



Audit & Governance Committee
28 May 2015

RISK MANAGEMENT ANNUAL REPORT

Purpose of the report:

This annual risk management report enables the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements. It also presents the latest Leadership Risk Register.

Recommendations:

It is recommended that Members:

1. Consider the contents of the report and confirm they are satisfied with the risk management arrangements;
2. Endorse the Risk Management Strategy to Council for inclusion in the Constitution (Annex B); and
3. Review the Leadership Risk Register (Annex C) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, specific Cabinet Member or relevant Select Committee.

Introduction:

4. The terms of reference of the Audit and Governance Committee include the requirement to monitor the effective development and operation of the council's risk management arrangements. This report summarises the risk management activity from April 2014 to date. Annex A details the progress on the internal audit management action plan from last year. The council's risk governance arrangements are shown below.
5. The Risk and Governance Manager returned from six months maternity leave on 5 January 2015. During her period of absence the risk management element of her role was covered by the Senior Principal Accountant – Management Accounting.



Surrey County Council's risk governance arrangements.

2014/15 key activity summary:

Strategic risk arrangements

- The Director of Finance provides strong leadership on the council's risk management arrangements, which enables effective strategic risk conversations with senior officers and members. Monthly risk updates are provided by the Director of Finance to the Statutory Responsibilities Network¹ (SRN) and on an ad hoc basis to the Chief Executive's Direct Reports. The risk updates include proposed changes to the Leadership risk register and emerging risks.
- The Strategic Risk Forum (SRF), chaired by the Director of Finance, has met seven times since April 2014. Membership consists of strategic risk leads, Risk and Governance Manager, Chief Internal Auditor and Head of Emergency Management. The meetings focus on challenge and scrutiny of strategic risk (directorate and leadership risks), common themes and emerging risks.
- The SRF has also been continuing the work on risk culture and has begun developing the council's risk appetite and tolerance levels through the use of analysis of the risk registers in graphical and visual form. Clear and simple risk information and overviews of risk levels and controls are enabling improved and focused conversations on risk.
- The Leadership Risk Register is presented to Cabinet on a quarterly basis to provide oversight of the council's strategic risks and controls. The Cabinet attended an informal risk workshop on 24 March 2015, which was facilitated by the Director of Finance. The workshop was also attended by the Chief Executive, Strategic Directors and representatives of the SRF. The discussion confirmed that all the current strategic risks to the council are reflected in the Leadership Risk Register.

¹ Statutory Responsibilities Network membership – Chief Executive (Chair), statutory officers for Social Care, Education, Fire, Public Health, Director of Finance, Director of Legal and Democratic Services, Chief Internal Auditor, Director of People and Development.

10. The Finance service has recently achieved the Customer Service Excellence² standard and the assessor particularly highlighted 'the positive use of visualisation approaches to get the whole organisation excited about risk.'

Operational risk arrangements

11. The Risk and Governance Manager ensures that risk registers received from risk representatives are uploaded onto the snet in a timely manner. A report on the status of risk registers on the snet is provided to the SRF at each meeting, which highlights risk registers that are more than three months old.

Council Risk and Resilience Forum

12. There have been two formal meetings of the CRRF during the year, which are attended by service risk and business continuity representatives. The formal meetings have been effective in sharing knowledge and good practice between services in relation to identifying and managing current and emerging risks and supporting the ongoing development of business continuity arrangements.
13. There have also been three interactive workshops that are targeted at CRRF representatives and members of their service recovery teams, as identified in their business continuity plans. The workshops provide updates on risk and resilience events and policy changes and each workshop is themed to help services validate their business continuity planning arrangements through interactive scenarios. The three workshops have focused on workplace recovery planning, risk management arrangements and provider resilience.

Business Continuity

14. The Emergency Management Team has been working with Procurement and Commissioning to strengthen supplier resilience. Critical suppliers (those who are essential to the delivery of the most critical council activities) are now required to provide evidence of their business continuity arrangements. The evidence is proportionate to the criticality of the supplier.
15. Internal audit have undertaken a review of business continuity planning. The overall audit opinion is Some Improvement Needed and four medium/low priority recommendations have been made. The review concluded that business continuity guidance and supporting documentation is detailed and accurate and there is close working between the Emergency Management Team and key frontline services.

Insurance

16. The insurance team have completed another tender for Insurance Services that will last for the next five years through the Official Journal of the European Union (OJEU) process. The new 'long term agreement' will finish in March 2020. The majority of the council's insurance policies carry a £100k excess per claim with the exception of casualty claims which have an excess of £500,000 and an insurance fund is in place to provide funds from which to pay claims falling within the excess.

² Customer Service Excellence is an independently validated assessment that tests delivery, timeliness, information, professionalism, customer insight and measurement of service satisfaction.

Internal audit review:

17. Internal audit provide an annual independent assessment of the risk management arrangements. The 2014/15 review is ongoing and will be reported to the next committee meeting. Any resultant management action plan will be reviewed and monitored by the SRF.

Focus for 2015/16:

Risk culture

18. The SRF will continue to lead on the risk culture work, including further development of the council's risk appetite and tolerance using visual techniques to assist risk conversations at both strategic and operational levels.

Risk registers

19. Directorate and service risk registers will continue to be monitored by the Risk Manager and escalated through the SRF regarding the timeliness of review, updating and availability on the snet.
20. The Risk and Governance Manager will work with risk representatives to develop risk registers in relation to inherent/residual risk levels and risk controls to ensure consistency across the organisation and aid analysis.

Risk management strategy and plan:

21. The risk management strategy 2015-20 (Annex B) has undergone a refresh and clearly sets out the council's risk management approach on one page, in alignment with the Corporate Strategy.
22. The risk management strategy is supplemented by the risk management plan which outlines the risk governance arrangements, specific roles and responsibilities and the key risk actions for 2015/16.
23. The risk management strategy and plan were reviewed and agreed by the SRF at the meeting on 13 May 2015.

Leadership risk register:

24. The Leadership Risk Register (Annex C) is owned by the Chief Executive and shows the council's 14 key strategic risks.

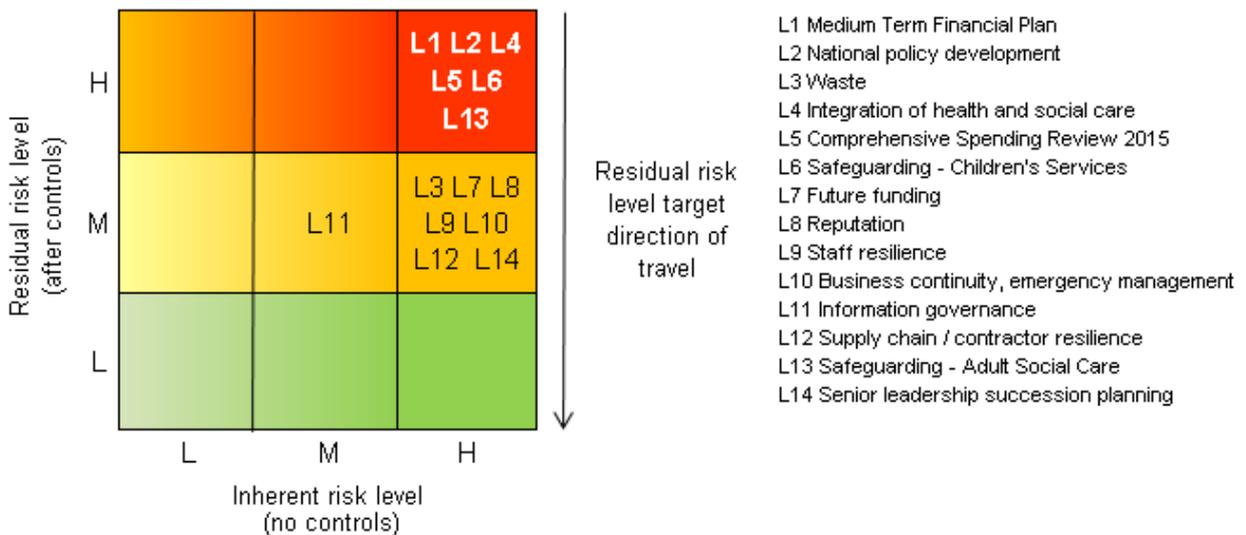
Changes to the risk register

25. Since the last meeting of the committee, the following changes have been made to the risk register:
- Addition of a new risk with a medium residual risk level – Senior Leadership Succession Planning (L14);
 - Wording changes have been made to the 'processes in place' and 'controls' for risks L1, L2, L4, L6, L10, L11, L12 and L13; and

- The risk descriptions have been updated for National policy development (L2) and Staff resilience (L9).

Residual risk level

- The Leadership Risk Register includes both the inherent and residual risk levels for each risk. Inherent risk is the level of risk before any control activities are applied. The residual risk level takes into account the controls that are already in place, detailed on the risk register as both ‘processes in place’ and ‘controls.’
- There are 14 risks on the Leadership Risk Register, of which 13 have a high inherent risk level, as illustrated in the table below. Despite mitigating actions, eight of these risks continue to have a medium residual risk level (L3,L7,L8,L9,L10,L11,L12,L14) and six continue to have a high residual risk level (L1,L2,L4,L5,L6,L13): showing the significant level of risk that the council is facing despite the processes and controls being put in place to manage the risks.



Implications:

Financial and value for money implications

- Integrated risk management arrangements, including effective controls and timely action, supports the achievement of the council’s objectives and enables value for money.

Equalities and Diversity Implications

- There are no direct equalities implications in this report.

Risk Management Implications

- Embedded risk management arrangements leads to improved governance and effective decision-making.

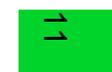
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Sources/background papers:

- Risk management half year report, SRF and CRRF agendas and minutes,

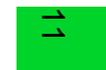
Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer responsible	Progress as at April 2015
5.4.4	Directorate Leadership Teams (DLT) and Senior Management Teams (SMT) should better link their meeting discussions to their risk register. Most new topics raised should either create a new risk register entry or be considered as informing judgement on risks already reflected on the register.	Medium Priority	Via Strategic Risk Forum (SRF) and Council Risk and Resilience Forum (CRRF), encourage risk registers to be used at DLTs and SMTs to formally document the output of risk discussions and update with new risks/controls as appropriate.	Ongoing	Directorate risk leads and service risk reps	A CRRF workshop focused on risk took place in July 2014 to provide refresher risk training to risk reps. This included an overview of key roles and responsibilities, the council's key risk principles and risk culture work. SRF and CRRF meetings include discussions on the use of risk registers.
5.5.12	Each Service risk register should include clear linkages between entries that relate to the challenges and opportunities in achieving Service objectives and service priorities, as defined in their summary Service plans, or key annual discussions of Service priorities.	High Priority	Via SRF and CRRF, encourage conversations within services that link risk registers to service objectives/priorities and formally document as appropriate.	Ongoing	Directorate risk leads and service risk reps	As above, risk register discussions have taken place at SRF and CRRF. Services are advised (via the Risk and Governance Manager and guidance on snet) to focus their discussions on the key risks to achievement of objectives/priorities.
5.5.13	The monitoring of the frequency that risk registers are being updated should be developed, perhaps integrating performance with other corporate monitoring systems.	Medium Priority	Proactively chase risk registers that are due to become out of date – as per the criteria in the risk framework. Through the risk culture work, encourage the use	Ongoing	Risk and Governance Manager	SRF reviews risk registers status at each meeting and the Risk and Governance Manager actively chases registers that are over 3 months old. Visual management has





			of visual management to highlight risk register review.			been discussed at SRF and risk leads have taken forward with their management teams as appropriate.
5.5.14	Performance on risk management in line with the corporate framework should be a key 'ways of working' behavioural target for senior staff.	Low Priority	Liaise with HR to consider the inclusion of risk within generic job descriptions for senior management.	September 2014	Head of HR / Director of Finance	Completed Risk will not be explicitly included within job descriptions but key priorities, and therefore key risks, are regularly discussed during conversations between the Chief Executive and his direct reports.
5.5.15	Within the Leadership Risk Register, consideration should be given to whether each entry should include one or two key metrics which help inform readers of the scale of risk or the potential impact of losses.	Low Priority	Review risk descriptions on the leadership risk register to ensure consequences are clearly articulated.	July 2014	SRF	Completed. The Statutory Responsibilities Network (SRN), with support from the SRF, undertook a comprehensive review of the Leadership risk register in August 2014, which was then reported to both Audit and Governance Committee and Cabinet.
			Add a footnote to the leadership risk register to show the underlying criteria for risk levels.	June 2014	Risk and Governance Manager	Completed. The leadership level risk assessment criteria are attached to the Leadership risk register.

5.6.11	The Governance Panel should consider using the Control Risk Self Assessment (CRSA) work in 2014/15 to help assess how aware senior management are of risks in other Directorates and provide a further encouragement to them to become better informed	Low Priority	To be discussed at the next Governance Panel meeting during the 'agreement of CRSAs' agenda item.	November 2014	Risk and Governance Manager / Chief Internal Auditor	<p>Completed. The Governance Panel agreed that risk management did not need to be included within the CRSA exercise for 2014/15.</p> <p>The networked approach across the organisation is enabling better risk conversations across areas as well as directorates/services.</p>
5.6.12	At least twice each year, the Leadership Risk Register should be presented to the Cabinet for consideration, discussion and amendment as appropriate.	Medium Priority	The leadership risk register is being presented to the Cabinet on a quarterly basis (since March 2014).	Complete	Risk and Governance Manager	<p>Completed. The leadership risk register has been presented to the Cabinet each quarter throughout 2014/15 and will continue to be presented on a quarterly basis.</p> <p>A risk workshop, focusing on strategic risk, has also been held with the Cabinet.</p>
5.6.13	SCC should utilise one of the methodologies widely used in other sectors to help elucidate a meaningful statement of SCC's risk appetite.	Medium Priority	Best practice will be considered as part of the SRF risk culture work.	April 2015	Director of Finance / SRF	<p>Ongoing. A risk appetite paper, developed using best practice, was considered by SRF in March 2015 to begin to develop the council's levels of risk</p>





						appetite and tolerance.
5.6.14	The SRF should provide supportive challenge on risk register entries which are showing 'Treat' responses to identify any that should be shown as 'Tolerate'. The aim should be that from this there should be better conversations about risk tolerance.	Low Priority	SRF to review risk controls on service risk registers at a future meeting.	April 2015	Risk and Governance Manager / SRF	Completed: Following SRF consideration of an analysis of operational risk registers in March 2015 all risk controls are being reviewed. A risk update at CRRF in November 2014 included an overview of the 5T's and a reminder to use the risk controls consistently.
5.6.15	SCC should consider the options for more independently facilitated and fully resourced discussions, workshops and 1-2-1 meetings to help produce risk culture development action plans for each Directorate. Once drafts are complete, some form of peer review exercise may be worth considering.	Medium Priority	SRF will consider at a future meeting.	April 2015	Risk and Governance Manager / SRF	Completed. The ongoing risk culture work is focused on using visualisation techniques to enable effective conversations about risk across the organisation.
5.6.16	Consider using informal CLT / Cabinet workshops to encourage conversations that link directly to risks on the Leadership Risk Register	Low Priority	Agreed. Cabinet/CLT workshops to develop the 2015-20 budget will incorporate the Leadership risk register more directly.	Approx. monthly from May 2014	Director of Finance	Completed. Risk is a significant part of all Cabinet/Leadership team budget workshops. Regular review of the Leadership risk register at senior officer and member meetings and workshops has strengthened risk conversations.

5.8.4	The Assistant Chief Executive should use the experience of the recent flooding and lessons learned to re-promote the role of CRRF and the associated projects which it has been helping to facilitate. Through this re-promotion, improved attendance of representatives of Priority 1 and 2 Services should be encouraged. Services should be required to send appropriate substitutes when the standing representative is unable to attend.	Medium Priority	Agreed.	December 2014	Susie Kemp	Completed: CRRF attendance and business impact analysis / business continuity plan progress was previously reported to the Business Continuity Management System group chaired by the Assistant Chief Executive. Business continuity issues are now reported to the SRN via the Director of Public Health. CRRF reps are regularly reminded of the corporate requirements via meetings, workshops and email updates.
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