



**Audit & Governance Committee  
13 June 2017**

**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 2016 to date and provides an update on the Leadership risk register.

**Risk management arrangements**

5. The diagram below describes the council's risk management and governance arrangements;



6. The **Statutory Responsibilities Network (SRN)** is 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.
7. The **Strategic Risk Forum (SRF)**, 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.
8. The Leadership risk register is presented to Cabinet on a quarterly basis to provide oversight of the council's strategic risks and controls.
9. The Leadership risk register is also presented to the Audit and Governance Committee to facilitate the monitoring and scrutiny of the council's risk management arrangements and of the council's strategic risks and controls.

### Progress on key actions from 2016/17

10. The 2016/17 risk management plan identified three key risk management actions for the year and progress is summarised below.

#### **Ensure the council's risk arrangements are fit for purpose and support new ways of working.**

11. 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 and inform those discussions. Emerging risks or risks that are becoming more significant are escalated through the risk governance arrangements (shown above) as appropriate.

12. 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.
13. The council's risk profile is dynamic and therefore the risk management structure must be flexible enough to address this. This is relevant in relation to new ways of working, with particular reference to shared services and partnership arrangements. An example of this has been the creation of an Orbis risk register, which includes risks relating to the development and operation of the Orbis shared services agreement. This risk register contains risks relevant to both Surrey County Council and East Sussex County Council, and, as Orbis develops, will contain risks relevant to Brighton & Hove City Council.
14. The Risk Management function is also an example of new ways of working. The Risk and Governance Manager is currently seconded to support the development of the Orbis Finance integration project and therefore the risk management function at Surrey County Council is currently being managed by the Risk Manager from East Sussex County Council. This will assist with the consolidation and integration of the risk management function with the aim of further strengthen this function at both councils.

**Continue to moderate, challenge and present risk information in a clear and transparent way across the organisation**

15. Risk registers are continually evolving alongside organisational changes and new ways of working. The Strategic Risk Forum (SRF) reviews and discusses strategic and operational risk registers at each meeting to ensure they are consistent and support risk discussions within services and directorates.
16. 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.
17. The Risk Manager provides support, guidance and challenge to assist with the development of risk registers and the further embedding of sound risk management practice across the council. In April 2017, the Risk Manager facilitated a risk workshop with the Senior Management team from the integrated Orbis Procurement function to refresh the Procurement team risk register.

**Gain assurance on links between strategic / operational risk and programme/project risk.**

18. Programmes and projects are a fundamental vehicle for change and therefore it is essential that these are included in the risk management process. Consequently the risk management arrangements that apply to programmes and projects has been reviewed to ensure that corporate risk management standards and practice are being applied and that relevant risks are regularly reviewed by Project and Programme Boards.
19. While Programmes and projects are free to use their own risk register formats, the fundamental elements remain consistent and in line with Corporate standards, which

facilitates the escalation of relevant risks to service or strategic level, should this be required.

### **Risk management strategy and plan**

20. The risk management strategy 2017-20 (Annex A) clearly sets out the council's risk management approach, in alignment with the Corporate Strategy.
21. 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 2017/18 which are:
  1. Continue to ensure the risk management 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. Investigate the strengthening of links between Risk Management and Internal Audit to improve programme and project reviews. Also improve links between Risk Management and Business Continuity with particular reference to consistency of risk registers.
22. The risk management strategy and plan have been reviewed by the Strategic Risk Forum and the Statutory Responsibilities Network.

### **Assurance**

#### **Internal audit review**

23. The Internal audit team provide an annual independent assessment of the risk management arrangements. Consequently an audit of the risk management function was undertaken in February 2017.
24. The overall Audit Opinion was 'Some Improvement needed' with three recommendations made. Of these recommendations, 1 was considered of 'medium' priority and 2 were considered 'low' priority.
25. The medium level recommendation related to further awareness of applying sound risk management practice to Projects and Programmes, particularly in relation to risk escalation. The low level recommendations related to the consideration of an induction checklist for newly appointed risk representatives and ensuring compliance with the guidance for the submission of risk registers for review.
26. All audit recommendations have been accepted and will be completed by the required deadlines agreed in the audit.

#### **Strategic risk comparison**

27. The council also takes part in a Strategic Risk comparison exercise with several other County and Unitary council's in the South East region. This exercise was last undertaken in January 2017 and is scheduled to be repeated in July 2017.
28. All councils have a different risk profile, which reflect their different social, economic and geographical circumstances as well as their varying priorities. This makes direct comparison of individual risks impossible. However, it is possible to identify broad risk

themes and these are used as a 'sense check' with reference to the Leadership risk register.

### Leadership risk register

29. The Leadership risk register (Annex B) is owned by the Chief Executive and shows the council's 8 key strategic risks as at 31st May 2017.

### Changes to the risk register

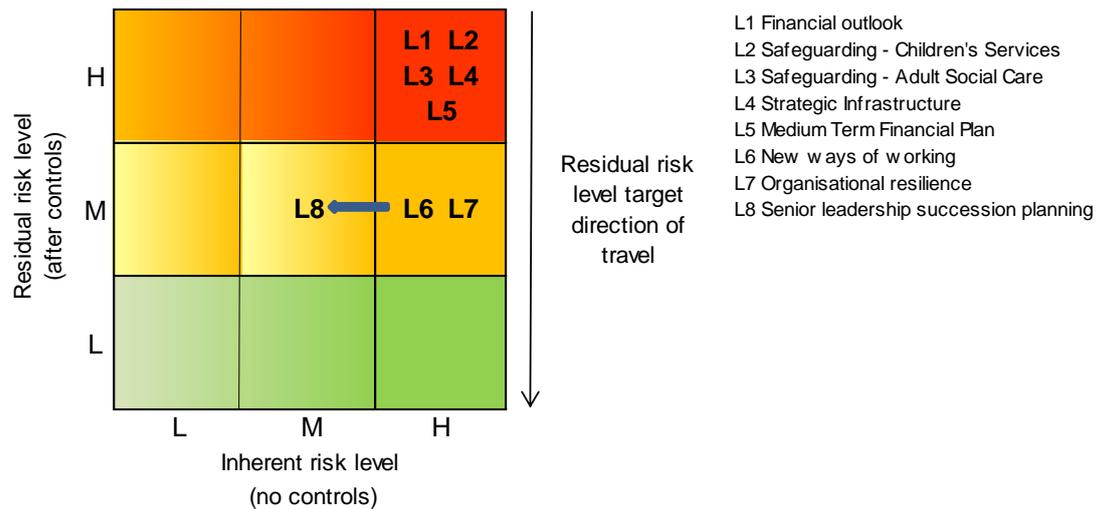
30. Since the Leadership risk register was last presented to the committee in March 2017 the following changes have been made;
- **Financial Outlook (L1)** – risk description, processes and controls updated to further reflect the financial position;
  - **Safeguarding** – Children's Services (**L2**) and Safeguarding – Adult Social Care (**L3**) – processes and controls have been updated;
  - **Strategic Infrastructure (L4)** – risk has been renamed (previously 'Devolution') and the risk description altered to reflect the broader scope of the risk. Processes and controls have also been updated.
  - **Medium Term Financial Plan (L5)** – updates to the processes and controls to reflect changes regarding the financial position.
  - **New Ways of Working (L6)** – risk description has been updated to reflect the broader aspects of the risk. Processes and controls have also been updated.
  - **Organisational Resilience (L7)** – risk description and processes updated.
  - **Senior Leadership Succession Planning (L8)** – the controls and processes have been updated.

Risk levels have been decreased for the following risks:

- **Senior Leadership Succession Planning (L8)** – the inherent risk level has been decreased from high to medium.

### Residual risk level

31. 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 or are being put in place, detailed on the risk register as both 'processes in place' and 'controls.'
32. There are eight risks on the Leadership risk register. Seven risks have high inherent risk levels and one risk (L8) has a medium inherent risk level, as illustrated in the table below. Despite mitigating actions, five of these risks have a high residual risk level (L1,L2,L3,L4,L5) and three risks have a medium residual risk level (L6,L7,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

33. 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

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

### Risk Management Implications

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

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### Sources/background papers:

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