



Audit & Governance Committee
24 May 2018

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 Audit and Governance Committee:

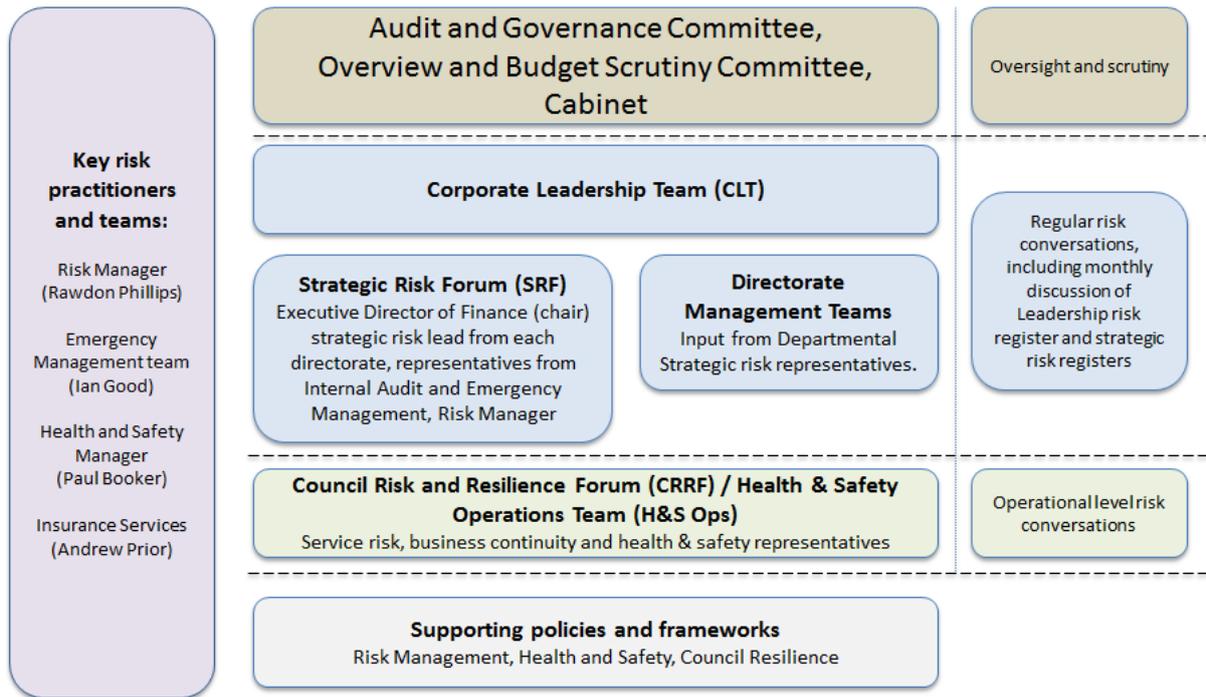
1. Consider the contents of the report and confirm they are satisfied with the risk management arrangements;
2. Commend the Risk management strategy to Council for inclusion in the Constitution (Annex A); and
3. Review the Leadership risk register (Annex B) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, Cabinet Member or 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 2017 to date and provides an update on the Leadership risk register.

Risk management arrangements

5. The diagram below describes the Council's risk governance arrangements;



- The **Corporate Leadership Team (CLT)** is provided with a monthly risk update from the Executive Director of Finance (strategic lead for risk management). The risk updates are focused on the Leadership risk register and emerging risks, but can also include the risk strategy and specific risk information such as the risk overview.
- The **Strategic Risk Forum (SRF)**, chaired by the Executive 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 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 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 2017/18

- The 2017/18 risk management plan identified three key risk management actions for the year and progress is summarised below.

Continue to ensure the Council's risk arrangements are fit for purpose and support new ways of working.

- 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 management of risk, 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 is flexible enough to address this. This is relevant in relation to new ways of working. An example of this has been the assessment of risks relating to cyber resilience issues and GDPR (General Data Protection Regulation) compliance.
14. In order to further strengthen risk management practice across the organisation, a series of risk management training sessions / workshops have been provided to the senior management teams in the Adult Social Care, Environment and Infrastructure, and Legal & Democratic Services Departments. A risk management workshop was also provided to the Senior Operational management team at the Surrey Fire and Rescue service. These training sessions and workshops helped to emphasis and further embed sound risk management practice, and to support managers in having more effective risk based conversations.
15. Ongoing support is also being provided to the Children's, Schools and Families Department involving an in depth review of Departmental and Service level risk registers with particular emphasis on the identification of new risks and the identification of relevant mitigation actions to ensure that risk registers are documenting the ongoing conversations about risk and supporting the management of risk going forward.

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

16. 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.
17. The Leadership risk register has been extensively reviewed by the Statutory Responsibilities Network (SRN) during 2017 / 2018 to ensure there is continued focus on the significant risks facing the organisation. This risk review function has now transferred to the Corporate Leadership team (CLT). The Leadership risk register now has seven risks, split into two sections of three strategic risks and four cross-cutting risks.
18. 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. Risk Management refresher training has been provided to Senior Management teams in the Adult Social Care, Children's, Schools and Families, Environment & Infrastructure, Legal & Democratic Services Departments, and also to Surrey Fire and Rescue Services to support effective risk management conversations.

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.

19. Risk Management is one of a set of services which provide assurance across the organisation. It is important that links between the Risk management, Internal audit and Business continuity functions are strengthened to maximise this assurance.

20. While Programmes and projects 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. The Departmental Strategic risk representatives form a link between directorate programmes and projects and corporate risk via the risk conversations undertaken at Strategic Risk Forum (SRF). The Risk Manager also continues to work closely with Internal audit, sharing information and providing advice on key risk areas, in particular in relation to programmes and projects.
21. Business continuity and Internal audit managers are both members of the Strategic Risk Forum (SRF) and consequently have been involved in the review and challenge of the Leadership Risk Register (LRR) on a regular basis. The Risk Management and Business Continuity teams are also both represented on the Council Risk and Resilience Forum (CRRF) which review operational risk management and business continuity plans.

Risk management strategy and plan

22. The Risk management strategy 2018-21 (Annex A) clearly sets out the Council's risk management approach, in alignment with the Corporate Strategy.
23. 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 2018/19 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 to ensure that sound risk management practice is further embedded.
 3. Continue to review the risk management arrangements in line with best practice.

Assurance

Internal audit review

24. 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 March 2018.
25. The overall Audit Opinion was 'Substantial Assurance' (the highest level available) with four recommendations made. All of these recommendations were considered 'low' priority.
26. The recommendations related to ensuring representation from all SRF attendees at future meetings, ensuring the latest version of the Risk Management Strategy is posted on s-net, ensuring 'cyber resilience' risk are reflected on Departmental level risk registers and ensuring any programme and project risks be consistent to facilitate any risk escalation.
27. All audit recommendations have been accepted and will be completed by the required deadlines agreed in the audit.

Leadership risk register

28. The Leadership risk register (Annex B) is owned by the Chief Executive and shows the Council's 7 key strategic risks as at 30 April 2018.

Changes to the Leadership risk register (LRR);

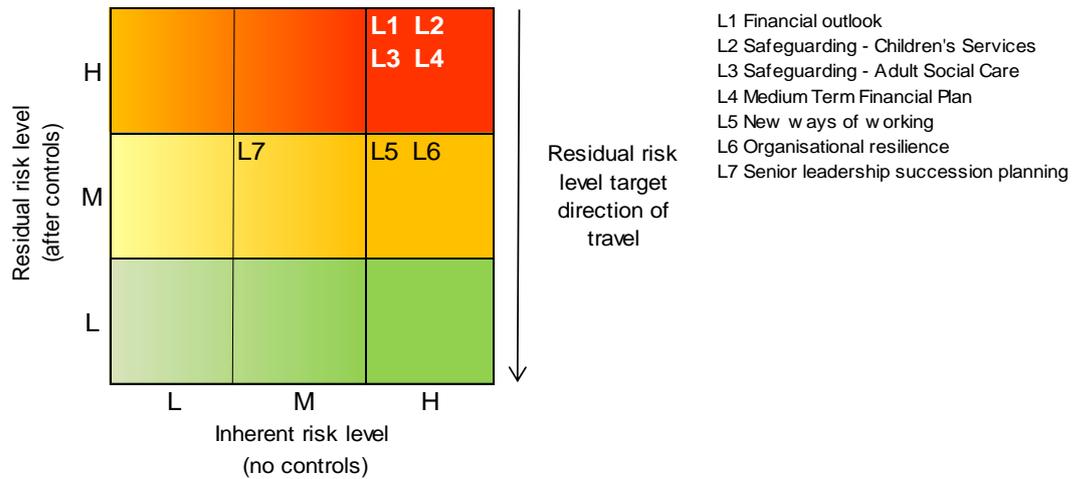
29. Since the Leadership risk register was last presented to the committee in April 2018 the following changes have been made;

- **Risk L1 (Financial Outlook)** – Removed reference to Members induction programme and added references to the development of a transformational programme for improved financial sustainability;
- **Risk L3 (Safeguarding- Adult Social Care)** – Updated reference to working with Surrey Safeguarding Adults Board.
- **Risk L4 (Medium Term Financial Plan)** – Additional references to detailed savings tracker, earlier budget planning and Members financial briefings.
- **Risk L5 (New Ways of Working)** – Removed reference to local oversight and challenge. Updated references to Governance arrangements and Sustainability and Transformation partnerships.
- **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.
- **Risk L7 (Senior Leadership Succession Planning)** – Processes and controls further updated to reference the changes to the leadership team.
- **Leadership level risk assessment criteria' table** : This is currently under review. Any amendments will be reported to the Audit & Governance Committee once the review is completed.

Residual risk level

30. The Surrey County Council 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.'

31. There are currently seven risks on the Leadership risk register, six of which have a high inherent risk level, as illustrated in the table below. Despite mitigating actions, four risks continue to have a high residual risk level (L1,L2,L3,L4), three have a medium residual risk level (L5,L6,L7), 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

32. There are no direct financial implications relating to the Leadership risk register.

Equalities and Diversity Implications

33. There are no direct equalities implications but any actions taken need to be consistent with the council's policies and procedures.

Risk Management Implications

34. Effective management of risks and financial controls supports the council to meet its objectives and enable value for money.

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