that endorses the implementation of the Risk Management Strategy across the Council

### **The s151 Officer (Strategic Director – Corporate Focus)**

- Champion risk management
- Overall responsibility for maintenance and delivery of risk management across the Authority
- Promulgate and promote the strategy

### **Performance and Programme Management Board (includes Management Team)**

- Monitor the Corporate Risk Register
- Take ownership, as appropriate, of the identified corporate risks
- Monitor Project Risk Registers
- Raise awareness of risk with Members and Officers as appropriate

### **Strategic Directors/Heads of Service/Service Managers**

- Communicate the Risk Management approach and strategy throughout the Council
- Develop an open and transparent culture for the identification and management of risk, and encouraging employees to instil risk awareness in their behaviour
- Identify, assess and communicate risks within their sphere of responsibility, including updating of the risk register
- Regularly review the risk management process in their area of responsibility – feeds into the assurance statements
- Provide support and assistance to all employees in fulfilling their individual risk management duties

### **Risk Management Group**

- Provide a forum for the discussion of risk management issues including review of the Risk Management Strategy
- Review and monitor the Service Risk Register and other associated risk areas such as insurance, partnership and business continuity risks
- Monitor implementation of risk management action plans
- Promote and embed risk management throughout service areas including horizon scanning

### **Head of Finance, Finance Support Manager (Finance and Risk) and Governance & Risk Officer**

- Operational responsibility for supporting and guiding the risk management process across the Council
- Facilitate discussion of risk at local and corporate level, including risk identification and assessment workshops
- Ensure, by means of regular communication, that employees are aware of the key risk issues facing the Council
- Maintain the Corporate Risk Register
- Provide managers with practical techniques for identifying and assessing risks and designing control and mitigation strategies
- Provide continuous training and support to Members and Officers

### **Risk Owner**

- Responsible for ensuring that each risk assigned to them is managed effectively and other associated risk areas such as insurance, partnership and business continuity risks.
- Report any significant changes to the Risk Management Team/Group
- Implement actions arising from risk assessments

### **Staff**

- Responsible for managing risk effectively and reporting opportunities and threats to their managers
- Contribute to minimising risk whenever possible
- Attend relevant training

### **Internal Audit**

Internal audit provide an independent and objective assurance to management and members on the effectiveness of risk management. They normally provide assurance on the following areas:

- Risk management processes, both their design and how well they are working
- Management of those risks classified as 'key', including effectiveness of the controls and other responses to them
- Reliable and appropriate assessment of risks and reporting of risk and control status
- Report on the relationship between risk and control