

**Audit Committee**

**28 February 2023**



## **Risk Management Policy and Strategy**

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### **Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Deputy Leader and Cabinet member for Finance**

### **Purpose of the Report**

- 1 For Audit Committee to consider and approve the Risk Management Policy and Strategy.

### **Executive summary**

- 2 A copy of the Risk Management Policy and Strategy is attached at appendix 2 of this report for consideration and approval.
- 3 Reviews in early 2023 by the Corporate Risk Management Group and CMT concluded that the document remains valid and consistent with the Council's approach to managing risk and, for this reason, no changes to the document are proposed.
- 4 The document aligns with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard ISO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).

### **Recommendation**

- 5 Audit Committee is requested to consider and approve the revised Risk Management Policy and Strategy, which is attached as Appendix 2.

## **Background**

- 6 The Risk Management Policy and Strategy contains a requirement that it should be reviewed annually, and this report presents the outcome of a review that has been undertaken by the Corporate Risk Management Group and CMT.

## **Review**

- 7 The policy and strategy were subjected to an in-depth review in January 2022 and significant changes were made to improve the format and content of the document. This review also ensured that the document aligns with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard ISO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).
- 8 Subsequent reviews in early 2023 by the Corporate Risk Management Group and CMT concluded that the document, attached as appendix 2, remains valid and consistent with the Council's approach to managing risk. For this reason, no changes to the document are proposed.

## **Background papers**

- None

## **Other useful documents**

- None

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

### **Finance**

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

### **Consultation**

None

### **Equality and Diversity / Public Sector Equality Duty**

None

### **Climate Change**

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

Staff training needs are addressed in the risk management training plan.

### **Accommodation**

None

### **Risk**

This report supports the delivery of the objectives of the Council's Risk Management Strategy.

## **Procurement**

Effective risk management supports the procurement function by minimising fraud, corruption, and non-compliance with legislation and good practice, thereby helping to secure value for money and effective service delivery.

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## Risk Management Policy and Strategy

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Version Date	Version Ref.	Revision History	Reviser	Approved By	Review Date
28 February 2023	10.1	No changes made.	Kevin Roberts	Audit Committee	February 2024

### Risk Management Policy Statement

As a modern local authority endeavouring to deliver quality services to its communities, Durham County Council recognises that risk is inherent to innovative service delivery. Risk is the threat that an event or action arising from uncertainty will adversely affect the ability to achieve objectives and to execute strategies successfully. Risk management is an important part of performance management and is crucial to the creation and protection of value and achievement of objectives and requires support from leaders and senior management. It provides direction and control through a set of co-ordinated activities, namely, communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, and reporting risk.

ISO 31000:2018 lists the following principles in its guidance on the characteristics of effective and efficient risk management. The principles are the foundation of managing risk and should be considered when establishing the organisation's risk management framework and processes.

- Integration with all organisational activities.
- A structured and comprehensive approach for consistent and comparable results.
- Processes that are customised and proportionate to internal and external context.
- Appropriate and timely involvement of stakeholders.
- Responsiveness to changes and events in an appropriate and timely manner.
- Best available information (timely, clear and available to relevant stakeholders).
- Consideration of human and cultural factors.
- Continual improvement through learning and experience.

The Council is committed to making risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the organisation, through the Risk Management Strategy.

The Risk Management Policy Statement and Strategy will be reviewed annually and approved by the Audit Committee.

## **Risk Management Strategy**

### **Aim**

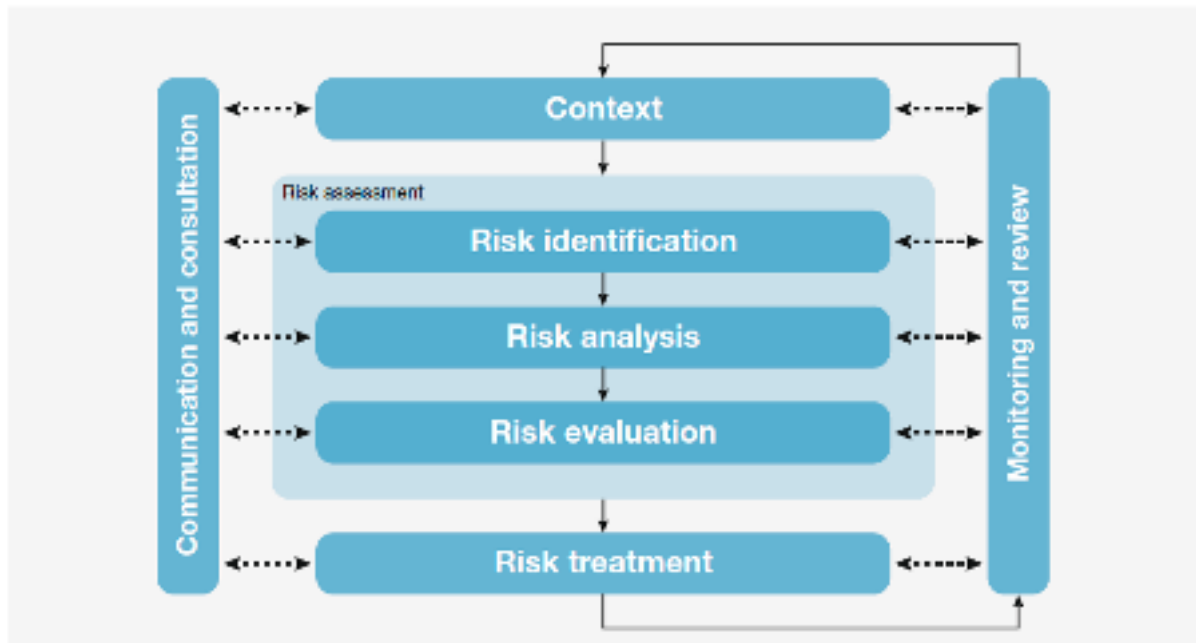
1. The aim of the risk management strategy is to make risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the Council.

### **Strategy Objectives**

2. The objectives of the strategy are to:
  - a) Support the Council's corporate governance framework.
  - b) Support informed, transparent, and risk-managed decision making.
  - c) Demonstrate improved outcomes, including the successful delivery of innovative and challenging projects.
  - d) Inform local communities and other stakeholders of the key risks faced by the Council and how it will manage those risks.
  - e) Promote risk management to all those connected with the delivery of services, including partners.
  - f) Enable the Council to anticipate and respond effectively to changing conditions.
  - g) Ensure that the approach to managing risk is proportionate to the risk involved and provides value for money.
  - h) Meet statutory and best practice requirements in relation to risk management.
  - i) Ensure that all parties understand their roles and responsibilities and are adequately skilled to perform these roles.
  - j) Ensure that risks relating to partnerships and collaborative working arrangements are considered to mitigate joint risks.

## Risk Management Approach

3. A systematic approach to the identification, prioritising and mitigation of risk according to the likelihood of occurrence and potential impact on the Council's services will be undertaken, adopting the following cycle:



*IRM process as described in ISO 31000*

4. Risk management will be an integral part of strategic planning and be embedded within the development of the MTFP, service improvement planning, performance management and key decisions by Cabinet.
5. Reports supporting a key decision will disclose details of the significant risks associated with that decision.
6. The Council will determine the risk appetite, which represents the maximum exposure to risk that it is prepared to tolerate.
7. Processes, procedures, roles and responsibilities to support this strategy will be documented in the Risk Management Manual.
8. The Council has nominated the Chief Finance Officer as the lead officer risk champion and the Deputy Leader and Portfolio Holder for Finance as the member risk champion.
9. Corporate risk management support will be provided by the Internal Audit and Risk Service and a dedicated Risk, Insurance and Governance Manager.

10. Each service grouping will have a designated officer (the service risk manager) to lead on risk management at a service grouping level and to act as a first point of contact for employees who require any advice or guidance on risk management.
11. Training will be provided regularly to ensure that employees and members have the necessary risk management knowledge and skills.
12. The Corporate Risk Management Group (CRMG) will be made up of the risk champions, service risk managers and the Corporate Risk, Insurance and Governance Manager.
13. The CRMG will monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting awareness training.
14. The Audit Committee will be responsible for reviewing the effectiveness of the Council's risk management arrangements, including approving any changes to the Council's Risk Management Policy Statement and Strategy.
15. Each risk identified will be assigned to a named owner, who will be responsible for completing a risk assessment and be accountable for ensuring that adequate mitigation of that risk is in place.
16. Risk assessments will include an evaluation of the impact on finance, service delivery and stakeholders should the risk materialise, and the likelihood that the risk will occur over a given period. The assessment will be confirmed by the service grouping management team, and chief officer will agree their risk register with the cabinet member responsible for their portfolio service.
17. Based on the appetite for risk, management will either tolerate, treat or transfer the risk, or where appropriate, terminate the activity which causes the risk to occur.
18. Strategic risk registers will be compiled with each risk linked to the relevant strategic objective, with a prioritised action plan to direct its risk management activity.
19. The risk management process will be continuous, and monitoring will be in place to regularly review the effectiveness of risk reduction strategies and to help identify and assess new or emerging risks and suitable controls.



20. Strategic risks will be reviewed three times each year in line with the risk management annual plan and status reports will be submitted to the Cabinet, Corporate Management Team and the Audit Committee.
21. To supplement, and to seek assurance on the effectiveness of, the Council's arrangements for comprehensively identifying risks that threaten the achievement of objectives or the successful execution of strategies, systematic monitoring of external, relevant information sources will be undertaken regularly. Examples include the World Economic Forum's annual Global Risks Report and the Institute of Internal Audit's Risk in Focus reports.
22. To supplement the reviews outlined above, the Audit Committee Chair and Vice-Chair will be given formal briefings by officers, as is necessary, on any risk issues arising between reviews. These briefings will be informed by consultation with Audit Committee members, heads of service and other risk owners.
23. Provision will be made for losses that might result from the risks that remain.
24. Acceptable levels of risk will be determined and insured against where appropriate.
25. The Council will maintain business continuity plans for implementation in the event of disaster that may result in significant loss or damage to its resources.
26. Internal Audit will provide independent assurance on the adequacy and effectiveness of the corporate strategic risk management process and work closely with service managers to help embed operational or inherent risk management. This helps ensure risk management is embedded across the council and supports the achievement of service and corporate objectives.
27. The Council will work closely with partners to mitigate joint risks.
28. For partnerships and collaborative working, services will identify, assess and manage the risk to the Council. Key areas of concern will be reported to service management teams and where applicable to the Corporate Management Team.
29. The Audit Committee will take appropriate action to ensure that corporate and service strategic risks are being actively managed.

30. Internal Audit will ensure that the Audit Plan includes a review of control systems for operational and strategic risk.
31. The Council will measure the performance of risk management against measurable outcomes, including finance, service performance, reputation, good governance, stakeholder benefits and lessons learned, and will benchmark risk management performance against other organisations.
32. Risk management will contribute to the overall corporate governance framework of the Council, including the Annual Governance Statement and the Code of Corporate Governance.
33. Resources will be allocated to embed risk management across the Authority.

### **Responsibility of Deputy Leader and Portfolio Holder for Finance**

34. Act as the member risk champion and liaise with the officer risk champion as and when necessary.

### **Responsibilities of the Audit Committee**

35. Promote a culture of risk awareness throughout the Council in conjunction with the Cabinet.
36. Approve the Council's Risk Management Policy Statement and Strategy.
37. Advise the Council and the Executive on audit and governance issues in order to provide independent assurance over the adequacy of the Council's risk management framework and associated control environment.

### **Responsibilities of the Chief Finance Officer**

38. Act as the officer risk champion and liaise with the member risk champion as and when necessary.
39. Maintain an effective corporate risk management function.
40. Prepare and promote the Council's Risk Management Policy Statement and Strategy throughout the Council.
41. Advise the CRMG, Corporate Management Team and Cabinet members on risk management issues
42. Monitor and review the management of strategic risks.

## **Responsibilities of the Corporate Risk Management Group**

43. Develop the Council's Risk Management Policy Statement and Strategy.
44. Help identify and assess strategic risks and determine appropriate mitigation strategies to manage identified risks effectively.
45. Monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting and awareness training.

## **Responsibility of Risk, Insurance and Governance Manager**

46. Chair the CRMG, provide advice and guidance on the identification, assessment and control of risks and lead on the development of the Council's Risk Management Policy Statement and Strategy and related procedures.
47. Facilitate the development, maintenance and review of strategic risk registers.
48. Support the development and maintenance and review of project risk registers.
49. Support the development, maintenance and review of risk assessments for Cabinet key decisions, key procurements and key partnerships.
50. Ensure that the Council's agreed risk management processes are communicated throughout the Council and that relevant risk management training is provided where appropriate.
51. Facilitate the regular review of strategic risks and report on behalf of the CRMG to the Corporate Management Team, the Audit Committee and Cabinet.

## **Responsibilities of Chief Officers**

52. Comply with the Council's Risk Management Policy Statement and Strategy.
53. Develop and maintain the internal control framework within their service groupings and to ensure that resources are properly applied.
54. Identify and manage the key risks which may impact on their respective service groupings and provide assurance that adequate controls are in place and working effectively to manage these risks where appropriate.

55. Have regard to advice from the Chief Finance Officer, the Corporate Risk, Insurance and Governance Manager and Service Risk Managers and other specialist officers (e.g., crime prevention, fire prevention, health and safety).
56. Nominate a service risk manager to work closely with the Corporate Risk and Governance Manager in determining strategic risk registers and their regular review.
57. Ensure that there are regular reviews of strategic, project and operational risk within their service area.
58. Notify the Chief Internal Auditor and Corporate Fraud Manager, and the Risk, Insurance and Governance Manager promptly of all significant new or emerging risks and how they intend to manage them.
59. Assist the Chief Finance Officer and the Risk, Insurance and Governance Manager in embedding risk throughout the Authority by ensuring that risk management processes are communicated to all staff within their Service Area via their service risk managers.
60. Ensure that all managers are aware of the Council's risk management arrangements and ensure that all senior managers participate in risk management training facilitated by the Risk, Insurance and Governance Manager.