



Audit & Governance Committee  
26 May 2016

## Annual risk management 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 the committee:

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

### 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 2015 to date and provides an update on the Leadership risk register.

### Progress on key actions from 2015/16

5. The 2015/16 risk management plan identified three key risk management actions for the year and progress is summarised below.

## Continue to promote a positive risk culture

6. Strong risk leadership, supported by a network of risk representatives, continues to ensure that management teams at all levels across the organisation focus on having effective conversations about risk and that the risk registers (operational and strategic) document those discussions. Emerging risks or risks that are becoming more significant are escalated through the risk governance arrangements (shown below) as appropriate.



7. Each service has a named risk representative who is responsible for supporting management teams with their risk management, including embedding understanding of risk and ensuring regular risk register reviews. A number of risk representatives have changed over the year, which has led to additional review and challenge of the risk arrangements in some areas to further develop and support the council's risk culture.
8. The Risk and Governance Manager facilitated a session with members of the Audit and Governance Committee on risk management to provide an overview of the continuing work on risk culture and confirm that members are satisfied with the risk information the committee receives.
9. The Council Risk and Resilience Forum (CRRF) consists of service risk and business continuity representatives and shares knowledge and good practice across the organisation. Two formal meetings and one interactive workshop have been held during the year and they have focused on supply chain resilience and the provider/supplier business continuity protocol. Scenarios are used to identify areas that may require further testing or updating of business continuity plans and risk registers.
10. Risk updates are also provided by the Risk and Governance Manager at the beginning of each CRRF meeting and workshop to ensure risk representatives are kept up to date with any changes to the risk arrangements and the key risks facing the council.

### **Develop the risk registers to ensure they are fit for purpose**

11. Risk registers are continually evolving alongside organisational changes and new ways of working. The Strategic Risk Forum<sup>1</sup> reviews and discusses strategic and operational risk registers at each meeting to ensure they are consistent and support risk discussions within services and directorates.
12. The Leadership risk register has been extensively reviewed by the Statutory Responsibilities Network to ensure there is continued focus on the significant risks facing the organisation. The Leadership risk register now has eight risks, split into two sections of four strategic risks and four cross-cutting risks.
13. The Risk and Governance Manager has supported the facilitation of a number of risk workshops over the year. The Environment service management team held a workshop in August 2015 to review their service risk register. The Highways service management team held a risk workshop in April 2016 to discuss the key service risks to the achievement of the goals within their strategic business plan and ensure the risks are appropriately documented on the risk register.
14. The Children, Schools and Families leadership team held a risk workshop in December 2015 and have updated their risk registers to reflect the risk discussions.

### **Present risk information in a clear and user-friendly way**

15. Risk information is being presented in different ways to help aid risk conversations and focus risk discussions. A one page risk overview that maps the risks on the Leadership risk register against directorate risks is reviewed by the Strategic Risk Forum at each meeting and has also been discussed at the Statutory Responsibilities Network. The overview is an effective way of reviewing summary risk information and provides assurance as well as challenge.
16. The Strategic Risk Forum also reviews a summary of strategic risks from other south east local authorities. This provides assurance that significant risks identified by other councils are on Surrey County Council risk registers but also generates discussion about other risks or emerging risks that may need to be flagged.

<h3><b>2015/16 risk management arrangements</b></h3>
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17. The Statutory Responsibilities Network continues to be provided with a monthly risk update from the Director of Finance (strategic lead for risk management). The risk updates are focused on the Leadership risk register and emerging risks, but also includes the risk strategy and specific risk information such as the risk overview.
18. The Strategic Risk Forum, chaired by the Director of Finance, meets on a bi-monthly basis. The forum scrutinises and challenges strategic risk and discusses risk arrangements across the council to ensure a consistent approach is applied. The Strategic Risk Forum has also reviewed the fraud risk register developed by internal

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<sup>1</sup> Strategic Risk Forum membership – Director of Finance (Chair), strategic risk leads, Chief Internal Auditor, Head of Emergency Management, Risk and Governance Manager

audit to discuss the key fraud risks the council is facing and to ensure that risk registers reflect them as appropriate.

19. The Leadership risk register is presented to Cabinet on a quarterly basis to provide oversight of the council's strategic risks and controls. The Leadership risk register was also presented to Council Overview Board in April 2016 and the Chief Executive attended to answer the members' questions.

## Assurance

### Internal audit review

20. Internal audit provide an annual independent assessment of the risk management arrangements. The 2014/15 management action plan has been completed and was reported to the committee in December 2015 as part of the half year risk management report. The outcome of the 2015/16 audit is yet to be reported.

### Risk management benchmarking

21. The council takes part in an annual risk management benchmarking exercise run by CIPFA (Chartered Institute of Public Finance and Accountancy) and ALARM (the public risk management association). The benchmarking questions are based on the ALARM national performance model for risk management, which assesses the maturity of existing risk management arrangements.
22. Information was submitted in September 2015 and the output report shows that the council's risk management arrangements are at level 4 (out of 5) embedded and integrated.
23. The output from the internal audit review and the benchmarking will be discussed with the risk groups as appropriate.

## Risk management strategy and plan

24. The risk management strategy 2016-21 (Annex A) clearly sets out the council's risk management approach, in alignment with the Corporate Strategy.
25. 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 2016/17 which are:
  1. Ensure the council's risk arrangements are fit for purpose and support new ways of working;
  2. Continue to moderate, challenge and present risk information in a clear and transparent way across the organisation; and
  3. Gain assurance on links between strategic/operational risk and programme/project risk.
26. The risk management strategy and plan have been reviewed by the Strategic Risk Forum and the Statutory Responsibilities Network and their comments are incorporated.

**Leadership risk register**

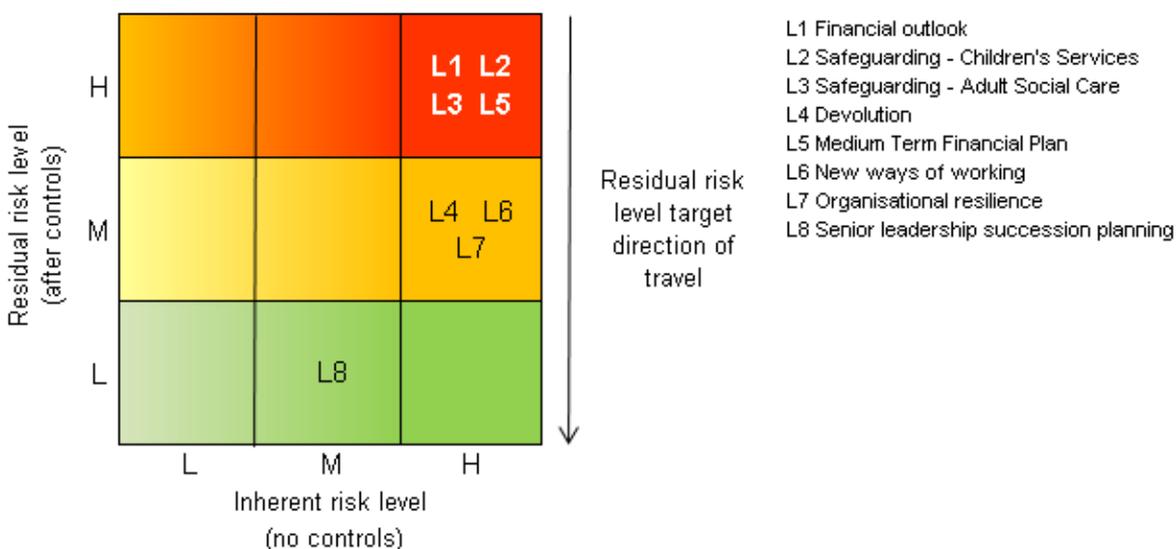
27. The Leadership risk register (Annex B) is owned by the Chief Executive and shows the council's 8 key strategic risks as at 30 April 2016.

**Changes to the risk register**

28. Since the Leadership risk register was last presented to the committee in April 2016, the Senior Leadership Succession Planning risk (L8) inherent risk level has been reduced from high to medium and the residual risk level has been reduced from medium to low.

**Residual risk level**

29. The Leadership risk register includes both the inherent and residual risk levels for each risk. Despite mitigating actions, four risks have a high residual risk level (L1,L2,L3,L5), three risks have a medium residual risk level (L4,L6,L7) and one risk has a low residual risk level (L8): 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**

30. 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**

31. There are no direct equalities implications in this report.

## **Risk Management Implications**

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

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**Report contact:** Cath Edwards, Risk and Governance Manager, Finance

**Contact details:** 020 8541 9193 or [cath.edwards@surreycc.gov.uk](mailto:cath.edwards@surreycc.gov.uk)

### **Sources/background papers:**

- Risk management reports, Strategic Risk Forum and Council Risk and Resilience Forum agendas and minutes