County Council Meeting – 15 July 2014

REPORT OF THE AUDIT & GOVERNANCE COMMITTEE

* Mr Nick Harrison (Chairman)
* Mr W D Barker OBE (Vice Chairman)
* Mr Tim Evans
A Mr Will Forster
A Denis Fuller
* Tim Hall

S Richard Wilson

* = Present
A = Apologies
S = Substitute

A.   RISK MANAGEMENT ANNUAL REPORT

1. The Committee considered the Risk Management Annual Report for 2013/14 and, following a robust discussion, confirmed that it was satisfied with the risk management arrangements.

2. The Audit & Governance Committee **COMMEND** the Risk Management Policy Statement and Strategy (Annex A) for inclusion in the Constitution.

B.   CODE OF CORPORATE GOVERNANCE

1. The Local Government Act 2000 places a reliance on local authorities to review their governance arrangements and operate through a local governance framework which brings together requirements, governance principles and processes.

2. The Audit & Governance Committee considered and approved updates to Surrey County Council's Code of Corporate Governance. The Committee **COMMEND** the updated Code of Corporate Governance (Annex B) for inclusion in the Constitution.

Nick Harrison
Chairman of the Audit and Governance Committee
May 2014

Confident in our Future, Risk Management Policy Statement and Strategy

Risk Management Policy Statement

Introduction

Risk management aims to maximise opportunities and minimise exposure to ensure the residents of Surrey remain healthy, safe and confident about the future.

How successful the council is in dealing with the risks it faces can have a major impact on the achievement of key priorities, goals and service delivery to the community. The Risk Management Policy Statement and Strategy supports and underpins the council's Corporate Strategy: Confident in our Future, and the six key areas of focus - residents, value, partnerships, quality, people and stewardship.

The focus of good risk management is the identification and treatment of risks and opportunities. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the council's strategies and service delivery.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimising the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more bold but calculated approach.

Risk Management principles

The council's approach to risk management is built on the following principles:

- Alignment with objectives
  Enhancing opportunities for success and eliminating or minimising the threat of failure will enable the council to determine risk appetite and tolerance levels to support the achievement of objectives.

- Clear guidance
  Effective management of risk is encouraged through an open and transparent approach that is suitably resourced and consistently applied.

- Informs decision making
  Risk information is used to objectively inform decision-making and the achievability of desired outcomes.

- Achieves measurable value
  Benchmarks and measures are used to monitor and report on how risk management contributes added value to the organisation.

- Facilitates continuous improvement
  Significant events and incidents are reviewed to ensure lessons are learnt and actions for improvement are identified and implemented.

Benefits

The following benefits are realised through the above principles:

- Improved organisational resilience through strengthening our ability to achieve objectives and enhance the value of the services we provide
- Proactive management of risk
- Improved governance enabling informed decision-making
- Stakeholder confidence and trust
- Flexibility to respond to new pressures and external challenges

Realisation

The realisation of the principles and benefits will be achieved through the operation of the council's risk approach and arrangements.

The Risk Framework contains specific information on the council's risk arrangements and the risk process and procedures.

Compliance with these documents will ensure that the council achieves excellence in its approach to and management of risk.

Risk Management Strategy

Introduction

Risk management is an integral part of good management practice and a key part of corporate governance. This strategy outlines the arrangements put in place to ensure the council identifies and deals with the key risks it faces.

Objectives

The objectives of this strategy are to:
- Fully embed risk management into the culture of the council and ensure staff and members are equipped to work with and support the risk culture;
- Ensure consistency in the management of risk and that the risk management framework is implemented and understood by all staff who have a direct operational responsibility for managing risk;
- Communicate the council's approach to risk management to stakeholders;
- Ensure the benefits of risk management are realised through maximising opportunities and minimising threats;

Risk Management

The council has adopted proactive risk management arrangements to enable decisions to be based on comprehensively assessed risks, ensuring the right actions are taken at the right time.

The risk management arrangements help to support and underpin the council's corporate strategy, 'Confident in our Future.' How successful the council is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to the community.

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure. Risk management should be a continuous and evolving process, which runs throughout the council's strategies and service delivery.

Learning lessons from past activities and events helps inform current and future decisions. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

Integrated Risk Management

In order to create an integrated risk management culture that is embedded into day to day activity, a collaborative approach to risk is undertaken. Service, financial and risk plans are developed using a five-year business planning cycle and are regularly reviewed using an iterative process.

There are a number of levels of risk register:
- Leadership risk register – owned by the Chief Executive
- Directorate risk registers – owned by individual Strategic Directors
- Service risk registers – owned by individual Heads of Service.

Roles and responsibilities

All employees and members involved in managing risk should be aware of their risk management responsibilities, which includes risk and opportunities across the whole organisation, as well as in specific service areas. However, the ultimate responsibility for risk management lies with the Leader of the Council and the Chief Executive.

Specific responsibilities for risk management are shown in the table below.

ROLE	RESPONSIBILITIES
The Cabinet	• Oversee effective risk management across the council. • Ensure that key risks are identified, effectively managed and monitored.
Portfolio Holders	• Ensure that risks within their portfolio are identified and effectively managed through discussions with Strategic Directors and Heads of Service. • Contribute to the Cabinet review of risk and being proactive in raising risks from the wider Surrey area and community.
Members of Select Committees	• Monitor and challenge key risk controls and actions.
Audit & Governance Committee	• Provide independent assurance to the council on the effectiveness of the risk management arrangements. • Annually approve the risk management policy statement and strategy.
Corporate Leadership Team (CLT)	• Ensure effective implementation, monitoring and review of the council's risk management arrangements. • Identify, own and manage the key risks facing the council.
Strategic Directors	• Own their directorate risk register and regularly identify, prioritise and control risks within their area of responsibility as part of wider council performance. • Ensure that risk management within their directorate is consistently implemented in line with the council's Risk Management Strategy. • Challenge heads of service on key risks relating to their services. • Proactively raise risks issues at CLT and with Portfolio Holders
Heads of Service	• Own their service risk register and regularly identify, prioritise and control risks within their area of responsibility as part of wider council performance. • Report to Strategic Directors on any perceived new risks or failures of existing control measures. • Support and have a regular dialogue with their dedicated risk champion to ensure that risk management within their area is implemented in line with the council's risk management strategy. • Challenge risk owners and actions to ensure that controls are being put in place and monitored.
Managers	• Take ownership for actions they are responsible for and report to their head of service. • Co-operate and liaise with the risk champion. • Report any perceived new risks or failure of control measures to their manager.
Staff	• Assess and manage risks effectively in their job and report risks to their manager.
Risk and Governance Manager	• Co-ordinate and facilitate the implementation of the risk management arrangements. • Moderate and challenge risk across the organisation. • Provide training and communication.

	• Centrally holding and publishing all council risk registers. • Facilitate the review and challenge of the Leadership risk register.
Strategic Risk Forum	• Review directorate risk registers through challenge and moderation. • Make recommendations to the Corporate Leadership Team on changes to the corporate risk arrangements and strategic risks. • Identify and escalate common themes and risk management issues across the council through sharing learning and best practice. • Lead on the review of risk culture across the organisation.
Risk champions	• Key contact for risk within their directorate and/or service. • Support management with the review of risk, including the risk register, as part of performance monitoring. • Promote risk to embed and aid understanding.
Internal Audit Team	• Audit the Council's risk management process. • Use risk information to inform the annual internal audit plan. • Ensure that internal controls are robust.

Other officer groups deal with specific areas of risk management and these include the Health & Safety operations team and the Council Risk and Resilience Forum. These groups are represented on the Strategic Risk Forum so that their work can be coordinated with the overall management of the risks facing the council.

Risk Management framework

Effective risk management requires an iterative process of identifying, measuring, managing and monitoring risks.

Risk Identification

Cabinet Members, the CLT, Heads of Service and managers continually undertake risk identification as part of strategic and service planning and delivery. Focus for risk identification should be at a level that is material to strategic / service objectives, targets and service sustainability.

Risk Assessment

Risk assessment ensures that risks are judged on a uniform scale, enabling risks to be objectively scored and compared across the organisation.

The outcome of service level risk assessment is the categorisation of risks according to their impact (financial, service level, reputation) and likelihood. It assesses the relative importance of the identified risks so as to allow risk owners, where necessary, to prioritise action to mitigate them.

The output from the risk assessment is a consolidated risk register. The total risk scores are assigned into bands (red, amber or green) according to the severity of the risk.

Risk Control and reporting

Actions to address significant risks need to be specified and regularly reviewed. These mitigating actions should be focused on reducing the impact or likelihood of risks.

This page is intentionally left blank